DISCUSSION PAPER
SUSTAINABILITY INFORMATION IN ANNUAL REPORTS – BUILDING ON IMPLEMENTATION OF THE MODERNISATION DIRECTIVE

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About FEE

FEE (Fédération des Experts comptables Européens – Federation of European Accountants) represents 43 professional institutes of accountants and auditors from 32 European countries, including all of the 27 EU Member States.

In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 500.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent, and sustainable European economy.

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1. EXECUTIVE SUMMARY

There is a clear business case, as well as a wider social imperative, for entities of all kinds and all sizes, to ensure that their information systems embrace performance indicators which reflect the urgent challenge of sustainability. This information should be embedded as a core part of strategy and decision making. Changes in corporate culture are needed and a key practical step is to give visibility and prominence to relevant measurements. Entities are increasingly including environmental and social issues within their business strategy and therefore also embed these issues in their management and performance. With the requirement as defined in Article 46 of the Fourth Directive amended by the Modernisation Directive transparency on sustainability will no longer be a matter only for voluntary reporting by entities who recognise a responsibility to inform their stakeholders on their sustainability performance. Such transparency is now more widely applicable and should be included when relevant and necessary for the understanding of the business in the annual report.

FEE welcomes this introduction into national law of wider reporting obligations and its application by entities as this brings sustainability onto the agenda of the Boards of entities and where applicable of the audit committee. The increased boardroom attention will assist the embedding of sustainability within the entity’s activities and will eventually lead to better financial and non-financial performance. Entities address in their strategy both financial and non-financial issues and therefore performance measurement information should be available in relation to the entity’s full performance, including that which relates to the sustainability area.

The requirement introduced by the Modernisation Directive of 2003 also aligns with investor needs as they increasingly seek information on both financial and non-financial performance.

We found that all the twenty one EU Member States, for which a response was obtained to the survey, had implemented the following four elements of Article 46 into their national legislation:

- *“The annual report shall include at least a fair review of the development and performance of the company's business and of its position, together with a description of the principal risks and uncertainties that it faces.*
- *The review shall be a balanced and comprehensive analysis of the development and performance of the company's business and of its position, consistent with the size and complexity of the business;*
- *To the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters;*
- *In providing its analysis, the annual report shall, where appropriate, include references to and additional explanations of amounts reported in the annual accounts.”*

All countries have implemented this text literally. In two countries (Italy and UK), the article was partly implemented through guidance. Three countries (Austria, the Netherlands and France) provided additional guidance in relation to the implementation of Article 46. Some exceptions can be found for smaller entities depending on the applicable size thresholds in each country. Nineteen out of the twenty one countries surveyed used the Member States option to exempt small entities from the obligation to make certain non-financial disclosures. Eleven of the twenty one countries have other relevant legislation, standards or guidance on environmental and social issues.

In this exploratory research investigating good practice entities in Europe it appeared that entities tend to include most information on their performance, followed by policy and a description of their activities. Less information is provided on monitoring, non-compliance, dialogue, future expectation and risks. In relation to the topics on which entities report, information on labour practices is provided relatively frequently. The least information is provided on society, human rights and product responsibility.

The large differences in content and the lack of relevance of non-financial information in the annual report suggest that entities are still developing practice regarding what to report to provide a fair review on development and performance of their business and of their position.

In identifying the type of non-financial information, in particular on sustainability, that can be included in the annual report the concepts of relevance and materiality play an important role. Materiality is considered in the context of the other qualitative characteristics of information, especially relevance and faithful representation. Materiality judgements are made in the context of the nature and the amount of an item, as well as the entity's situation. Materiality has a different connotation in a sustainability and financial reporting context. For sustainability information to be included in annual reports additional guidance would be helpful in deciding what constitutes relevant information and how to select any performance indicators, especially when an increasing number of entities combine their sustainability information with their financial information. FEE therefore welcomes further guidance on including sustainability information in the annual report. Exchange of good practice can play an important role. Guidance that has already been developed within some European countries can be a basis for further guidance, both at national and European level.

Key messages and recommendations

Integrating sustainability in the business model

- It is more and more recognised that sustainable development is a process, which is indispensable for business operations to build trust and successfully continue as going concerns. Sustainability should not be a separate policy but integrated in the entity's strategy and business model. Market demands may put pressure on corporate entities to increase transparency and therefore to intensify their reporting on sustainability performance in their annual reports. These entities might be helped by further guidance as to how to report on CSR matters in the annual report including the selection of the relevant key performance indicators (KPIs) for example in the form of good practice examples, since current practices differ widely.

Raising awareness and promoting best practice

- The sharing of ideas and expertise is an important element in furthering progress on CSR reporting in the annual report. It is through identifying good practices across countries that real progress can continue towards better non-financial reporting. The accountancy profession can play a role in sharing good practice and guiding entities towards better transparency and balanced reporting on CSR matters. Through promoting awareness, through education and through co-operation, and in assisting the entities, the accountancy profession can contribute to a better understanding of the changes required by society and the impact of non-financial information on the performance of the entities.

- The European Commission (EC) has been active in promoting appropriate behaviour and reporting practice without, prior to the Modernisation Directive, imposing such reporting on entities. The results of the survey in this paper show that the Modernisation Directive has been implemented by all countries that responded. There is an increasing interest from the financial community to assess entity information including sustainability aspects. We believe that the EC could be even more proactive with visible actions. The EC could, for instance, support researches to analyse how CSR information is integrated in the annual reporting of entities or facilitate regular meetings in order to monitor how entities are dealing with transparency. The EC could draw from national experience in this respect.

- The content analysis of a selection of entities spread over Member States, known for their good practice in the sustainability area, shows that reporting can be improved. Reporting needs to be in the spirit of the Modernisation Directive and not be limited to what is readily available. A general framework identifying topics that are relevant to include and linking financial with non-financial key performance indicators may be helpful in increasing transparency on sustainability in the annual report. In addition, it could be considered for entities to use a "comply or explain" model and explain why environmental or sustainability issues are not relevant to them in that case, so that they need not to be addressed in the annual report.

- The content analysis showed that, in many entities, a separate annual report is not evident. Often this information is part of an overall management report or operational and financial review. It was also observed that a number of entities integrate the financial and sustainability reports into one report. Integrated reporting may become more important over time.

Identification of KPIs

- Disclosure of sustainability issues in the annual report simply by providing a cross reference to the separate sustainability report is not sufficient. A description of the key issues and related financial and non-financial KPIs in the sustainability domain needs to be included in the annual report itself. Where possible linkage with the amounts in the financial statements, including the notes should be provided.

- Entities should describe sustainability KPIs relevant to their business. The annual report is prepared from a financial perspective. However addressing sustainability issues may introduce a different context and perception of relevance and materiality compared to the financial perspective by taking a larger time horizon and different boundaries and looking beyond the financial impact to the impacts on a wider group of stakeholders. Reporting on sustainability KPIs brings a new dimension to the annual report which we welcome. An entity needs to indicate how it selected (and determined the significance of) its KPIs (selection criteria).

Assurance

- In some countries the annual report is part of the full audit, rather than the information in it being only subject to a consistency check. This may raise questions in relation to the auditability of information that is judgemental and subjective in nature. Any recommendations concerning good practice and good practice examples should take the auditability and verifiability aspect into account in suggesting disclosures.

Recommended disclosures

- The results of the content analysis of annual reports of "good practice" entities provide a list of elements related to sustainability that are assessed as helpful disclosures in the annual report to enhance transparency on CSR. This overview was completed by the exercise of judgement, experience and by reference to relevant literature in this area. This resulted in the following areas of recommended disclosures:

    - CSR Policy, including how sustainability is connected to the business model;

    - Business opportunities arising from the response to evolving CSR environment;

    - Risk management in relation to sustainability issues, e.g. climate change;

    - Research and development in relation to CSR, for example clean technology;

    - Stakeholder engagement, including the basis for the identification and selection of major stakeholders, the approaches to stakeholder consultation, the type of information generated by consultations and the source of such information;

    - Non-financial KPIs, to help an entity to define and measure progress toward sustainable goals, and the basis for selection of these non-financial KPIs;

    - Future developments: progress to date on sustainability matters and how the entity will continue to invest in sustainability.

FEE welcomes to receive any observations, comments, input you may wish to share with us on sustainability information in annual reports. Please submit your input to Saskia Slomp, Technical Director (saskia.slomp@fee.be).

2. INTRODUCTION

The Directive amending the Fourth and Seventh Directives, known as the "Modernisation Directive" was adopted in June 2003[1]. This Directive demonstrates Europe's commitment to transparent, high quality financial reporting, consistently applied across the European Union.

The amendments to the Fourth and Seventh Directives make clear that, in the annual report, the analysis of risks and uncertainties facing the entity should not be restricted to financial aspects of its business. The analysis shall include, where appropriate, non-financial KPIs relevant to the particular business, including information relating to environmental and employee matters. It is the entity which must decide whether or not environmental issues are relevant to their business performance.

The term "annual report" in practice usually refers to the "glossy" report issued by entities in order to inform the wider public about all their activities including both financial and non-financial information. Generally, it contains the audited financial statements - balance sheet, income statement profit and loss account, cash flow statement, and notes thereto -, the auditor's report, management's review of the operations of the entity and its future prospects, and other supporting documents. It may also include the sustainability report and the corporate governance statement when entities use a more integrated form of reporting.

The Fourth Directive stipulates in Article 46 what information an "annual report" should contain. This information is in practice usually referred to as the directors' report. We also note that this information is often included in the management report or the operational and financial review.

For the remainder of this Discussion Paper, the term "annual report" is used in the context of the Fourth and Seventh Directives as amended by the Modernisation Directive, i.e. the statutory report presented by the directors.

The disclosures under the Modernisation Directive are demanding in systems and process terms. The need to report more widely on a whole range of environmental and social issues, including employee related issues, creates significant challenges. In addition, the requirement to disclose KPIs exposes management performance to closer scrutiny than before. In these circumstances those charged with governance may seek guidance on what to include on environmental and social matters in the annual report in order to comply with the requirements.

When reporting on sustainability issues, the specific tools for measurement and reporting might differ from those used for financial information. This is why FEE wishes to contribute to the debate and to make suggestions for proper application of the information contained in Article 46 of the Fourth Directive amended by the Modernisation Directive.

The structure of this Discussion Paper is as follows:

1. Background on the Modernisation Directive (Chapter 3): This Chapter summarises the developments since 1999 when the EC adopted the Communication on the Single Market and the Environment (COM (99)263 of 8 June 1999).

[1] Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings

2. National Implementation (Chapter 4): It presents the status of implementation of the Modernisation Directive in the Member States based on the responses to a FEE Survey to the FEE Member Bodies. The responses summary can be found in Appendix I.

3. What are entities reporting in the annual report? (Chapter 5): It summarises what large entities known for good environmental and social disclosures are reporting on in their annual reports and gives examples of good practice.

4. Relevance and Sustainability (Chapter 6): It highlights the important issue of the concept of relevance in relation to non-financial information.

5. Involvement of the Auditor in the annual report (Chapter 7): Assessing consistency.

The Discussion Paper includes the results of the survey on Implementation of the Modernisation Directive in Appendix I. In Appendix II the situation for Switzerland is described. Appendix III provides an overview of the entities of which the annual report is selected for the content analysis based on their known "good practice".

3. THE MODERNISATION DIRECTIVE

3.1 Background

The aim of stronger embedding of environmental information in financial reporting was reflected in the Communication that the European Commission (EC) adopted in 1999 on the Single Market and the Environment (COM (99)263 of 8 June 1999) which was intended to contribute to making environmental and single market policies mutually supportive and reinforcing, whilst at the same time developing synergies between them. This Communication identified specific single market policy areas in which the EC would strive for a closer integration with environmental policy and laid down a series of further measures, including issuing a recommendation on environmental issues in financial reporting.

