Assess record for 'Disclosure of Non-Financial Information by Companies'

Meta Informations
Creation date: 28-01-2011
Last update date: null
User name: null
Case Number: 975862257431002811
Invitation Ref.
Status

Background Information
For the purpose of analysis of this consultation you want to be identified as - single choice reply - (compulsory)
Other
Representative organization of Consumer Cooperatives and Consumers and Users Association
Name(s) of respondent and of your organisation / company - open reply - (compulsory)
Country where your organisation / company is located - single choice reply - (compulsory)
ES - España
Please provide the name and location of parent company - open reply - (optional)
Your address - open reply - (optional)
Your e-mail address: - open reply - (optional)
Short description of the general activity of your organisation / company - open reply - (optional)
X groups and coordinates consumer cooperatives in Spain and represents to institutions and national and international forums. It exerts its action in its dual role as consumers and users association and business organization, one of its founding objectives to defend, inform and educate consumers about issues which may be of interest.
Is your organisation registered in the Interest Representative Register? No
If your organisation is not registered, you have the opportunity to register here before you submit your contribution.
Responses from organisations not registered will be published separately from the registered organisations.
Can the Commission contact you if further details on the information you submitted is required? - single choice reply - (compulsory)
No
Publication: Do you object to publication of the personal data on the grounds that such publication would harm your legitimate interests? - multiple choices reply - (optional)
I object

http://ec.europa.eu/yourvoice/ipm/forms/dispatch?userstate=View&id=975862257431002811... 8/02/2011
Questionnaire

1. How would you consider the current regime of disclosure of non-financial information applicable in your country? (single choice reply)
   - Poor

   Please explain
   In replying to this question, please provide information on what way current reporting provides useful information, and to what extent it is sufficiently tailored to the circumstances of the company. Please also comment on whether you find non-financial information useful for the decision-making of a company.
   - open reply (optional)

   In most of the countries, there's no specific legislative framework for non-financial reporting. As result, non-financial reporting seems to be used by most companies simply as a public relations tool rather than as a tool which can help management identify and understand the social and environmental issues which are at the heart of their business. Many companies that carry out activities with serious social and environmental impacts don't disclose any non-financial information at all. Despite various attempts to establish common reporting standards, the voluntary reports currently produced by companies contain data on environmental and social issues that is at best difficult, and at worst virtually impossible to compare. Information is provided selectively, with companies often choosing not to report the worst environmental, social or even human rights impacts associated with their activities, and focusing instead on less controversial topics. Although companies reporting on non-financial issues apparently invest a lot of energy and resources in producing their reports, these are often of little value to either their stakeholders or the general public and are often unnecessarily complex and difficult to understand. In countries that have introduced regulations on non-financial reporting, such as France or Norway, experience shows that the effectiveness can be undermined due to a general lack of clear duties, enforcement mechanisms, and detailed rules on the content of the reports. For more detailed information on this issue please see answer to question 2. In the current situation, members of the public and communities adversely affected by a company's activities don't have access to the information they need to assess the company's accountability. Shareholders and investors do not have a clear picture of a company's performance or of its long-term sustainability. This lack of information also prevents some EU policies promoting sustainable development from achieving their full impact, such as the policy on sustainable public procurement or the European Investment Bank policy on corporate social responsibility (CSR) intended to ensure that ElB-funded projects meet environmental and social standards/criteria. Nevertheless, non-financial information is important for companies' decision-making. Without the right information about the risks to public and to a company itself arising from any social and environmental abuses resulting from its operations or from its investments, shareholders and management can easily underestimate the potential impacts. This can have serious consequences for a company's relations with its stakeholders and the general public, its financial position and even the general shaping of company's future development as well as on company's liability. Yet the current regime disadvantages those companies that do fully analyse and disclose information about the risks they face and the steps they have taken to deal with them. These companies might incur higher short-term costs, and, more importantly, they expose themselves to a level of public scrutiny that is avoided by other companies who opt not to reveal such information. In this way companies are incentivised not to behave responsibly because the merits of responsible behaviour cannot be compared objectively with their competitors and peers. This seriously undermines the European Commission declared objective of promoting Corporate Social Responsibility (CSR).

