

FACTSHEET



Financial and non-financial information practices and reporting as tools for workers' involvement in the company's decisions.

Spain¹

Introduction. Financial and Non-financial information in multinational companies.

- With the entry into force of **Directive 2014/95/EU**, transposed in Spain by the **Royal Decree-Law no. 18/2017** and the **Law no. 11/2018**, large groups and listed companies are asked to be more transparent with respect to their activities and to provide specific information on company's policies and the impact generated by the economic activity on workers, the environment and in the community in which they operate. Directive 2014/95/EU has, in addition, amended **Directive 2013/34/EU** on annual financial statements, consolidated financial statements and sustainability reports, which was introduced to promote the convergence of accounting standards globally and ensure consistent and comparable financial reporting across the EU.

FINANCIAL INFORMATION

Data contained in annual or consolidated financial statements and in management reports on the basis of which the financial statements are prepared. The purpose of Directive 2013/34/EU (so-called *Accounting Directive*) is to harmonise national requirements on the presentation and content of annual or consolidated financial statements, their audit and publication, and management's responsibility for what is stated.

NON-FINANCIAL INFORMATION

Information about the company's policies on working conditions, gender equality, social dialogue, health and safety, board diversity, corruption and anti-corruption, environmental protection and respect for human rights, and social responsibility. Companies subject to the *Non-Financial Reporting (NFR) Directive* must provide a fair and comprehensive report of their policies on these issues and results.

Financial and non-financial reporting is an important opportunity for workers' representatives and trade unions to initiate or reinforce **social dialogue** and obtain key information on management policies adopted by the company that is useful for **information and consultation** processes. Prior information and consultation are essential to the involvement of workers and their representatives in company's decisions before they are taken. European legislation states that workers must be sufficiently informed and consulted upstream of the company's decision-making process.

¹ Edited by the Fundación 1º de Mayo.

Overview of reporting practices and of the different Spanish cultural and economic background

In the Spanish economic system, at least until 2005, there were no obligations to disclose information of a social and/or environmental nature. It was left to the voluntary initiative of those companies most oriented towards the values of sustainability and the common benefits. The first provision of the possibility to include non-financial indicators, regarding the company's activities and concerning information relating to the environment and personnel, in the annual report dates back to Law no. 62/2003 implementing Directive 2003/51/EC (Accounts Modernisation Directive).

The Spanish legislator has indicated non-financial key performance indicators to enable monitoring and evaluation progress and to facilitate comparability across companies and sectors, in accordance with national, European or International frameworks of reference used in each subject area (environmental, personnel, human rights, fight against corruption and bribery and information about the company).

With Law no. 11/2018, the obligation of non-financial reporting and disclosure of information on the diversity of corporate bodies has a broader scope affecting public interest companies and large companies (and from December 2021, also companies larger than 250 employees)

Examples of mandatory non-financial (and also financial) reporting are those provided for Sustainable economy (Law no. 2/2011), Transparency, access to information and good governance (Law no. 13/2013), Saving Banks and Banking Foundations (Law no. 26/2013).

The *NFR Directive* came into force for all EU Member States in 2018.

It applies to large groups, such as listed companies, banks and insurance companies, with more than 500 employees, a minimum balance sheet of 20M euros and an annual net turnover of at least 40M euros.

It requires certain information to be made public on how social and environmental challenges are managed.



Implementation of Non-financial reporting Directive in Spain

Spain was one of the last EU countries to transpose the Directive on the disclosure of non-financial information through **Law no. 18/2017** and **Law no. 11/2018**. The second, which is more ambitious, came into force for in December 2018. The aim is to provide integrated and complementary information to the annual report, which is necessary to understand the activities carried out and the results achieved. By requiring transparency through key indicators on the triple bottom line (economical, environmental and social). It allows stakeholders to assess the non-financial performance of companies and to identify sustainability risks, thus encouraging companies to develop a responsible approach.

The information to be provided must be accurate, comparable and verifiable, and it have to cover the relevant issues set out in the Law, taking into account, on the one hand, the activities and characteristics of the company and, on the other hand, the National, European and International regulatory frameworks. To this end, companies are required to carry out a materiality analysis, in which the main aspects related to sustainability are assessed.

The Spanish legislator has not admitted the possibility of not providing information considered sensitive.