The EC Recommendation of 30 May 2001 proposed the recognition, measurement and disclosure or environment issues in the annual accounts and annual reports of entities. The lack of explicit rules had contributed to a situation where regulatory authorities, investors, financial analysts and the public in general may consider the environmental information to be either inadequate or unreliable.

In the absence of harmonised authoritative guidelines in relation to environmental issues and financial reporting, comparability between entities was difficult. The Recommendation recognised that, when entities disclose environmental information, frequently the value of the information is seriously hampered by the absence of a common and recognised set of disclosures that includes the necessary selection criteria and concepts with regard to environmental issues. There was a need for information presented in an integrated and consistent manner throughout the annual accounts and the annual report.

There was a gradual move towards separate environmental reports, particularly by entities that operate in sectors with significant environmental impacts. Different groups of stakeholders have different information needs or rank them differently. Separate environmental reports satisfy the information needs of stakeholder groups that are only partially met by the information provided in the annual accounts and annual reports of entities. The purpose of the 2001 Recommendation was to encourage the incorporation of environmental disclosures in the annual accounts and the annual reports in a way that complements the separate environmental reports. The Recommendation provided detailed proposals on the type of information that could be included in financial reporting on environmental issues, as well as some definitions.

The following disclosures were recommended:

(a) "the policy and programmes that have been adopted by the enterprise in respect of environmental protection measures, particularly in respect of pollution prevention. It is relevant for users of the annual report to be able to ascertain to what extent environmental protection is an integral part of the company's policies and activities. Where applicable, this may include reference to the adoption of an environmental protection system and required compliance with a given set of associated standards or certifications;

(b) the improvements that have been made in key areas of environmental protection. This information is particularly useful if, in an objective and transparent manner, it provides a record of the performance of the enterprise with respect to a given quantified objective (for example emissions over the past five years) and reasons as to why significant differences may have arisen;

(c) the extent to which environmental protection measures, owing to present legislation or resulting from change in future legal requirements that have been substantially enacted, have been implemented or are in process of implementation;

(d) where appropriate and relevant to the nature and size of the business operations of the company and to the types of environmental issues relevant to the enterprise, information on the environmental performance of the enterprise: such as energy use, materials use, water use, emissions, waste disposals;

This information could usefully be provided by means of quantitative eco-efficiency indicators and, where relevant, detailed by business segment. It is particularly relevant to provide quantitative data, in absolute terms, for emissions and consumption of energy, water and materials (1) for the reporting period together with comparative data for the previous reporting period. These figures should preferably be expressed in physical units rather than in monetary terms; moreover, for a better understanding of their relative significance and evolution, figures in monetary terms could be put in relation with items shown on the balance sheet or the profit and loss account;

(e) if the company issues a separate environmental report that contains more detailed or additional quantitative or qualitative environmental information, a reference to this report. If the environmental report contains the information mentioned in (d), a summary description of the issue and an indication that further relevant information can be found in the environmental report could also be made. Information provided in a separate environmental report should be consistent with any related information in the annual report and annual accounts of the enterprise. If the environmental report has been subject to an external verification process, this should be stated in the annual report. It is relevant to inform users of the annual report as to whether or not the environmental report contains objective, externally verifiable data."

The EC Recommendation took into account the recommendation for including environmental issues in annual reporting published by UNCTAD-ISAR in 1998[2].

On 22 January 2003 the European Economic and Social Committee adopted an opinion on the proposal the Modernisation Directive. The Committee supported extension of the underlying requirement to providing an analysis of the relevant environmental, social and other aspects alongside the financial information if this is necessary in order to have a good understanding of the entity's development, performance or position.

In 2003 the EC adopted a communication to the Council and the European Parliament on Modernising Company Law and Enhancing Corporate Governance in the European Union (COM (2003) 284 of 21 May 2003). The need for better financial and non-financial information about groups of entities was already addressed to a limited extent by a series of EU measures, whether adopted, pending or envisaged at that time. The EC considered that additional initiatives aiming at improving to the extent necessary the financial and non financial information disclosed by groups were desirable.

[2] United Nations Conference on Trade and Development (UNCTAD)/Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) Report published in 1998: "Environmental Financial Accounting and Reporting at the Corporate level"

3.2 The Modernisation Directive and the annual report as defined by Article 46 of the Fourth Directive

The Modernisation Directive specifically addressed non-financial information. It provided that the information included in the annual report shall not be restricted to the financial aspects of the entity's business. It was expected that this would lead to an analysis of environmental, social and other aspects of the entity's activities relevant to an understanding of the entity's development and position.

The aims of the Modernisation Directive and the ongoing debate on the increased importance of other information besides the financial statements to obtain an understanding of the entity's position and performance are also reflected in the IASB (International Accounting Standards Board) Discussion Paper "Management Commentary" issued in October 2005. The Discussion Paper focuses on the need for a Management Commentary considered as an integral part of financial reports and discusses essential content elements. However, non-financial information in relation to sustainability issues is less explicitly described than in the Modernisation Directive.

According to the Article 46 of Fourth Directive as amended by the Modernisation Directive, the annual report is a document that must, at least, include the following information:

1. (a) "The annual report shall include at least a fair review of the development and performance of the company's business and of its position, together with a description of the principal risks and uncertainties that it faces.

The review shall be a balanced and comprehensive analysis of the development and performance of the company's business and of its position, consistent with the size and complexity of the business;

(b) To the extent necessary for an understanding of the company's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters[3]*;*

(c) In providing its analysis, the annual report shall, where appropriate, include references to and additional explanations of amounts reported in the annual accounts;

2. The report shall also give an indication of:

(a) any important events that have occurred since the end of the financial year;
(b) the company's likely future development;
(c) activities in the field of research and development;
(d) the information concerning acquisitions of own shares prescribed by Article 22 (2) of Directive 77/91/EEC[4]*.*

[3] The Fourth Directives provides that Member States may choose to exempt entities covered by Article 27 from the obligation in paragraph 1(b) above in so far as it relates to non-financial information.

[4] Article 22 (2) of Directive 77/91/EEC: "*Where the laws of a Member State permit a company to acquire its own shares, either itself or through a person acting in his own name but on the company's behalf, they shall require the annual report to state at least:*
(a) the reasons for acquisitions made during the financial year; (b) the number and nominal value or, in the absence of a nominal value, the accountable par of the shares acquired and disposed of during the financial year and the proportion of the subscribed capital which they represent; (c) in the case of acquisition or disposal for a value, the consideration for the shares; (d) the number and nominal value or, in the absence of a nominal value, the accountable par of all the shares acquired and held by the entity and the proportion of the subscribed capital which they represent."

(e) *the existence of branches of the company ;*
(f) *in relation to the company's use of financial instruments and where material for the assessment of its assets, liabilities, financial position and profit or loss,*
   - *the company's financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used, and*
   - *the company's exposure to price risk, credit risk, liquidity risk and cash flow risk."*

Article 36 of the Seventh Directive was amended as follows:

(a) *"The consolidated annual report shall include at least a fair review of the development and performance of the business and of its position of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.*

The review shall be a balanced and comprehensive analysis of the development and performance of the business and of its position of the undertakings included in the consolidation taken as a whole, consistent with the size and complexity of the business. To the extent necessary for an understanding of such development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters:

In providing its analysis, the annual report shall, where appropriate, include references to and additional explanations of amounts reported in the annual accounts."

Small and medium sized entities can be exempted from the disclosure of non-financial information based on a Member State option.

Conclusion

The Modernisation Directive enhanced requirements for the annual report to include non-financial information related to environmental and employee matters when relevant to the understanding of the performance of the business. This requirement came into effect on the 1st January 2005 which meant that EU countries had to implement it and comply for the first time for year ends commencing on or after the 1 January 2005.

4. NATIONAL IMPLEMENTATION

As from 2005, the Modernisation Directive - Article 46 - requires that the analysis of risks and uncertainties facing the entity included in the annual report contain non-financial KPIs relevant to the particular business, including information relating to environmental and employee matters, where necessary for an understanding of the performance of the business.

The implementation of Article 46 into national legislation was analysed as of 31 May 2008 in twenty one countries including Norway and Switzerland. For detailed information, please refer to Appendix I and II which summarises the responses received per question and per country.

4.1 Implementation of the elements of the Modernisation Directive Article 46

The survey addressed whether the elements of Article 46 had been implemented either through national law, national accounting standards or non-mandatory means such as recommendations or guidelines. Elements could, of course, be implemented prior to and independently of the Modernisation Directive.

All twenty one countries surveyed have implemented the four elements specified in Article 46:

- A fair review of the development and performance of the entity's business and of its position, together with a description of the principal risks and uncertainties that it faces;
- The review shall be a balanced and comprehensive analysis of the development and performance of the entity's business and of its position, consistent with the size and complexity of the business;
- To the extent necessary for an understanding of the entity's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters;
- In providing its analysis, the annual report shall, where appropriate, include references to and additional explanations of amounts reported in the annual accounts.

4.2 Deviations from the text of Article 46 and entities to which it applies

All countries chose to use literal translations or near literal translations of the Directive text when implementing Article 46 into national law.

The Modernisation Directive applies to all large and medium sized European entities regardless of whether they are listed or not. However, Member States may choose to exempt medium-sized entities Directive from the obligation in so far as it relates to non-financial information.

Nineteen out of the twenty one countries surveyed used the Member States option to exempt small entities from the obligation to make certain non-financial disclosures. This option was not taken up by Lithuania, Portugal or Spain.

4.3 Other related laws and guidance on reporting on environment and social issues

Eleven of the twenty-one countries have other relevant legislation, standards or guidance in their countries.

Austria
The Austrian Ministry of the Environment and the Ministry of Economics commissioned the preparation of a non-binding guidance called "Leitlinie zur Herleitung wesentlicher nichtfinanzieller Leistungsindikatoren insbesondere zu Umwelt- und ArbeitnehmerInnenbelangen im Lagebericht". The paper is addressed to entities who are concerned with the implementation of the specific legislation as well as accountants. The content of the guidance sets up a common understanding of international relevant standards in the area of sustainability and presents sets of KPIs and reporting issues for the most part of industries of the Austrian listed entities who are affected by the Modernisation Directive.

Belgium
The requirements of the Article 46 of the Modernisation Directive had been literally transposed in the Belgium Company Code in Articles 96.1 and 119.1. No specific national standards or guidance was developed in relation to sustainability information.

Finland
Accounting Board instructions on how to deal with environmental issues in accounting (24.10.2006) and how to express environmental issues in the report of operations.

France
Law n°2001-420 of 15 May 2001 ("NRE" – art. 116) which amended article L. 225-102-1 (al. 5) of the Code de Commerce; Decree n°2002-221 of 20 February 2002 (art. 1) which detailed the social and environmental information to mention in the management report; Recommendation of the French accounting standard setter. Public entities are required, since February 2002, to publish information to show how they take consideration of the social and environmental consequences of their activity. The requirements are detailed, and if met, would give a good indication of the risks assumed. However, the law is not fully applied by the majority of entities. Their systems for identifying, organizing, and reporting social and environmental information, are not adequate. However, there is a growing minority providing the information necessary.

Germany
IDW Accounting Guidance (IDW AcG HFA 1.007) includes examples of appropriate disclosures regarding employee and environmental matters. IDW Assurance Standard (IDW AsS 821) describes how the acceptance and performance of engagements to audit or review reports on sustainability issues, reporting on such engagements, and the composition of the assurance report should comply with the professional responsibility of German auditors.