2. Have you evaluated the effects, and costs and benefits, of any current corporate disclosure of environmental and social information? (single choice reply - compulsory)

   Please explain - open reply (optional)

   The ECCJ member organizations, such as the Spanish Observatory of Corporate and Social Responsibility, have been following various environmental and social problems associated with the operation of certain multinational companies and whole sectors of business. Their common experience is that lack of transparency is often a decisive factor inhibiting solving those problems and that it is an exception that involved companies voluntarily disclose crucial information. In the response of the European Coalition for Corporate Justice to this public consultation will include interesting examples that demonstrate the lack of transparency and value of information in the context of specific cases.

3. If you think that the current regime of disclosure of non-financial information should be improved, how do you suggest that this should be done?

   Please explain - open reply (optional)

   The EU should introduce legal requirements for multi-national enterprises (MNEs) to report on the impacts and risk of their operations both in the EU and internationally, with the introduction of mandatory, clear, audible,
comparable and enforceable standards for large and medium-sized companies. The standards should be based on international conventions listed in Annex III of the EU Generalized System of Preferences. The corporate disclosure of non-financial information should: be mandatory (regardless of the materiality of such information to the financial position of the reporting company); be based on clear indicators; form a part of the annual financial report sent to the regulatory authorities. be requested from medium and large-sized companies (but not from small companies) extend to all organisations that the reporting company can control (in particular companies should describe their supply chain and identify their suppliers to ensure traceability of their products). Include a description of violations and risk of violations of international standards for human rights and environmental protection as a result of company’s operations or the operations of its subsidiaries, suppliers or subcontractors. This description should provide objective data on facts and figures constituting relevant risks and violations. be subject to independent review; and in the event that the company fails to accurately report the information required, it should be liable to effective, proportionate and dissuasive sanctions - be enforceable by members of the public; in particular those who depend on access to this information to be able to exercise their rights should be able to challenge any failure to provide that information in the courts. The courts should also have power to require the disclosure of information and to impose sanctions on any company that has failed to report.

4. In your opinion, should companies be required to disclose the following (check all relevant boxes): - multiple choices reply - (optional)

- Performance Indicators (KPIs) would be required to disclose the following (check all relevant boxes): -

Other, please specify - open reply - (compulsory)

See above

The principal business risks and opportunities arising from social and environmental issues, and how they are taken into account in company strategy. Key information regarding issues such as employee engagement (e.g.: employee training policy; equality and diversity, etc.); customer satisfaction (e.g.: customer loyalty); public perception of the company (e.g.: stakeholder dialogue); environmental policies (e.g.: energy efficiency, waste reduction); and innovation (e.g.: R&D expenditure).

Other

5. In your opinion, for an ED measure on reporting of non-financial information to achieve materiality and comparability it should be based (check all relevant boxes): - multiple choices reply - (optional)

Principles

- General for all economic sectors

Key Performance Indicators (KPIs)

Other

5a) In case you consider that Key Performance Indicators (KPIs) would be useful, would you think that they should be (check all relevant boxes): - multiple choices reply - (compulsory)

5b) Please indicate which indicators you would consider to be the most relevant for all economic Sectors - open reply - (optional)

The most relevant indicators for all economic sectors should reflect company performance in areas regulated by existing international legal frameworks, in particular in the areas of human rights (of most relevance to all industry sectors would be labour rights), and corruption. Other, please specify - open reply - (compulsory)

Companies should have to identify where there is a risk that international standards for human rights, environmental protection and corruption could be violated in their operations and where there was an actual violation. This may or may not be framed as a KPI, but must be understood as requiring a full analysis of the impacts of the company’s operations. As indicated above, this new EU measure should include non-financial reporting based on mandatory requirements, but these should be complemented by non-legal key performance indicators for different sectors so that companies can effectively report on non-financial issues. The mandatory requirements should be based on the conventions contained in Annex III of the EU Generalized System of Preferences. The key performance indicators should be developed through consultation with stakeholders, drawing on existing instruments such as the Global Reporting Initiative (GRI).
6. In your opinion, what should be the process to identify relevant principles and/or indicators (whether general or sector-specific)?

