



Need to know

EC adopts guidelines on the EU Non-Financial Reporting Directive

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This edition of Need to Know outlines the new European Commission guidelines on the European Union Non-Financial Reporting Directive.

In a nutshell

- The European Commission has adopted guidelines to help companies disclose information required by the EU Non-Financial Reporting Directive in a consistent and comparable manner. These voluntary guidelines do not extend the scope of the Directive, but may influence how companies interpret it.
- The Directive was published in November 2014 and brought into UK law as part of the Strategic Report in the Companies Act 2006. It applies to undertakings within its scope for years starting on or after 1 January 2017.
- The Directive is broadly similar to the existing UK narrative reporting framework for quoted companies, although there are some differences including the scope (e.g. some unquoted companies are in scope) and the inclusion of some additional matters (e.g. anti-corruption and bribery) for commentary.
- The FRC is currently updating its Guidance on the Strategic Report, which reflects, amongst other things, the implementation of the Directive in the UK. As this is drafted in the context of the UK reporting environment, companies may consider this to be a more comprehensive and practical guide to the requirements. It is due out this summer.

Background

In November 2014 the European Union (EU) published a Directive on disclosure of non-financial and diversity information by large companies and groups ([2014/95/EU](#)) (the Directive), which was enacted in the UK in Regulations applying to financial years beginning on or after 1 January 2017. Companies falling within its scope have to disclose relevant information on policies, risks and results as regards environmental matters, social and employee-related aspects, as well as respect for human rights, anti-corruption and bribery issues, and diversity on the boards of directors.

The UK Regulations and their scope are discussed in full in our [Need to Know on Non-Financial Reporting Regulations](#).

For more information please see the following websites:

www.ukaccountingplus.co.uk

www.deloitte.co.uk

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Need to know

The UK is considered to be a world leader in the Corporate Reporting space. Its non-financial reporting requirements have developed substantially in recent years in response to increasing investor interest in those environmental and broader social issues that impact an organisation's ability to create value in the longer term. Non-financial reporting information, including information about a company's strategy and how it responds to risks and opportunities to deliver returns, enables businesses to communicate the contribution they have made to society, thereby strengthening trust with all stakeholders.

The Directive is broadly similar to the existing UK narrative reporting framework for quoted companies, although there are some differences including the scope (e.g. some unquoted companies are in scope) and the inclusion of some additional matters (e.g. anti-corruption and bribery) for commentary. The non-financial statement required by the Directive forms part of the Strategic Report.

Guidelines

The Commission adopted guidelines on 26 June 2017 to help companies disclose non-financial and diversity information in a relevant, useful, consistent and comparable manner, and to provide a principle-based methodology that would be relevant to all companies. The Commission developed these guidelines following public consultation and taking into account relevant developments in non-financial reporting in jurisdictions across the EU and at international level. For example, many of the requirements are within the spirit of the International Integrated Reporting Council's <IR> Framework. Furthermore, the guidelines say a company may use other named reporting frameworks when preparing their non-financial statement, including the FRC's guidance on the strategic report.

As this communication has the status of voluntary guidance it does not extend the scope of the underlying Directive.

The guidelines contain first a section on the key principles that are the foundation for the required disclosures. The structure reflects the structure of the underlying Directive, covering the content of the non-financial statement and disclosure on diversity. Each section in the guidelines quotes from the Directive, provides more detailed guidance, and then in some cases provides examples of possible disclosures and key performance indicators that companies could adopt.

Observation

The FRC will shortly be issuing a draft update of its Guidance on the Strategic Report, which reflects, amongst other things, the implementation of the Directive in the UK. As this is drafted in the context of the UK reporting environment, companies may consider this to be a more comprehensive and practical guide to the requirements.

Further information

If you have any questions about the subject raised in this publication, please speak to your normal Deloitte contact. More information on UK corporate reporting, as well as other UK accounting and corporate governance news and publications, can be found at www.ukaccountingplus.co.uk/

[Need to Know on Non-Financial Reporting Regulations \(Apr 2017\)](#)

[Directive on 2014/95/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups](#)

[The EC guidelines on non-financial reporting](#)

[The FAQ on the EC guidelines on non-financial reporting](#)

[The UK Companies, Partnerships and Groups \(Accounts and Non-Financial Reporting\) Regulations 2016](#)



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