Italy
In relation to general reporting: Environmental information in the financial statement; Social and environmental sustainability report: guidelines and contents; Guidelines to the social report preparation. In relation to Sector reporting for Non-profit entities Code 2007; for banks: Framework to the social report preparation in the banking sector1. For Assurance: Assurance and sustainability report, Audit Guidelines for social report; And in relation to specific matters: Guidelines and recommendations for different audit committees on environmental matter.

The Netherlands

The Netherlands has since 1999 for the more heavily polluting industries a mandatory environmental report that needs to be submitted to the governmental entity from whom they receive their environmental permit. The requirement for the mandatory public environmental report has been dropped in 2004. In relation to financial reporting the Dutch Accounting Standards Board (DASB) has issued a guideline on Annual Reporting (2003), which includes paragraphs how to address sustainability information. The guideline was in 2008 further refined in line with the explanatory memorandum of the Modernisation Directive. More detailed guidance can be found in the DASB's Guide to Sustainability Reporting (2003)[5]. In the DASB's guidelines in relation to financial statements examples of how to account for environmental issues as given such as examples of environmental provisions. The Dutch health insurance entities have to submit a mandatory CSR report to the Dutch Healthcare Authority. The Ministry of Economic Affairs has submitted a commitment to increase sustainability reporting in the Netherlands and monitors annually 175 entities in relation to their transparency on sustainability performance. For assurance Royal NIVRA, the Dutch professional body has issued the standard COS 3410: Assurance Engagements related to sustainability reports.

Portugal

The CNC Portuguese Accounting Standard 29/02 for Environmental Issues which adopts the Commission Recommendation of 30 May 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of entities.

Romania

Law no 265/29 of June 2006 related to the environment protection requires an evaluation study on the impact on the environment for industry sector with a significant impact on the environment. If the impact on the environment is considered significant, the entity needs the obtention of an environment authorisation to operate.

Spain

The General Accounting Plan 2007 (compulsory accounting standards for all types of entities, based on EU Directives) has included all the items of the Resolution. (Resolución de 25 de marzo de 2002 del Instituto de Contabilidad y Auditoría de Cuentas, por la que se aprueban normas para el reconocimiento, valoración e información de los aspectos medioambientales en las cuentas anuales).

Sweden

The Annual Accounts Act (ÅRL, Chapter 6) specifies that entities with environmental permit granted under the Swedish Environmental Act must report on their environmental impact. The Swedish accounting Standards Board (BFN) has provided guidance BFN U 98:2 on which environmental information to include in the management report. All state owned entities in Sweden are from the 1 January 2008 required to present an annual sustainability report based on the Global Reporting Initiative Guidelines in the sustainability report is to be subject to independent assurance.

UK

The Accounting Standards Board (ASB) Reporting Statement: Operating and Financial Review (OFR) is a persuasive formulation of best practice. It was due to be a standard, but the UK Government decided in 2005 not to make the publication of an OFR mandatory. However, in November 2006, amendments were made to the UK Companies Act, whereby listed entities have also to report in the Business Review on:

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[5] The name of the Council for Annual Reporting was changed in 2006 in Dutch Accounting Standards Board.

- The main trends and factors likely to affect future development, performance and position of the business;
- Information on environmental matters, employees and social issues;
- Information on contractual and other arrangements essential to the entity's business.

The ASB Report “A Review of Narrative Reporting by UK Listed Entities in 2006” examines the depth to which entities have adopted the recommendations in the Reporting Statement, as well as compliance with the legal disclosure requirements in the Business Review.

In addition, some countries mentioned the existence of legislation related to the European Emission Trading Scheme applicable as from 2005 where certain industries have to provide a mandatory emission report to their National Emission Authority.

4.4 Assurance on environmental and social information

In all countries, it is mandatory for the auditor to assess the consistency of environmental and social information disclosed in the annual report with the audited financial statements in compliance with Article 46. The “consistency check” is required by Article 51 of the Fourth Directive.

Assessing consistency is discussed in Chapter 7 of this Discussion Paper.

Conclusion

The FEE survey showed that all twenty one countries that responded have implemented Article 46 of the Fourth Directive. In addition some countries have issued additional guidance to facilitate the proper application of Article 46. It is not readily determinable whether application of the requirements of Article 46 has increased the extent of disclosure on environmental and social matters in entities’ annual reports. In Chapter 5, the contents of “good practice” entities annual reports is analysed.

5. WHAT ARE ENTITIES REPORTING ON IN THEIR ANNUAL REPORT?

To identify what entities are reporting in their annual report, an exploratory content analysis was performed. As described in the Chapter 2, there may be confusion regarding the meaning of the term "annual report", which in practice, usually refers to the "glossy" report issued by entities in order to inform the wider public about all their activities and other financial or non-financial information. In practice, it contains the audited financial statements, the auditor's report, management's review of the operations of the firm and its future prospects, cash flow statement, and other supporting documents. The report may also include the sustainability report and the corporate governance statement.

Based on the FEE Survey responses, entities, known for good environmental and social disclosures, were identified and selected for the content analysis (for details on the criteria, refer to section 5.1 Methodology). In total 76 entities in Europe were analysed. The sample is not a "proper" statistical sample, but the analysis of a selected group, of what were deemed to be good practice entities. For the list of entities' annual report analysed, refer to Appendix III. The content analysis of annual reports of "good practice" entities was carried out in order to analyse how Article 46 of the Modernisation Directive was being. It also looked at the trends in reporting on sustainability issues in annual reports of good practice entities.

5.1 Methodology

The output of the research focused exclusively on information presented in the annual reports. Entities may differ in the extent and relevance of their disclosures on sustainability issues. Consideration was given to whether information was disclosed and how it was disclosed. The information was classified using a range, from zero (information not present at all) to 4 (item disclosed extensively with targets or timeframes and explanations).

The methodology of the evaluation was the following:

1. Analysis of information of a selected group, of what are assumed to be good practice entities based on the FEE Survey responses, distinguishing between disclosures in financial statements and those in the Annual Report;

2. The Modernisation Directive itself does not set any requirements in relation to the type of indicators to be included in the annual report. In 2008 UNCTAD-ISAR published guidance on Corporate Responsibility Indicators to be disclosed in annual reporting. The Global Reporting Initiative (GRI) has published guidance for separate sustainability reports, which is updated regularly. From these available sources the topics most likely to appear in the annual report have been identified. They are set out in tabular form below.

		GRI	UNCTAD-ISAR
Overall	Stakeholder management	X	X**
	Corporate governance	X	X**
	Management Systems	X	X**
Economic	Economic value generated and distributed to stakeholders	X	X**
	Financial implications and other risks and opportunities for the organization's activities due to climate change	X	
	Local purchasing at significant locations of operation	X	X
	Economies Impact on the supply chain	X	X
	Research & Development		X
	Imports and Exports		X
	Total New Investments	X*	X
Environmental	Materials	X	
	Energy	X	X
	Emissions	X	
	Waste	X	X
	Biodiversity	X	
	Products and Services	X	
Labor practice and decent work	Employee Turnover	X	X
	Total workforces	X	X
	Wages and benefits	X*	X
	Collective bargaining	X	X
	Occupational health and safety	X	X
	Work days lost due to occupational accidents, injuries and illness	X	X
	Training and Education	X	X
Society	Corruption	X	X
	Donation	X	X
Human rights	Abolition of Child Labor	X	
	Prevention of forced and compulsory labor	X	
	Security Practices	X	
Product responsibility	Customer H&S	X	
	Customer privacy	X	

X* Slightly adapted for the research
X** In the recommendations for additional disclosures

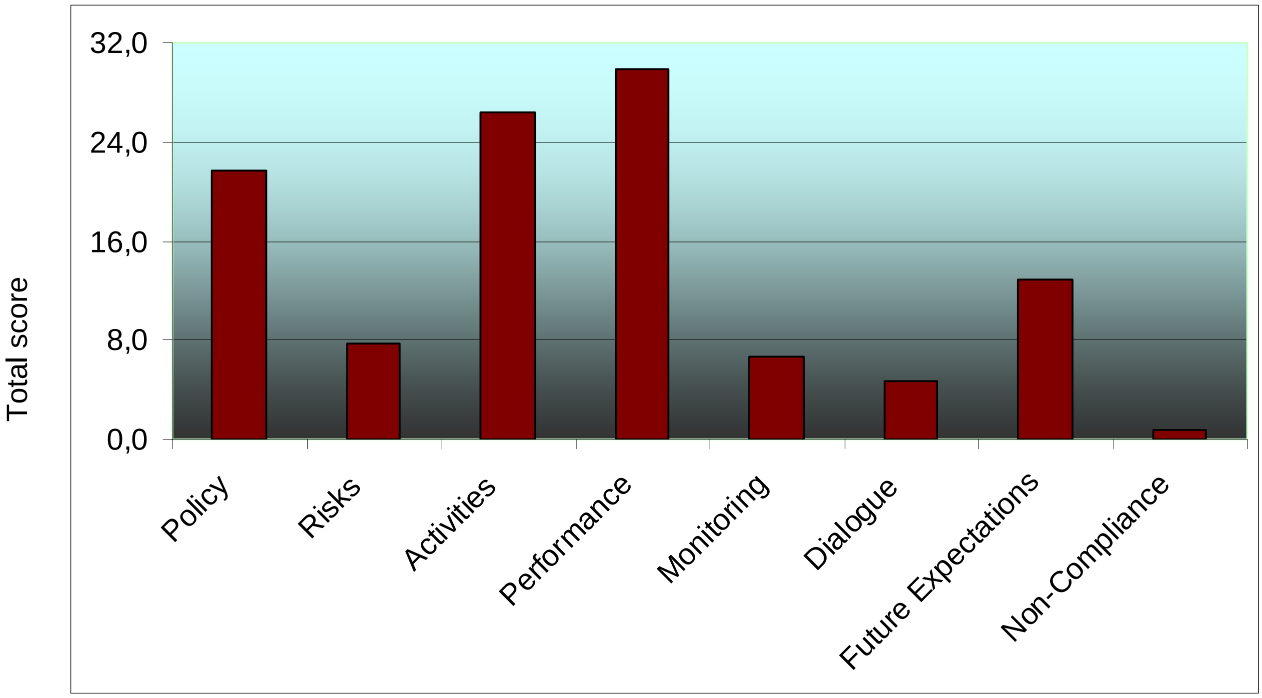
The areas in the table above were classified as "Policy", "Risks", "Activities", "Performance", "Dialogue", "Monitoring", "Future expectations" and "Non compliance".

