

# AMNESTY INTERNATIONAL

## PUBLIC STATEMENT

### **EU member states must urgently act to ensure European-wide Corporate Social Responsibility: Non Financial Reporting proposal 2013/0110 (COD)**

**(Brussels, 24 February 2014)** Amnesty International is disappointed that the European Union (EU) member states refused last week to approve a compromise text to support the European Commission's legal initiative to strengthen the transparency and accountability of European businesses on the social and environmental impact of their operations.

Endorsement of the text would have paved the way for businesses to include information on the social and environmental impact of their work in their annual reporting, making the EU a key player in the field of corporate social responsibility.

Following the Commission's proposal on the Non-Financial Reporting (2013/0110), the European Parliament's (EP) Legal Affairs Committee (JURI) and the European Council started legislative negotiations last December. After difficult negotiations, a compromise text was agreed, requiring the disclosure of non-financial information (such as the social and environmental impact of operations) be part of or linked to companies' annual management reports, referencing issues arising from the supply chain. It further required companies to report on their due diligence procedures<sup>1</sup> and procedures to mitigate social and environmental risks.

Such a disclosure requirement would allow communities, workers and citizens to access information on how business operations might affect them, and empower shareholders to hold management accountable beyond the sole financial performance of a company. It would also prevent European businesses from cooperating with suppliers which flout the human rights of their employees.

Given the social and environmental importance of such legislation, the EP, in the course of negotiations, sought maximum compromises with the member states to ensure the legislation went through. As a result, the Commission's initial proposal was expanded, enabling member

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<sup>1</sup> Proper due diligence processes could, for instance, have raised the alarm in cases such as the collapse of the garment factory Rana Plaza in Bangladesh in April 2013 which killed over 1000 people.

states to allow for exemptions from non-financial reporting obligations, and providing businesses with a flexible choice of reporting frameworks.

The decision on Wednesday 12 February of the Committee of the Permanent Representatives (COREPER) not to endorse the compromise text fails to take into consideration the rigorous work and compromises by the EP, and undermines the EU's role in protecting human rights.

Amnesty International understands that Germany, Poland, Lithuania and Estonia were part of the minority blocking the compromise text. France, which since 2010 has required its businesses to disclose the social and environmental consequences of their activities in their annual reports, abstained from voting, deeming the compromise weak and limited in scope.

Despite a common understanding that the institutional negotiations had been finalised, member states now intend to demand further changes to the legislation. This would severely cut its scope by further reducing the number of businesses covered by the legislation and by excluding risks and impacts occurring within the supply chain. Businesses regularly outsource operations and depend on global supply chains where human rights violations frequently occur. Such changes would rob the reporting requirement of its meaning. As a result, the EP is imminently considering withdrawing its support, taking the legislation off the table.

An agreement must be found within days if the EP is to officially endorse the compromise text before its term comes to an end. Amnesty International calls for member states to take their human rights responsibilities seriously, and endorse meaningful, transparent and accountable non-financial disclosure requirements for business, for the benefit of all.