

# Mandatory sustainability reporting



Seminar at SNS, 26 May 2016

# The EU Directive



- Directive 2014/95/EU amending the Accounting Directive 2013/34/EU
- Contains requirements for certain large entities to publish a “non-financial statement” and requirements for certain large listed entities to disclose their diversity policy
- Should be implemented into national law by 6 December 2016
- Draft bill presented to Council on Legislation on 19 May 2016

# Which companies are covered?

The Directive	The Swedish proposal
<p>The requirement applies to entities that are</p> <ul style="list-style-type: none"><li>• <b>Large undertakings</b>, i.e. entities that exceed at least two of the three following criteria:<ol style="list-style-type: none"><li>i. Balance sheet total MEUR 20</li><li>ii. Net turnover MEUR 40</li><li>iii. Average number of employees 250</li></ol></li><li>• which are <b>PIEs</b>, and</li><li>• have more than <b>500 employees</b></li></ul>	<p>The requirement applies to entities that, during each of the last two financial years, have exceeded more than one of the following three criteria:</p> <ol style="list-style-type: none"><li>i. Balance sheet total MSEK 175</li><li>ii. Net turnover MSEK 350</li><li>iii. Average number of employees 250</li></ol> <p><del>• which are PIEs, and</del></p> <p><del>• have more than 500 employees</del></p>

# What should be reported?



- Sustainability information necessary for an understanding of the entity's development, performance, position and impact of its activity relating to, at least:
  - environmental matters
  - social and employee matters
  - respect for human rights
  - anti-corruption and bribery matters

## What should be reported?, cont.



- The report should contain information on:
  - business model
  - policies pursued
  - outcome of policies
  - principal risks linked to the operations
  - how the entity manages those risks
  - relevant “non-financial” key performance indicators
  - references to financial statements (if appropriate)
  - specification of frameworks
  - “comply or explain”



## How should the information be published?



- The sustainability report should either be included in the management report or be prepared as a separate report
  - same content requirements for separate report as for integrated report
  - board's responsibility
  - no requirement to sign a separate report

## How should the information be published?, cont.



- A separate report must be published together with the management report or by making it available on the entity's website within six months after the balance sheet date
- No verification by independent assurance service provider required
  - the auditor should check that a report has been provided

# Consolidated sustainability report

## The Directive

The requirement applies to PIEs that are parent undertakings of a large group, having more than 500 employees

## The Swedish proposal

The requirement applies to

- PIEs that are parent undertakings of a “large group” pursuant to the Accounting Directive definition, and
- parent undertakings which are “large undertakings” pursuant to the Accounting Directive definition



## Commission non-binding guidelines



- The EU Commission will prepare non-binding guidelines on methodology for reporting non-financial information
  - non-financial key performance indicators (both general and sectoral)
  - consultation during winter/spring 2016
  - final guidelines to be published by 6 December 2016

## What's next?



- Swedish legislation proposed to enter into force on 1 December 2016
  - should be applied to financial years starting 1 January 2017 or later during 2017
  - first mandatory reports published in 2018



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