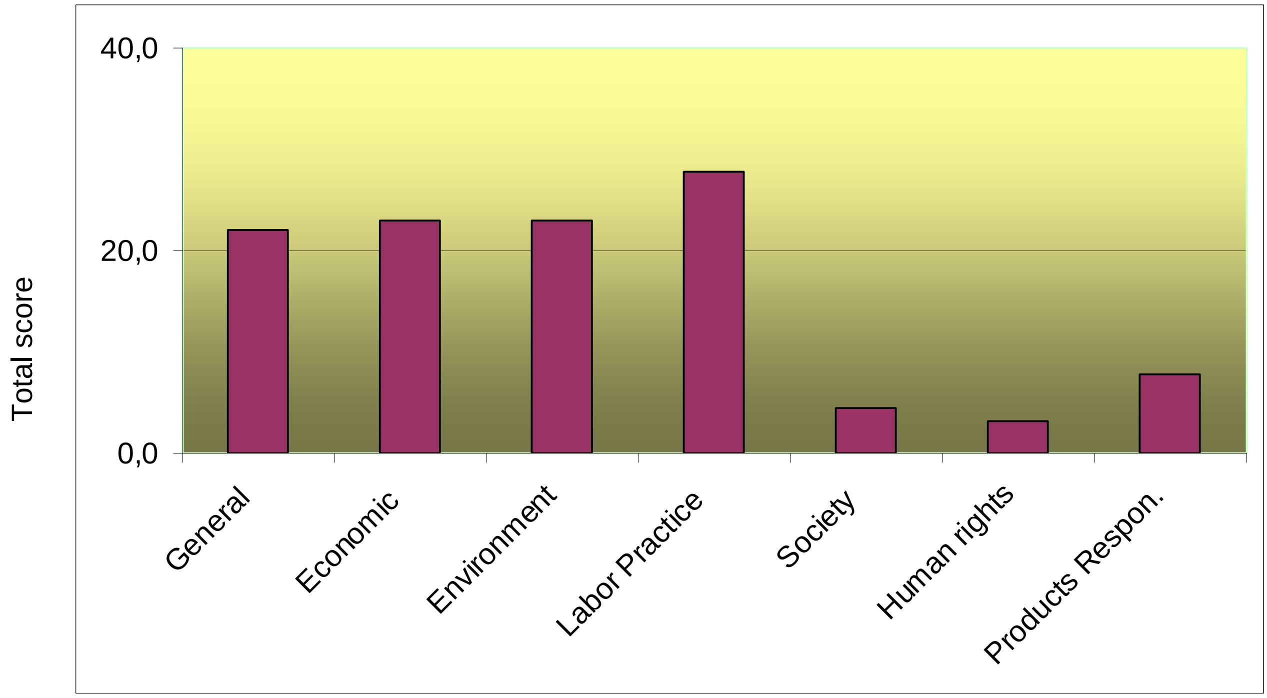
3. Scoring of the information found in the annual report, from zero to four:

4	Disclosed extensively with targets or timeframes and explanations
3	Disclosed with examples, KPIs but without targets or timeframes
2	Disclosed briefly reference to topic or KPI without further explanation
1	Not disclosed with further explanation
0	Not disclosed without further explanation

The following graphs summarise the principal output.

In general most information included relates to performance information, followed by information on the entities' activities in relation to sustainability issues and specific CSR policy.





As described in the two graphs above, the entities surveyed disclose more information or give good information (that means specific indicators, measurable targets) regarding performance, activities and policy. They provide fewer disclosures on future expectations, risks, monitoring, dialogue and non-compliance issues.

FEE is of the opinion that according to the sustainability perspective, risks and future expectations can affect also the financial statements and provide relevant information for the investors. Entities and the accountancy profession should give in the future more attention to these items in the annual report, assuming they are relevant to the entity's business.

Labour practice, environment, economic and general information seem to be the most described matters as far as the contents of sustainability issues in the annual report are concerned, several indicators are provided, targets are explained and clear explanations on objectives and targets are given.

However within labour practice and decent work, there is different score on the individual items, where wages and benefits and total workforces are generally disclosed but few entities give detailed descriptions of occupational health and safety. Similarly, regarding the environment, it seems that products and services, energy and waste are better and more often disclosed than emissions and biodiversity information.

Disclosures are not only triggered by the standards and the particular industry and environment of the entity but also by the culture and customs in the country concerned.

5.2 Summary of the analysis of the annual report per country

Austria
The analyses of the annual reports[6] of a selected group of five Austrian listed entities showed, that all selected entities report non-financial KPIs but the contents of the information provided differ from each other – depending on the industry in which the entity is operating. Also the extent of the information provided varies, for which no specific reason could be found.

Parts of non-financial information were published in the annual report, together with financial information. Other information is published in the management report, One entity out of five disclosed in its management report a separate sustainability report with disclosures on environmental influence of the business, efforts/activities concerning environmental protection and dialogue forums.

The information relating to economical and employee matters is predominately provided in qualitative descriptions in conjunction with quantitative parameters. Sometimes quantitative information is given without further explanation. Only two entities gave some limited information about social matters and product responsibility but none reported about human rights. Two out of five entities reported on monitoring-systems and dialogue forums. Specific future expectations were not disclosed and none disclosed issues of non-compliance (e.g. violation of law, convictions).

The selected entities are making efforts in providing non-financial KPIs in their annual report. Information provided in some areas in the management report would be appropriate to be presented in the annual report.

Czech Republic
The five analysed Czech annual reports (three for 2007 and two for 2006) exhibit a diverse practice regarding the extent of sustainability information. Two reports provides a decent level of information concerning corporate social sustainability, further two outlines some sustainability information, mainly relating to selected topics in the environmental and social area, and one report includes only limited information on sustainability issues. However, no report gives information on human rights and the information on economic implications in a broader sense (e.g. macroeconomics) is very limited. In contrast to this, all analysed reports cover sponsorship and donation activity.

The information on sustainability matters is principally easy to identify for readers as the section headlines mostly indicate a reference to sustainability.

Denmark
None of the five entities annual reports analysed disclosed sustainability information requested by Article 46. The information disclosed related to shareholder management, risk management and general discussions around product development and environmental impact. Quantitative sustainability information is seldom provided in the annual report.

For all five entities, the information is disclosed throughout the glossy report in specific subject fields, such as environment, society, corporate governance and financial subject fields. The fashions for disclosing sustainability information differ. Three of the entities have integrated sustainability information in their glossy report of which two mainly in the annual report. One entity has a supplementary sustainability report in the glossy report. One has a separate environmental report, providing almost no sustainability information in the annual report.

[6] Due to Austrian commercial law the directors report is a mandatory part of the annual report, which has to be in accordance with the financial statements; *German: Lagebericht.*

France

The level of information presented by French entities analysed is generally good, although there are significant differences in their practices. In particular, there is an entity that prepares really impressive accounting documents and a huge amount of social and environmental information, including comparisons with large European entities in the energy sector. This is very effective in the presentation of environmental risks, costs and benefits, both on the quantitative and the qualitative aspects. All this information is included in the annual report and contributes to provide to the reader an overall view of the entity's situation.

Entities generally provide the required information in the "Sustainable Development" section of the mandatory annual report but limit their disclosure to the themes requested by the national law.

Public and larger entities who publish social and environmental information, do not always adopt a systemic approach permitting readers to obtain an overall view of the situation and of the risks faced by the entity. The reader has to make the analysis and the synthesis.

Germany

The entities surveyed have prepared two different reports: the annual report and the sustainability report. Nevertheless, entities have provided both economic/financial and social/environmental information in both reports.

In general, modest attention has been given to some specific financial information on sustainability matters, mainly with regard to liabilities and expenses on social and environmental themes. Largely, social and environmental information have not been provided in the notes to the financial statements but in the management report or in the separate sustainability reports.

All the financial statements have been audited and most of the sustainability reports have been assured.

Half of the examined annual reports describe measurement criteria applied to social and environmental themes and most of them include the definitions and amounts of environmental investments.

Like in the annual reports, in the sustainability reports most entities indicate measurement criteria applied to social and environmental themes and social and environmental investments' amounts.

Hungary

The result of the content analysis showed that Hungarian selected entities provide economic information and social information in their annual report, specifically in relation to economic value generated and distributed to stakeholders, research and developments as well as the labour practice. Some entities also report on management systems and future expectations in relation to economic and new investments. Less quantitative economic/financial and social/environment information is provided. Entities trend to provide information in a descriptive way.

One entity has no disclosure about environment issues, but provides an indication that environment information is disclosed in a separate report.

Italy

Italian entities analysed have split financial information and social and environmental information in two different reporting areas, giving the preference to include the sustainability information in the separate voluntary report.

Mostly, social and environmental separate information have not been provided in the annual report: all entities analysed provide this information in their separate sustainability reports. All the financial statements were audited as well as all the sustainability reports. Information concerning social and environmental themes is particularly provided in a qualitative way.

When included in the annual report, environmental information appears no more that a sort of description of the matter, with no reference to any particular quantitative items in the accounts.

The Netherlands

In the Netherlands, all entities analysed provide information regarding current financial status and social and environment issues in the annual report. All financial statements in the glossy report are audited by an auditing firm and in the assurance reports a conclusion on the consistency between the annual report and the financial statements is given. In addition, entities voluntarily provide separate CSR/sustainability/environment reports to offer additional social and environment information for their relevant stakeholder (A separate CSR/sustainability/environment report is not mandatory).

Information regarding economic/financial issues is both qualitative and quantitative. All the entities disclose their future expectations in the annual report. There are only three entities which make clear separations of financial/economic and social/environment information in the annual reports, such as a chapter/section named CSR.

Information regarding social/employees matters is mostly disclosed with both qualitative and quantitative information. Referenced entities disclosed information regarding training, employee benefits, and total employees. Some entities also have further disclosure regarding accidents happened in the year and historical rate and future expectation.

Furthermore, nine entities out of ten have disclosures about the activities of dialogue with relevant stakeholders. The Netherlands has from a historical perspective a nature of much dialogue and that may be the reason why they relatively include more information on this topic, although the disclosures are made in a descriptive way.

Norway

The content analysis showed that, when comparing countries, the Norwegian entities' disclosures were particularly extensive on policy description, insights as to future expectations and analysis of risks and performance. In stakeholder dialogue descriptions substantial information was found compared to other countries.

The sustainability information requested by Article 46 is not fully disclosed in the annual report in any of the four annual reports surveyed.

Two of the four entities disclose the majority of the requested information in their annual report. The other two entities present a brief disclosure of the requested information. All four entities present adequate information on corporate governance in the annual report.

In addition to the information provided in the annual report, two entities provide sustainability information in specific subject fields in the annual report as well as in a supplementary separate sustainability report. The two other entities provide a supplementary sustainability report or a separate environmental report, in addition to the information provided in the annual report.

Three of the entities disclose most of, or all of the requested information in their annual and supplementary sustainability reports. The fourth entity providing a separate environmental report fails to disclose adequate sustainability information.

Spain
In Spain all main entities analysed have prepared their annual report complete with both economic/financial and social/environmental information. Spanish entities actually meet the stakeholders' needs for this information and their availability.

In the annual reports, quantitative information on social and environmental matters has been deeply provided. In addition in many cases the notes to financial statements include specific sections with regard to environmental expenses and environmental assets. However, little effort has been made to determine the amount of environmental risks allowance. In their annual reports most entities have pointed out their specific strategies and actions planned in order to implement an environmental protection policy and to preserve employees' health and professional development. In several cases entities have adopted information on a basis of a period equal or bigger than three years.

Sweden
Selected Swedish good practice entities out performed the other entities in total level of sustainability disclosures since they provide a lot of general and environmental information as well as labour practice, human rights and product responsibility information.

None of the five entities included in the survey disclose all of the sustainability information requested in Article 46 in the annual report.

The requested information disclosed in the annual report is in a majority of the cases shareholder management, risk management and general discussions on ideas around product development and environmental impact. Quantitative sustainability information is seldom provided in the annual report.

For all five entities, the requested information is disclosed throughout the glossy report and specific subject fields, such as environment, society, corporate governance and financial subject fields. The fashions for disclosing sustainability information differ. Three of the entities have integrated sustainability information in their glossy report of which two mainly in the annual report. One entity has a supplementary sustainability report in the glossy report. One has a separate environmental report, providing almost no sustainability information in the glossy report.

UK
UK entities do disclose quantitative information on non financial performance and half of those examined achieved a high standard of such disclosures. Reporting was concentrated on risk assessment and the associated need for provisions against future costs concerning matters such as: environmental issues, social and environmental legal cases, emissions measurement, and asset decommissioning.