The State Council for Corporate Social Responsibility (CERSE) has been provided as the competent authority for the government assessment in CSR matters, but without capacity of application of administrative pecuniary sanctions.



Reporting practices of non-financial information at national level

Law no. 11/2018 provides for 2 different types of non-financial statements: the individual non-financial statement and the consolidated non-financial statement, the second type oriented for companies' groups who consolidate their annual accounts. The statement containing non-financial information may be included in the management report or in a separate report, Verification of the non-financial information by an independent supervisor is required. The statement, whether included in the management report or contained in a separate document, is an act of competence of the company administrators who are responsible for it, thus this statement has to be countersigned by each company administrator.

In case of companies listed on stock markets, the statement must be approved as a separate item at the annual general meeting of shareholders.

Analysis of the procedures and **social dialogue** practices

Environmental, social and governance information are important for workers' representatives and trade unions as key stakeholders to stimulate social dialogue or active social dialogue initiative and, above all, to learn about key issues on which management will have to take decisions that will inevitably affect all workers.

European Works Councils (EWCs), as European bodies representing workers in multinational companies, are entitled to **information and consultation rights on strategic, economic and social issues** interesting them.

Therefore, not only relevant information on the implementation of ILO Conventions, diversity and equal opportunity issues, employment issues, working conditions, labour relations and the exercise of trade union rights, career management and employability, the remuneration system, training, health and safety at work, but also purely economic and financial information enabling workers' representatives to find out about company trends, profits and losses, investments, and to know about restructuring, reorganisation and major structural changes. The subjects of the exercise of information and consultation rights must be negotiated when setting up or renewing the EWC and indicated in the negotiated agreements.

What is important in the context of social dialogue is the employees' representatives degree of knowledge and skills at all levels to interpret and understand technical documents and complex information. Knowledge and skills that put them in a position to be adequately informed and able to effectively express their positions within the negotiations.

By the interviews conducted with Spanish EWC representatives and company's representatives within the framework of the **POWER** research, it emerged that in order for EWC representatives to understand the relevant financial and non-financial information submitted to them, **regular training** on shared topics and/or the support of **experts** for the EWC's members are necessary.



Best practises of workers' involvement in MNCs: procedures and tools pertaining to **information and consultation rights**

From the analysis of the data provided and the interviews conducted with company representatives and EWCs' members within the framework of the European **POWER** project, different practices of workers' involvement and shared requirements emerged. The multinational companies studied by the Spanish partners of the project belong to the textile-fashion, cement and automotive sectors.

There are different levels of involvement of the EWC in information, consultation and participation practices in the analyzed companies. In the same way, the scope of the information on non-financial issues is deeper in some EWC than in others.

The existence of ad-hoc working groups with recurrent meetings along the year, beyond the annual meeting of the EWC in a plenary session it could be consider a good practice in order to promote fluent coordination within the EWC. Those groups could adopt different topologies (by groups of brands - lines of activity or by subject (for example, diversity and equal rights).

The configuration of a coordination body by the workers representative side, allow to create good information flows with the plenary of the EWC. This body could adopt different names as director group, restricted committee or steering committee, and being formed by fewer number of members in order to achieve a quicker interaction with the management. In one EWC, this role is adopted by the vice-president of the EWC.

It can consider a good practice the spreading of the information provided by the companies to all the representatives of the EWC, as well as the minutes of the meetings translated in their native languages.

Dealing with diverse information (financial and non-financial) is sometimes a challenging issue for EWC representatives, In all cases studied, training or experts' support could be provided by the companies, according to their agreements, but the actual use of these tools is limited. In one company, the EWC representatives could have permanent contact with a person from the European sectoral federation from its sector. This trade union coordination is allowed to attend to each meeting of the EWC and restringed committee, in order to give support to the EWC.

The confidentiality of the given information could be a controversial issue in the EWC practices. One of the agreements include some procedures to dealing with confidentiality, such as the sort of information that could not be considered as confidential, the necessity of justification in case a information is considered sensitive, for whom is forbidden the access or the duration of for this closure.

The information could not be considered confidential in any of the following cases: a) the representative can prove that information is already spread and widely known by the citizenship. b) a national court or a national regulatory body asks for uncovering that information. c) the information refers to a breaking of the normative by the company.

In order to improve the information' flow on the company side, the company could create an European department to deal with the EWC. This ad-hoc department will receive the national information from national management.