Please explain

In replying to this question, please comment on whether the Commission should endorse or make reference to any existing international frameworks (or a part of them), such as Global Reporting Initiative (GRI), UN Global Compact, the OECD Guidelines, ISO 26000, or other frameworks; or whether companies should be required to select relevant indicators together with their investors and other stakeholders and to disclose information according to such indicators, depending on the use that different stakeholders would make of such information.

- open reply- (optional)

To answer this it is necessary to distinguish between reporting on legally and internationally recognized human rights and environmental standards on the one hand and CSR issues on the other. As stated above, the main reporting obligations under the new measure should consist of principles and indicators developed in accordance with the international conventions on human rights, environmental protection and anti-corruption issues contained in Annex II of the EU Generalized System of Preferences. They should also draw on the work of the UN Special Representative on Business and Human Rights - and should reflect gaps in governance which he has identified. In short, companies should be required to report on risks of human rights violations, breaches of international environmental standards and risks of bribery that might occur as a result of their operations or as a result of operations under their control, such as the operations of subsidiaries, suppliers or joint venture partners, and companies should report on steps taken to avoid such risks. In this, the OECD Guidelines might provide a useful reference. In order to develop key performance indicators to further clarify the mandatory reporting requirements, the European Commission should also refer to the voluntary standards mentioned above, such as the GRI, ISO 26000 or UN Global Compact. A sector specific approach may also be advisable for CSR, taking special account of the views of socially responsible investors. The Commission should also map out all EU policies which depend on or which might in some way be affected by greater corporate transparency. These might include issues such as tackling climate change, promoting sustainable public procurement, the previously-mentioned EIB policies, and consumer protection policies. The Commission should identify the most relevant indicators and these should be made compulsory. While companies might report on additional issues, reporting on these core indicators should not be discretionary to ensure that the reporting process is meaningful. The European Commission should also take account of the perspective and opinions of the victims of corporate abuses, in particular those from developing countries who are so often left out. The Commission should also look at the available statistics and case studies, including examples of good practice, in order to determine what is needed and feasible.

7. In your opinion, should companies be required to disclose the steps they take to fulfill the corporate responsibility to respect human rights?

Please explain- open reply- (optional)

Respecting the law is the most basic requirement for doing business. Yet, the multinational enterprises active in the EU have increasingly been associated with on-going gross environmental and human rights violations both within the EU and internationally, as documented by civil society groups, academia and the EU itself. Requiring companies to disclose how they deal with their duty to respect human rights could be an effective way of ensuring respect for human rights in business operations. As the UN Special Representative on business and human rights, John Ruggie has said: "The root cause of the business and human rights predicament today lies in the governance gaps created by globalisation and/or transnational liability with respect to human rights. Requiring parent companies to report on human rights issues in respect of all of their operations is an intelligent and less intrusive way of bridging these gaps. Given that in some European countries, companies or directors arguably already have a duty of care to take steps to prevent the risk of human rights and environmental abuses, it would be useful to clarify what such steps might be. Requiring companies to report steps taken could help other companies facing similar risks to understand what steps they need to take. Also, the ability of people affected by corporate abuses to exercise their human rights often depends on access to information held exclusively by the company involved. A situation where human rights cannot be enforced because companies are not required to disclose such information and where EU companies (or businesses benefiting from the E.U. market) can profit from this cannot be maintained. Such a situation is damaging for the international reputation of the EU and also affects the competitiveness of responsible entrepreneurs, whether these are multinational companies or small and medium-sized companies operating and producing in the EU.