There is in particular extensive coverage of supply chain issues, compliance with CSR stock exchange indices (e.g. FTSE 4Good, Dow Jones Sustainability Index, Business in the Community Index), use of renewable energy sources and CSR governance.

5.3 Examples of annual reports

The analysis of entities' annual reports showed that the identification of the annual report as defined by the Modernisation Directive in the 'glossy' report is not always evident i.e. it is not separated from the other information provided by management. In addition more and more entities integrate non-financial information, including sustainability information with financial information into a single 'glossy' report. The distinction between what is, and what is not, part of the annual report is not always obvious. Below, several examples were selected with sustainability information that was judged to be useful in the annual report.

The following examples selected are:

UNILEVER - NL/UK

Unilever describes how they have embedded CSR into their corporate governance structure. There is a special Corporate Responsibility Committee.

Meetings

Committee meetings are held quarterly. In 2007 the Committee discussed a range of topics including Unilever's Code of Business Principles, human rights, its Business Partner Code and supplier assurance, corporate responsibility strategy, reporting and measurement. Further details of these discussions are set out below.

Corporate responsibility strategy

Committee members reviewed Unilever's updated corporate responsibility strategy, including its CO_2 reduction targets. The importance of pursuing clear and realistic targets was emphasised, along with the need to engage retail customers on this agenda, which is becoming an increasingly important part of their business activities. The Committee recommended that the elements of the strategy be reflected clearly in Unilever's next sustainable development report. Members also studied the metrics Unilever uses to measure progress in its corporate responsibility initiatives and suggested ways in which these should be reinforced.

As part of its watching brief on current issues of concern to society, the Committee also received and commented on updates on a range of issues, including Unilever's approach to biofuels as a source of renewable energy, carbon footprinting, marketing to children, the use of 'size zero' models in advertising, sustainable sourcing of tea, packaging, and feedback on Unilever's participation in the World Economic Forum at Davos.

GRUPO FERROVIAL S.A. - SPAIN

The Grupo Ferrovial report integrates the corporate responsibility report (along with corporate governance statement) within a single all inclusive report, as can be demonstrated from the contents page.

REPSOL – SPAIN

Within the REPSOL report the following information can be found:

- Statement to indicate that environment is part of the key strategic lines of the entity and specifically the publication of a measurable target on climate change.

Repsol YPF has undertaken a Carbon Management Plan to contribute to reducing greenhouse gas emissions and combat climate change

Environment
In compliance with Repsol YPF's strategic lines, environmental protection and conservation are key elements in the company's activity.

Furthermore, since publication of the Position of Repsol YPF on Climate Change in 2002, the company has undertaken a Carbon Management Plan that has been spread intensively to all Business Units responsible for greenhouse gas emissions (GGE). One of the key areas of this plan is the development of an intense internal search programme for emission reduction opportunities, CORE (Catalogue of Emission Reduction Opportunities). The aim being to highlight all the energy efficiency actions that have been continuously implemented in the company's installations over the last years and in this way be able to achieve the strategic reduction objective of 1 million tonnes of CO_2 during the 2005-2012 period.

- Public commitment to the entity's Master Plan on Corporate Responsibility

Corporate Responsibility Directive Plan: more than 30 actions in 2007
Repsol YPF's social commitment aims to consolidate the company's position in all the countries where it is present. Establishing strong, long-term relationships with the main stakeholders and undertaking actions that support its commitment to society which, in turn, promote mutual value creation.

In 2007, Repsol YPF prepared and approved its 2007-2009 Corporate Responsibility Directive Plan, which includes nine programmes responding to six strategic lines of action regarding corporate responsibility, identified by the company. In addition, the Plan includes three transversal programmes related to training, performance monitoring and communication.

BANCO BILBAO VIZCAYA AGENTARIA (BBVA) - SPAIN

Historical performance on corporate responsibility KPIs reported in the BBVA report.

Key indicators of corporate responsibility

	2007	2006	2005
Economic			
Earnings per share (euros)	1.70	1.39	1.12
Market capitalisation (million euros)	62,816	64,788	51,134
Independent directors (%)	78.6	73.3	66.7
Economic value added (EVA) for stakeholders (million euros) [1]	27,850	21,882	18,062
Socially responsible mutual funds over total mutual funds managed (%)	1.38	1.57	1.53
Social			
Average number of days taken to resolve a complaint (SAC)	20	18	15
Women in senior management (Steering committee and corporate managers/Managers) (%)	8.8/17.4	8.5/16.6	4.7/15.8
Ratio of men to women (%)	51/49	53/47	55/45
Hours of training per employee	39	39	43
Resources allocated to community support over net attributable profit (%)	1.13	1.19	1.22
Supplier satisfaction index (scale: 1 to 5) [2] [3]	-	4.1	-
Customer satisfaction index (%) [3]	78.6	78.5	76.3
Employee satisfaction index (%) [3] [4]	-	-	61.1
Environmental			
Total CO_2 emitted per employee (kg)	3.0	3.2	2.9
Direct energy consumed per employee (GJ)	24.2	24.6	21.9
Paper consumed per employee (t)	0.12	0.13	0.11
Water consumed per employee (m^3)	25.5	29.2	38.6
Scope of ISO 14001 over total workforce (%)	4.0	2.1	1.8

Scope: BBVA Group
(1) Calculation based on the methodology developed in the SPI-Finance 2002 project.
(2) Biennial survey.
(3) Data for Spain.
(4) The work climate survey (biennial) has been postponed until 2008, due to the introduction of improvements.

ROYAL DUTCH SHELL – NETHERLANDS

OPERATING AND FINANCIAL REVIEW

Key performance indicators

OVERALL PERFORMANCE – SCORECARD

The Group measures its performance through a number of key performance indicators that intend to evaluate the overall performance of the Group from a financial, efficiency, social and sustainable development perspective. In addition to a number of key performance indicators the Group monitors and manages the businesses by means of detailed parameters.

The Group Scorecard highlights four key performance factors which together provide a summarised overview of the Group's performance. The four key performance indicators are measured on a quarterly basis.

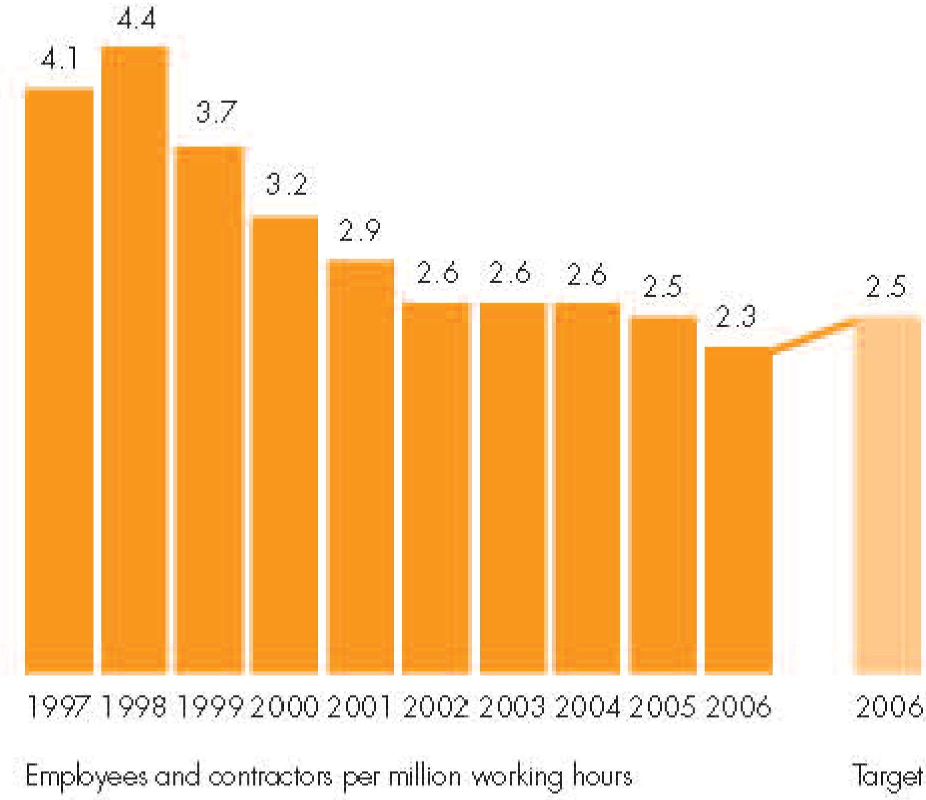
As explained on page 87 of the Directors' Remuneration Report the Scorecard is also used to determine remuneration for staff, Senior Management and Executive Directors.

GROUP SCORECARD	2006	2005
1) Total Shareholder Return	10.9%	19.2%
2) Cash flow from operations ($ billion)	31.7	30.1
3) Operational efficiency:		
– Oil and Gas production (thousands boe/day)	3,473	3,518
– LNG sales (million tonnes)	12.12	10.65
– Refining unplanned downtime	4.9%	4.0%
– Chemical plant availability	90.2%	82.2%
4) Sustainable development (TRCF) [A]	2.3	2.5

[A] Please see page 67 for a description of TRCF.

INJURIES – TRCF (total reportable case frequency)

To help monitor our safety performance, we use a standard safety measure – Total Reportable Case Frequency (TRCF). This is the number of injuries of contractors and staff requiring medical treatment or time off work, for every million hours worked. Our injury rate has come down over time, improving approximately 45% since 1997. In 2006, our TRCF was better than our target. TRCF remained the lead indicator in the Sustainable Development section of our company-wide Scorecard; underlining the importance we place on improving our safety performance.



Environment and society

INTRODUCTION

We recognise that our continuing business success depends on finding environmentally and socially responsible ways to help meet the world's growing energy needs. Managing today's business risks, delivering our strategy and achieving our goals all critically require maintaining the trust of a wide range of stakeholders. To keep the trust of stakeholders, we must do many things, including: behaving with integrity at all times, in line with the Shell General Business Principles (Business Principles); operating our facilities safely; being a good neighbour; contributing to development in the societies where we operate; and helping to find effective solutions to the problem of growing CO_2 emissions. In this section we discuss our overall approach to managing environmental and social impacts, how we are addressing our main risks and opportunities and our performance in this area in 2006.

OUR APPROACH TO MANAGING ENVIRONMENTAL AND SOCIAL IMPACTS

We take a systematic approach to managing environmental and social impacts as part of the Shell Control Framework, through a combination of Group wide standards and processes, controls, incentives and our governance. In 2006, we took additional steps to clarify what we expect from staff, and how to increase their skills, and share our knowledge better around the Group.

STANDARDS AND PROCESSES

Our Business Principles include our commitment to contribute to sustainable development. This requires balancing short- and long-term interests and integrating economic, environmental and social considerations into business decision-making.

