



RSM Belgium SUSTAINABILITY NEWSLETTER N° 2016-1

European Directive 2014/95/EU regarding the disclosure of non financial and diversity information by certain large undertakings or groups

1. Entities to which the directive applies

The European directive is applicable to **large listed and public interest entities and groups** that count more than **500 employees** on average during the year (on a consolidated basis for groups)

To be considered **large**, an entity or a group should reach at least 2 out of the 3 criteria :

- Balance sheet total : € 20 000.000 (on a consolidated basis for groups)
- Net turnover : € 40.000.000 (on a consolidated basis for groups)
- Average number of employees during the year: 250 000 (on a consolidated basis for groups).

This means that about 6.000 companies are concerned.

2. Objective of the directive

The directive aims at making it compulsory for those entities to report on corporate social responsibility in the annual report

- In order to increase the level of transparency and comparability of the social and environmental information published by companies of different sectors
- To list sustainability risks
- To increase the trust of investors and consumers

3. Which information should be disclosed

The **non-financial statement** should contain “*information relating to at least environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. Such statement should include a description of the policies, outcomes and risks related to those matters and should be included in the management report of the undertaking concerned*”.

The non-financial statement should also **include** information on:

- A brief description of the undertaking's **business model**
- A description of the **policies** pursued by the undertaking in relation to those matters, including due diligence processes implemented & the outcome of those policies

- The principal **risks** related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks.
- Non-financial **key performance indicators** relevant to the particular business.

In more details, this means :

- As regards environmental matters, details of the current and foreseeable impacts of the undertaking's operations on the environment, and, as appropriate, on health and safety, the use of renewable and/or non-renewable energy, greenhouse gas emissions, water use and air pollution.
- As regards social and employee-related matters, the actions taken to ensure gender equality, implementation of fundamental conventions of the International Labour Organisation, working conditions, social dialogue, respect for the right of workers to be informed and consulted, respect for trade union rights, health and safety at work and the dialogue with local communities, and/or the actions taken to ensure the protection and the development of those communities.
- With regard to human rights, anti-corruption and bribery, the non-financial statement could include information on the prevention of human rights abuses and/or on instruments in place to fight corruption and bribery.

When an entity does not apply some of these elements, the reporting on non-financial information should include a clear and motivated explanation of the reasons justifying the situation (**comply or explain rule**).

Member states have an option to allow certain non-financial information **not to be disclosed**:

- In exceptional cases
- After motivated opinion of the board
- When the information disclosure would harm the commercial position of the entity
- When this omission does not prevent a good and balanced comprehension of the evolution of affairs, performance and of the situation of the entity.


As regards **diversity** policies, **listed companies** have an obligation to publish a description of the diversity policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to aspects such as

- Age
- Gender
- Educational and professional backgrounds,
- The objectives of that diversity policy,
- How it has been implemented and the results in the reporting period.
- If no such policy is applied, the statement shall contain an explanation as to why this is the case.

4. Which Reporting standards can be used & how should the information be disclosed

Several reporting standards can be used, for example :

- Global reporting Initiative (GRI)

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- ISO 26000
 - UN Global compact
 - OECD guidelines
 - EMAS
 - Etc.

The non-financial information will be included in **the annual report**. Member states have the option to authorize the information to be included in a separate report provided it is published at the same time as the management report, covers the same accounting year, is published on the website of the entity at the latest 6 months after accounting closing date.

Statutory auditors check that the non-financial reporting has been prepared when compulsory. Optionally, member states can require that the information be checked by an independent professional.

5. Implementation

This directive will apply in Belgium from accounting year 2017.

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In order to meet your needs, RSM Belgium relies on more than 150 professionals in 5 locations, in the 3 regions of the country.
Our sustainability team relies on partners and staff members with a specific knowledge and experience in the field of corporate social responsibility.
We help you prepare or give assurance on your company's non-financial information with the highest degree of security and confidence.*

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