8. In your opinion, should companies be required to disclose the risks they face and the policies they have in the

http://ec.europa.eu/yourvoice/ipm/forms/dispatch?userstate=View&id=9758622574310... 8/02/2011
The reasons for tackling corruption have been well analyzed in OECD and UN documents. In nutshell, as the preamble of the UN Convention against Corruption states: “Corruption poses serious threats to the stability and security of societies, undermining the institutions and values of democracy, ethical values and justice and jeopardizing sustainable development and the rule of law”. The OECD Antibribery Convention and UN Anticorruption Convention set an international legal framework for combating corruption and bribery which includes the concept of corporate liability and transnational liability. Some EU states have rigorously implemented this framework, the most recent example is the 2010 UK Bribery Act which requires the parent companies of businesses connected to the UK market to avoid corruption of foreign officials and to ensure that their subsidiaries or other agents refrain from it too. The UK experience, as well as the experience of other states including Germany, France, Switzerland and the US, appears to be successful in fighting the corruption. Harmonizing the rules on corporate reporting on corruption issues would: · help level the playing field (so that all companies in EU had to meet the same standards) · make it easier to assert liability where the existing legal framework is violated · Incentivise/encourage companies to establish ways of avoiding bribery.

9. In your opinion, what companies should be required to disclose non-financial information (check only one box)? single choice reply: (compulsory)
- Medium-sized & Large companies (listed and non-listed)

10. In your opinion, should institutional investors be subject to specific or additional disclosure requirements, for example to disclose whether and how they take into account environmental and social issues in their investment decisions? single choice reply: (compulsory)
- Yes

In replying to this question, please provide information on which issues seem to be the most relevant and why; and which institutional investors should be subject to such an obligation.
- open reply: (optional)

Such information would make it easier for members of the public and socially responsible investors to consider environmental and social issues when making investment decisions. However, there is also a need for enforcement and sanction mechanisms for ensuring that investors are not simply implementing their own policies. The European Commission should also develop a mandatory framework specifically for this kind of reporting, requiring institutional investors to answer specific questions.

11. In your opinion, should European policy promote the concept of “integrated reporting”? single choice reply: (compulsory)
- Yes

Integrated reporting refers to a report that integrates the company’s key financial and non-financial information to show the relationship between financial and non-financial performance (environmental, social, and governance).
- open reply: (optional)

According to a study carried out at the Edinburgh University on the existing legal framework for human rights and the environment applicable to European Union companies operating outside the EU, commissioned by DG Enterprise and Industry, human rights and environmental issues are relevant to the financial performance of a company. Therefore, annual reports should include an analysis of the financial risks for a company of human rights and environmental abuses resulting from the company’s operations. However, this should not limit the requirement to report on non-financial issues to only those that are perceived as relevant to a company’s financial performance. This could produce undesired effects, potentially marginalizing important issues that do not directly affect the financial position of a company but that could have great negative impacts for...
communities or the environment, and would not result in a simple and straightforward reporting framework. It should also be noted that some company activities that involve even the most serious human rights abuses can be profitable, at least in the short term, because they occur in areas where there is weak governance and the company is not under any pressure to conform to human rights standards.

12. In your opinion, should disclosed non-financial information be audited by external auditors? [Single choice reply - compulsory]

Yes

Please explain

In replying to this question please provide any evidence you may have regarding costs of auditing non-financial information, as well as your views on other possible forms of independent reviews besides external auditing.

- Open reply - (optional)

If the information is not audited, there is a risk that relevant information could be omitted from a large part of reports, because there would be no incentive for companies to fulfill this obligation. It would be also more likely to happen that companies would provide incorrect or misleading information, if there is no external audit. This would be most likely to occur when companies are knowingly involved in human rights and environmental abuses. They are unlikely to voluntarily provide the right information. A reporting obligation should also ensure the following: 1. The auditors should receive and review information from third parties prior to completion of the audit. 2. Most importantly, members of the public, in particular those who depend on the information held by the company to exercise their rights, should have access to legal procedures to challenge any failure to provide that information, where the courts have the power to require such information to be disclosed and for sanctions to be imposed. This would provide an important and effective mechanism to ensure that companies fulfill their reporting obligation as required. Should a company fail to accurately report as required, it should be liable to effective, proportionate and dissuasive sanctions.

13. If you have relevant documents you want to share with us, please attach them here, (optional)

- Multiple choices reply - (optional)

PRINT 
EXPRESS RECOR