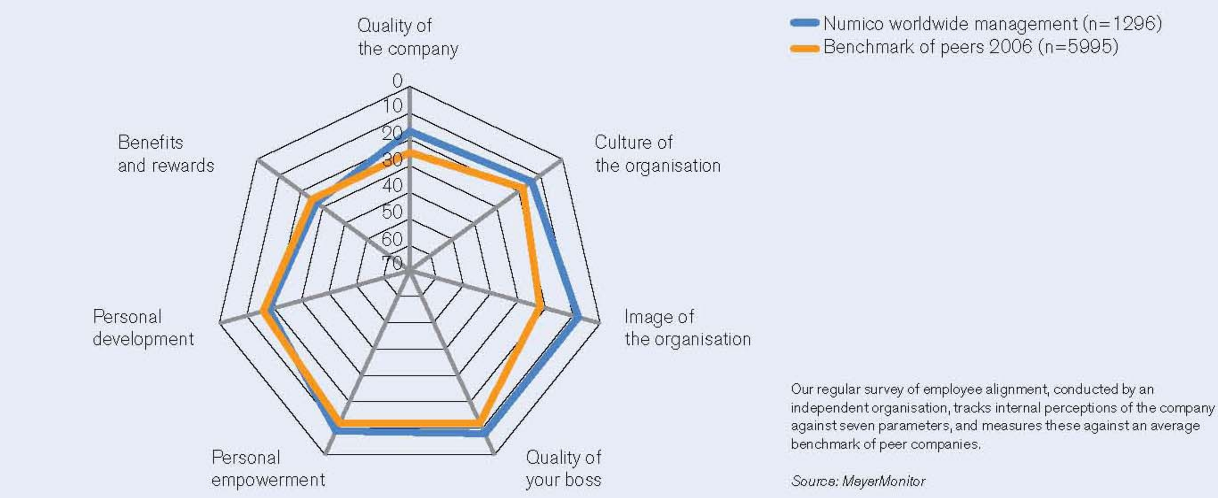
GOVERNANCE

The Chief Executive counts sustainable development among his responsibilities. On his behalf, the Corporate Affairs Director chairs the Group Sustainable Development and HSE Executive Committee, which reviews performance and sets priorities, key performance indicators (KPIs) and targets. The Group HSE Function, central Social Performance Management Unit and issues management staff provide the needed challenge and support to our businesses to develop the necessary skills, share lessons learned and deal with issues in a consistent way. The Social Responsibility Committee is one of four committees of the Royal Dutch Shell plc Board. It reviews our policies and performance with respect to our Business Principles, Code of Conduct, HSE policy, and other relevant environmental and social standards, and major issues of public concern. It is composed of three Non-executive Directors, including its chair, Wim Kok, former Prime Minister of the Netherlands.

MAIN RISKS

We systematically assess and prioritise the many environmental and social risks and opportunities we face, using our Group Risk and Group Issues Management processes. We describe the way we manage the most significant ones below.

<u>ROYAL NUMICO NV - NETHERLANDS</u>



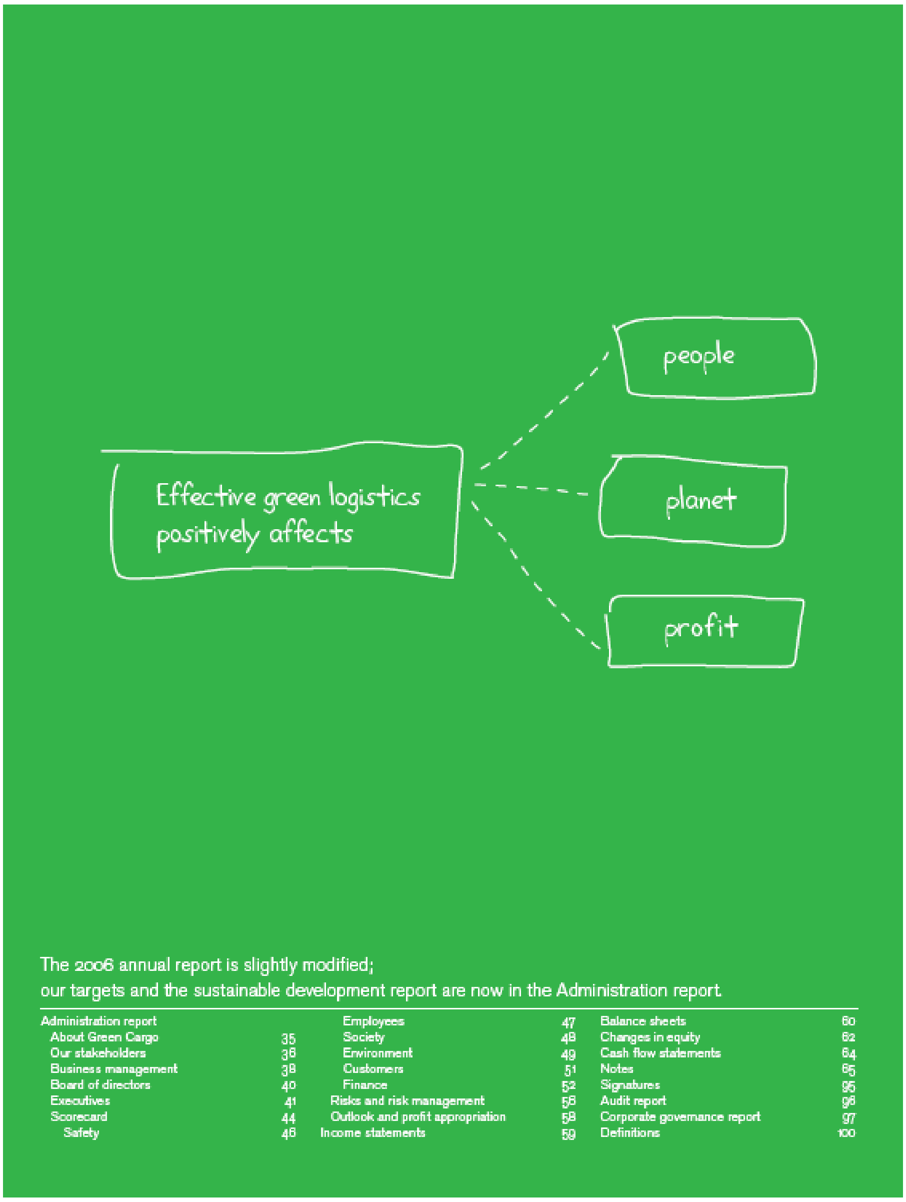
Our regular survey of employee alignment, conducted by an independent organisation, tracks internal perceptions of the company against seven parameters, and measures these against an average benchmark of peer companies.

Source: MeyerMonitor

GREEN CARGO - SWEDEN

Green Cargo is a Swedish logistics entity which promotes sustainable development and supplies logistics solutions. Green Cargo has a long history of working with sustainability issues and since 2006, their sustainability report is incorporated in the director's report. The entity discloses sustainability information as an integrated part of their business strategy, people, planet and profit. This makes it natural for Green Cargo to include the sustainability information in the director's report.

The 2006 annual report was appointed as the best sustainability information in the director's report by FAR SRS (the professional institute for authorized public accountants, approved public accountants and other highly qualified professionals in the accountancy sector in Sweden).



Conclusion

The content analysis revealed large differences in practice in the provision of non-financial information in the annual report despite the fact that almost all countries implemented Article 46 of the Modernisation Directive literally. This may be caused by the business culture, other legislation and the awareness of sustainability issues in society. For instance, French entities tend to report more extensively and analytically on labour and employees issues because of the requirements in national law; the Scandinavian and German entities focus more on environmental issues: and UK entities provide details and comprehensive information based on the triple bottom line approach[7]. The analysis also showed that disclosure on sustainability issues also varies significantly between business sectors.

7 Also referred to as Triple "P": people, planet, profit sustainability report, CSR report

6. RELEVANCE AND SUSTAINABILITY

6.1 Modernisation Directive and the concept of relevance

Article 46 of the Modernisation Directive states that: *"to the **extent necessary** for an understanding of the entity's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators **relevant to the particular business**, including information relating to environmental and employee matters.*"

According to this requirement the concept of relevance is evident in two ways:

1. Where appropriate non-financial KPIs are necessary for an understanding the entity's development, performance or position;
2. Non-financial KPI relevant to the particular business.

Whether non-financial information is appropriate or relevant is related to a certain perspective:

- Relevant from the perspective of financial performance?
- Relevant from the perspective of sustainable development?

Although both perspectives are interrelated it is especially the time horizon that differs. The perspective of financial performance is key in financial annual reporting. The axiom underlying financial annual reports is that of decision usefulness. The information provided in the annual report therefore has to be useful for the users of financial annual reports. Often these users are identified as (potential) shareholders and investors. To be useful information must be relevant and reliable. The concept of relevance has both quantitative and well as qualitative characteristics. To identify whether information is relevant and reliable the threshold of materiality is used. Therefore materiality is addressed at two levels, at an issue and at a data level.

The concept of materiality was more recently redefined by the IASB Exposure Draft of an Improved Conceptual Framework for Financial Reporting in Chapter 2: Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information of May 2008. Materiality is defined as follows:

Information is material if its omission or misstatement could influence the decisions that users make on the basis of an entity's financial information. Because materiality depends on the nature and amount of the item judged in the particular circumstances of its omission or misstatement, it is not possible to specify a uniform quantitative threshold at which a particular type of information becomes material. When considering whether financial information is a faithful representation of what it purports to represent, it is important to take into account materiality because material omissions or misstatements will result in information that is incomplete, biased or not free from error.

However researchers (C. Rhianon, P. Edgley, M.J. Jones, J.F. Solomon, 2008)[8] identified certain problems with the decision usefulness axiom. Preparers, auditors, and users all seem to make materiality decisions but may have different materiality thresholds. These heterogeneous groups are

[8] The Materiality Concept In Social and Environmental Reporting Assurance (SERA): Evolution and Confusion?, Carla Rhianon, Pel Edgley, Michael John Jones, Jill Frances Solomon, conference paper presented at 18th National Auditing Conference, Cardiff, April 2008

likely to have dissimilar views of materiality because of their different motives. Users demonstrated lower materiality thresholds than either preparers or auditors. Also, research findings have revealed little about how financial statement information is utilised by users in investment and credit decision making or how materiality judgments made by preparers and auditors affect users' decisions. One factor contributing to the lack of consensus about materiality thresholds was the lack of clear materiality guidelines from the professional accounting bodies.

6.2 Materiality in the context of sustainability

The annual report is not only addressing financial stakeholders but there is an ongoing process for the annual report to be a general communication tool.

Materiality referred to in the context of sustainability information in the annual report is a more complex issue than that of financial materiality (as stated in FEE Discussion Paper – *Key issues in Sustainability Assurance – An Overview – June 2006*):

- *"The report is not prepared from just one viewpoint (traditionally, that of the shareholders) but is also relevant to other stakeholders;*
- *The report may include less quantitative and more non-financial, qualitative information; and*
- *The reporting criteria are less developed than law and standards that determine financial reporting."*

Although those statements refer to sustainability reports[9], they are also applicable to sustainability information in the annual report. However, additional considerations when defining materiality in this latter case should be taken into account particularly:

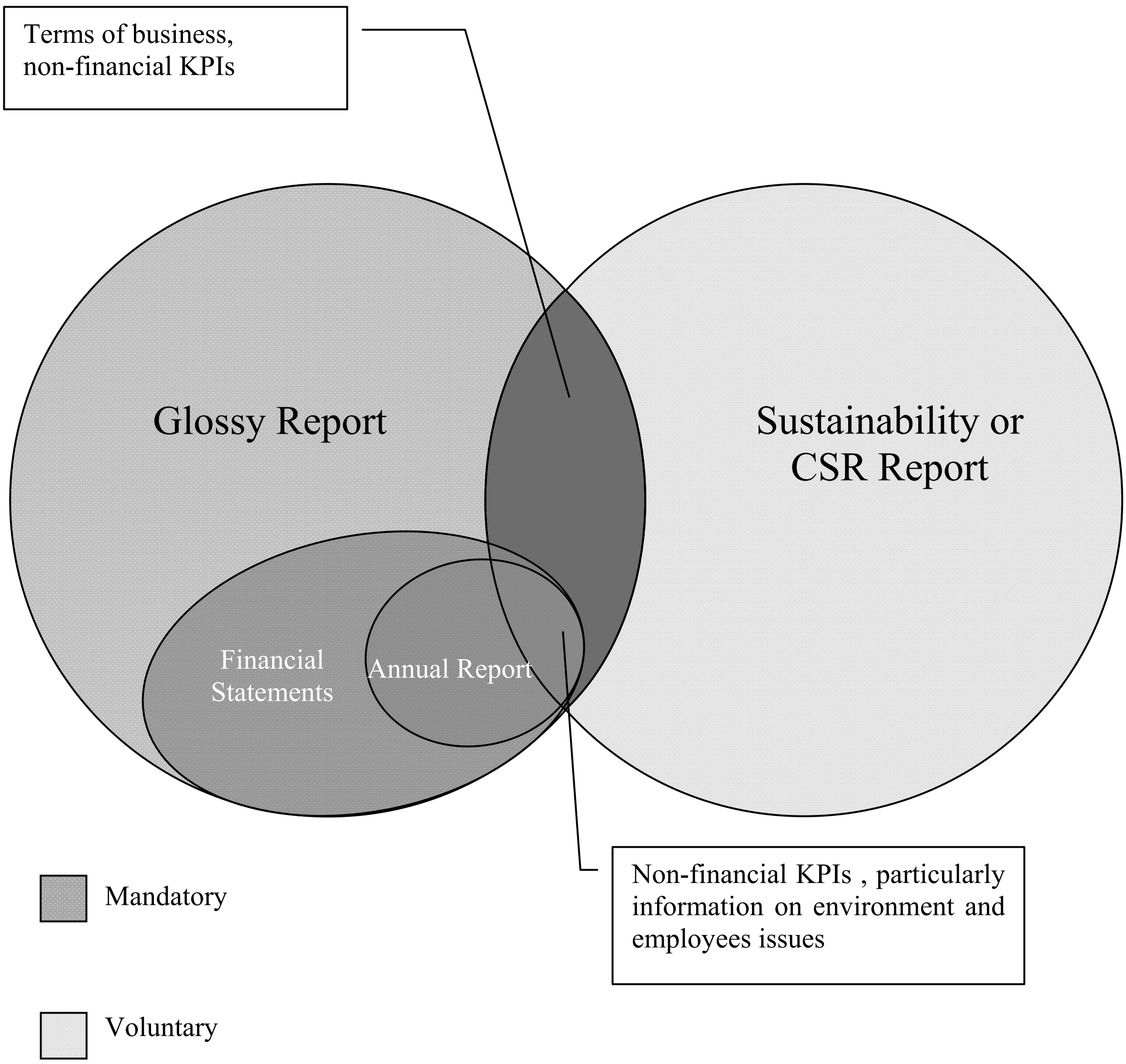
- The timescale: sustainability matters are not constrained by a period of twelve months but can extend for instance to a century or more;
- The life cycle and the supply chain approach which go beyond the legal boundaries of a entity;
- The wider group of stakeholders and their concerns.

Trends show that entities' KPIs increasingly include indicators in relation to sustainability, thus moving from the financial perspective towards a perspective of sustainable development.

The figure below shows the relationships between the different types of reporting and how materiality influences information on sustainability in both types of reporting[10].

9 Also referred to as Triple "P": triple bottom line reports, people, planet, profit sustainability report, CSR report

10 Brom M., Frey B., Jasch C., Leitlinie zur Herleitung wesentlicher nichtfinanzieller Leistungsindikatoren insbesondere zu Umwelt- und ArbeitnehmerInnenbelange im Lagebericht, gefördert von Wirtschafts- und Lebensministerium, Wien, 2008



Materiality is defined by different entities in different ways. Global Reporting Initiative[11] for example defines materiality as: "*The information in a report should cover topics and Indicators that reflect the organization's significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders*". This definition includes both the perspective of relevance to sustainable development as well as relevant to a wider group of stakeholders. AccountAbility[12] have formulated a five-part test to assist entity boards and assurance providers in determining materiality and what should be publicly disclosed. In this regard the following should be taken into account:

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[11] Global Reporting Initiative G3 Sustainability Reporting Guidelines, Amsterdam, 2006

[12] AccountAbility, The Materiality Report, Aligning Strategy, Performance and Reporting, 2006 and Redefining Materiality, 2003

- Direct short term financial impacts;
- Policy related norms;
- Business peer based norms;
- Stakeholder behaviour and concerns;
- Societal norms.

An example of the shift of the IASB concept of materiality towards a wider user group can also be found in the Guide to Sustainability Reporting of the Dutch Accounting Standards Board[13] and which is linked to the Dutch guideline on the annual report:

- *To be useful, information should be relevant in meeting the needs of users in forming an opinion or decision. Information has the quality of relevance when it influences the opinion or decision of users by helping them evaluate past, present or future events, or confirming or correcting their past evaluations.*
- *To be able to provide relevant information, it is necessary to gain an insight in the legitimate information needs of users for whom the sustainability report is intended. The dialogue with stakeholders fulfils an important role in this respect.*
- *The relevance of information is affected by its nature and materiality. In some cases, the nature of the information alone is sufficient to determine its relevance. In other cases, both the nature and materiality, as expressed in the relative quantitative variables, is of importance. Relevance, moreover, often depends on the circumstances relating to topics and recent events.*
- *Information in a sustainability report is material if its omission or misstatement could influence the decisions of users on the basis of the report. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic that information must have if it is to be useful.*
- *Organizations should prevent overloading sustainability report users with information, making it difficult for them to trace what is relevant to them. On the other hand, organizations should take note of the diversity of information requests from society and identify its legitimate needs in this respect. This is why an insight is given in the scope of sustainability reporting and reasons are provided for the basis underlying the choices of information to be included in it.*

Given the wider user group and its diverse information needs the legitimate information needs is introduced. It also emphasizes the importance of being transparent about how choices have been made in relation to identifying relevant information. Scientific research results conclude that effective stakeholder inclusiveness is essential in the determination of materiality to minimise the risk of bias in materiality decisions. (C. Rhianon P. Edgley, M.J. Jones, J.F. Solomon, 2008) [14].

The content analysis described in paragraph 5 showed that entities report more on areas of disclosure related to Performance, Activities and Policy. However, FEE wondered whether the relevance concept was appropriately applied. Similarly, the rare information found on Risks, Dialogue and Non Compliance does not imply that these areas are, in general, less material.

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13 See information in Guide to sustainability reporting, Dutch Accounting Standards Board, Amsterdam, 2003. Also included in UNCTAD-ISAR Guidance on corporate responsibility indicators in annual reports, Geneva, 2008, both by dr. Nancy Kamp-Roelands

14 The Materiality Concept In Social and Environmental Reporting Assurance (SERA): Evolution and Confusion?, Carla Rhianon Pel Edgley, Michael John Jones, Jill Frances Solomon, conference paper presented at 18th National Auditing Conference, Cardiff, April 2008

Conclusion

In identifying the type of non-financial information, in particular on sustainability, that can be included in the annual report the concept of relevance and related materiality plays an important role. Materiality is considered in the context of the other qualitative characteristics of information, especially relevance and faithful representation. Judgements are made in the context of the nature and the amount of an item, as well as the entity's situation. As the annual report is more and more being used as a general communication tool a key consideration is the user group of the annual report as well as the scope of performance to be addressed. Effective stakeholder inclusiveness is essential in the determination of materiality to minimise the risk of bias in materiality decisions.

For sustainability information to be included in annual reporting additional guidance is necessary on what constitutes relevant information, especially when an increasing number of entities combine their sustainability information with the financial information. FEE therefore welcomes further guidance and good practice examples of sustainability disclosures in the annual report. Exchange of good practice can play an important role. Guidance that has already been developed within some European countries can form a basis for further guidance at national and European level. FEE calls on the IASB to consider developing sufficient guidance on relevance and materiality to be included in the annual report including sustainability information and a set of indicators[15] that are relevant for both financial and sustainability information as part of the IASB Management Commentary Project.

[15] See for example UNCTAD-ISAR Guidance on corporate responsibility indicators in annual reports.

7. ASSESSING CONSISTENCY[16]

The involvement of the statutory auditor in relation to the annual report is described in Articles 51 and 51*a* of the Fourth Directive as amended by the Modernisation Directive.

According to Article 51.1 of the Fourth Directive amended by the Modernisation Directive, "*The statutory auditors shall also express an opinion concerning the consistency or otherwise of the annual report with the annual accounts for the same financial year*".

In such a case, the auditor's engagement in relation to the annual report forms part of the statutory audit report according to Article 51a.1. (e) *"an opinion concerning the consistency or otherwise of the annual report with the annual accounts for the same financial year"*.

The applicable International Standard on Auditing (ISA) is "The Auditor's Responsibility in Relation to Other Information in Documents Containing Auditing Financial Statements (Redrafted)" (ISA 720). This ISA provides guidance for the auditor on other information in documents containing audited financial statements, such as the annual report. ISA 720 provides that the auditor shall read the other information to identify material inconsistencies with the audited financial statements or to identify material misstatements of fact.

Information in the annual report that contradicts information contained in the audited financial statements is a material inconsistency and may raise doubt about the audit conclusions. A misstatement of fact arises when other information that is unrelated to matters appearing in the audited financial statements in incorrectly stated or presented which may undermine the credibility of the document containing audited financial statements.

Therefore both under the Accounting Directives and under ISA 720 the statutory auditor has an obligation to check consistency with the audited financial statements. Sometimes the annual report includes cross references as to where the additional information can be found. This could also be the case for sustainability issues. The question can then be raised to what extent the material cross referenced to, becomes subject to a consistency check as well.

FEE is of the opinion that simply providing cross references in the annual report to the separate sustainability report is not sufficient. A description of the key issues and KPIs need to be included in the annual report itself.

In some countries, such as Denmark and Sweden, the annual report is part of the full audit, rather than that the information in the annual report is only subject to a consistency check. This may raise questions in relation to the auditability of information that is judgemental and subjective in nature. Any recommendations concerning good practice and good practice examples should take the auditability and verifiability aspect into account in suggesting disclosures.

16 The terminology of annual report as used in the Fourth and Seventh Directive is different from the wording used in practice. In practice this report is often referred to as the director's report. (For details refer to Section 3.2)

FEE has developed several relevant papers that may improve the understanding of both entities and auditors of sustainability assurance issues, including *"Providing Assurance on Sustainability Reports"* (April 2002), "Call *for Action – Assurance for Sustainability"* (February 2004), *"Assurance for a sustainable supply chain"* (June 2005), *"FEE Alert – Emission Trading*" (January 2005) and "*Key issues on sustainability assurance – An Overview"* (June 2006). These papers however are addressing separate reports and not the sustainability information included in the annual report. A relevant paper in relation to the annual report which FEE plans to publish in the first half of 2009 is the Discussion Paper on the Auditor's Role regarding providing Assurance on Corporate Governance Statements.

Conclusion

According to the Modernisation Directive, the statutory auditor shall express an opinion concerning the consistency of the annual report with the annual accounts. This is consistent with ISA 720. When the annual report includes references to where sustainability information can be found. The question can be raised to what extent the material referred to, becomes subject to a consistency check as well.

APPENDIX I - SUMMARY OF RESPONSES

Question 1 - Elements of the EU Modernisation Directive – Amendments of Article 46		
The annual report shall include at least a fair review of the development and performance of the entity's business and of its position, together with a description of the principal risks and uncertainties that it faces.		
Already implemented (Specify law, decree, name and provide copies of the relevant text with the explanatory memorandum)[17]		
Country	**National legislation**	**Guidance**
Austria	Sec 243 of the Austrian Corporate Code (Unternehmensgesetzbuch(UGB)) as amended by RELÄG 2004	
Belgium	Art.96, 1° and 119, 1° of the Belgian Company Code	
Bulgaria	Accounting Act	
Cyprus	Section 151 of the Companies Law, Cap.113	
Czech Republic	A fair review is required by Act on Accounting No. 563/1991 Sb.Par. 21. (effective) description of principal risks is required by Decree No. 500/2002 Sb. Par. 39.9.c as a part of notes to financial statements. (effective since 29 June 2008)	
Denmark	"Fair view", Danish Financial Statements Act Section 11(1). "Review" (management's review): Risks: Danish Financial Statements Act, Sections 99.	
Finland	Accounting Act 30.12.1997/ 1336: Chapter 3, Section 1	
France	Implemented by the Order n°2004-1382 (art. 3) of 20 December 2004 which amended article L 225-100 (al. 3 and 4) of the Code de Commerce	

[17] Which of the following elements from the amendments of Article 46 of the EU Modernisation Directive have been implemented through national legislation including further details national accounting standards; or non-mandatory means, such as recommendations or guidelines, respectively? Please mark also those elements that have been implemented prior to and independently of the EU Modernisation Directive and attach the text if existing in English version. Please provide the names and specific reference (quote).

Question 1 - Elements of the EU Modernisation Directive – Amendments of Article 46		
The annual report shall include at least a fair review of the development and performance of the entity's business and of its position, together with a description of the principal risks and uncertainties that it faces.		
Already implemented (Specify law, decree, name and provide copies of the relevant text with the explanatory memorandum)[17]		
Country	**National legislation**	**Guidance**
Germany	Article 289 paragraph 1 sentence 1+4 HGB	
Hungary	Act C of 2000, Section 95	
Ireland	Companies (Amendment) Act, 1986, as amended in 2005, Section 13(a)	
Italy	Civil Code (Article 2428) as recently modified by legislative decree dated 2 February 2007, n. 32, which has implemented the EU Directive	CNDCEC, "Guidelines on the preparation of the management commentary note for commercial, industrial and service enterprises"
Lithuania	Law on Financial Statements of Entities (effective from 18 July 2006)	
Netherlands	BW 2, Article 2.391	
Norway	The Norwegian Accounting Act	
Poland	The Accounting Act (Journal of Laws of 2002, No. 76, item 694) – Art. 49 para 2	
Portugal	Decree-Law 35/2005, of 17th of February	
Romania	The order of the Ministry of Finance 1752/2005 Article 259	

Question 1 - Elements of the EU Modernisation Directive – Amendments of Article 46		
The annual report shall include at least a fair review of the development and performance of the entity's business and of its position, together with a description of the principal risks and uncertainties that it faces.		
Already implemented (Specify law, decree, name and provide copies of the relevant text with the explanatory memorandum)[17]		
Country	**National legislation**	**Guidance**
Slovenia	The Companies Act (Article 70) Companies Act – English translation on website of Ministry of The Economy: http://www.mg.gov.si/fileadmin/mg.gov.si/pageuploads/DNT/pravo_dru__b/Microsoft_Word_-_SN_-_ZGD-1_iz_UL_-_ang.pdf Most relevant for the questionnaire are Article 53, 60 and 70.	
Spain	Art. 49.1, Law 16/2007 Companies Act adaptation to EU regulation on accounting and reporting. Applicable from 31.12.2007	
Sweden	ÅRL, Chapter 6 (Annual Accounts Act) (applicable from May 1, 2005)	
UK	Section 417, Companies Act 2006	Guidance in “Reporting Statement: Operating and Financial Review”, which also covers “environmental matters”.

Question 1 - Elements of the EU Modernisation Directive – Amendments of Article 46	
The review shall be a balanced and comprehensive analysis of the development and performance of the entity's business and of its position, consistent with the size and complexity of the business;	
Country	**National legislation**
Austria	Sec 243 of the Austrian Corporate Code (Unternehmensgesetzbuch(UGB)) as amended by RELÄG 2004
Belgium	Art.96, 1° and 119, 1° of the Belgian Company Code
Bulgaria	Accounting Act
Cyprus	Section 151 of the Companies Law, Cap.113
Czech Republic	Act on Accounting 563/1991 Sb.Par. 21
Denmark	Danish Financial Statements Act Section 101
Finland	Accounting Act 30.12.1997/ 1336: Chapter 3, Section 1
France	Implemented by the Order n°2004-604 (art. 51-1) of 24 June 2004 which amended article L 225-100 (al. 3) of the Code de Commerce
Germany	Article 289 paragraph 1 sentence 2 HGB
Hungary	Act C of 2000, Section 95: (3) The analysis referred to in Subsection (2) shall contain financial indicators to the extent necessary for the assessment of the entity’s development, performance or situation, and where necessary, all non-financial indicators of key importance which are of the essence in terms of the entity’s business operations.
Ireland	Companies (Amendment) Act, 1986, as amended in 2005, Section 13(a)
Italy	Civil Code (Article 2428) as recently modified by legislative decree dated 2 February 2007, n. 32, which has implemented the EU Directive
Lithuania	Not mentioned directly
Netherlands	BW 2, Article 2.391
Norway	The Norwegian Accounting Act
Poland	The Accounting Act – Art. 49 para 1 and 2*
Portugal	Decree-Law 35/2005, of 17th of February
Romania	Order of the Ministry of Finance 1752/2005 refers to this issue as part of the administrator’s report
Slovenia	The Companies Act (Article 70) Companies Act – English translation on website of Ministry of The Economy: http://www.mg.gov.si/fileadmin/mg.gov.si/pageuploads/DNT/pravo_dru__b/Microsoft_Word_-_SN_-_ZGD-1_iz_UL_-_ang.pdf Most relevant for the questionnaire are Article 53, 60 and 70.
Spain	Art. 49.1, Law 16/2007 Companies Act adaptation to EU regulation on accounting and reporting
Sweden	ÅRL, Chapter 6 (Annual Accounts Act) (applicable from May 1, 2005)
UK	Section 417, Companies Act 2006

Question 1 - Elements of the EU Modernisation Directive – Amendments of Article 46	
To the extent necessary for an understanding of the entity's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters;	
Country	**National legislation**
Austria	Sec 243 of the Austrian Corporate Code (Unternehmensgesetzbuch(UGB)) as amended by RELÄG 2004
Belgium	Art.96, 1° and 119, 1° of the Belgian Company Code
Bulgaria	Accounting Act
Cyprus	Section 151 of the Companies Law, Cap.113
Czech Republic	Act on Accounting 563/1991 Sb.Par. 21
Denmark	Danish Financial Statements Act Section 99 (2)
Finland	Accounting Act 30.12.1997/ 1336: Chapter 3, Section 1
France	Implemented by the Order n°2004-1382 (art. 3) of 20 December 2004 which amended article L 225-100 (al. 3) of the Code de Commerce
Germany	Article 289 paragraph 1 sentence 3 HGB+ Article 289 paragraph 3 HGB
Hungary	Act C of 2000, Section 95: (4) There is a description of the content of the management report
Ireland	Companies (Amendment) Act, 1986, as amended in 2005, Section 13(a)
Italy	Civil Code (Article 2428) as recently modified by legislative decree dated 2 February 2007, n. 32, which has implemented the EU Directive
Lithuania	Law on Financial Statements of Entities (effective from 18 July 2006)
Netherlands	BW 2, Article 2.391
Norway	The Norwegian Accounting Act
Poland	The Accounting Act – Art. 49 para 3
Portugal	Decree-Law 35/2005, of 17th of February
Romania	The order of the Ministry of Finance 1752/2005 Article 259
Slovenia	The Companies Act (Article 70) Companies Act – English translation on website of Ministry of The Economy: http://www.mg.gov.si/fileadmin/mg.gov.si/pageuploads/DNT/pravo_dru__b/Microsoft_Word_-_SN_-_ZGD-1_iz_UL_-_ang.pdf Most relevant for the questionnaire are Article 53, 60 and 70.
Spain	Art. 49.1, Law 16/2007 Companies Act adaptation to EU regulation on accounting and reporting
Sweden	ÅRL, Chapter 6 (Annual Accounts Act) (applicable from May 1, 2005)
UK	Section 417, Companies Act 2006

Question 1 - Elements of the EU Modernisation Directive – Amendments of Article 46	
In providing its analysis, the annual report shall, where appropriate, include references to and additional explanations of amounts reported in the annual accounts.	
Country	**National legislation**
Austria	Sec 243 of the Austrian Corporate Code (Unternehmensgesetzbuch(UGB)) as amended by RELÄG 2004
Belgium	Art.96, 1° and 119, 1° of the Belgian Company Code
Bulgaria	Accounting Act
Cyprus	Section 151 of the Companies Law, Cap.113
Czech Republic	Additional explanation is a part of notes to financial statements. Both notes and financial statement is part of an annual report. Ref.: Act on Accounting 563/1991 Sb. Par. 18.1.c and 21.4
Denmark	Danish Financial Statements Act Section 99 (1)
Finland	Accounting Act 30.12.1997/ 1336: Chapter 3, Section 1
France	Implemented by the Order n°2004-1382 (art. 3) of 20 December 2004 which amended article L 225-100 (al. 4) of the Code de Commerce
Germany	Article 289 paragraph 1 sentence 3 HGB
Hungary	Act C of 2000, Section 95: (7) The business report shall, if and where necessary, make reference to data contained in the annual report and shall provide further explanation where required
Ireland	Companies (Amendment) Act, 1986, as amended in 2005, Section 13(a)
Italy	Civil Code (Article 2428) as recently modified by legislative decree dated 2 February 2007, n. 32, which has implemented the EU Directive
Lithuania	Law on Financial Statements of Entities (effective from 18 July 2006)
Netherlands	BW 2, Article 2.391
Norway	The Norwegian Accounting Act
Poland	The Accounting Act – Art. 49 para 3
Portugal	Decree-Law 35/2005, of 17th of February
Romania	OMF 1752 Article 259 requires that in providing its analysis the administrators report includes where appropriate, references to and additional explanations of amounts reported in the annual financial statements.
Slovenia	The Companies Act (Article 70) Companies Act – English translation on website of Ministry of The Economy: http://www.mg.gov.si/fileadmin/mg.gov.si/pageuploads/DNT/pravo_dru__b/Microsoft_Word_-_SN_-_ZGD-1_iz_UL_-_ang.pdf Most relevant for the questionnaire are Article 53, 60 and 70.
Spain	Art. 49.1, Law 16/2007 Companies Act adaptation to EU regulation on accounting and reporting.
Sweden	ÅRL, Chapter 6 (Annual Accounts Act) (applicable from May 1, 2005)
UK	Section 417, Companies Act 2006

Question 2 – How is Article 46 of the EU Modernisation Directive implemented?				
Country	**Is it literally?**	**What are the deviations from the text of Article 46?**	**To which types of entity does it apply?**	**Additional requirements/guidance?**
Austria	√	None	Large and medium entities	Guidance for the preparation of Director's Reporting in December 2006, based on the amended directive
Belgium	√	None	Large and medium entities	
Bulgaria	√	None	All entities which are obliged to have statutory audit	
Cyprus	√	None	Listed and non-listed, except small sized private entities.	
Czech Republic	√	None	To all obligatory audited entities. I.e. all listed entities apply the requirements. Besides, non-listed entities which are obligatory audited are required to do it as well.	
Denmark	√	None	Entity owned by the Danish State Entity listed on the stock exchange	
Finland	√	None	All listed entities and other large and medium entities. Small entities are exempted from non-financial information.	
France	√	None	Listed and non-listed entities for certain thresholds (still to be defined)	French regulation defined the detailed social and environmental information which has to be given by listed entities
Germany	Almost	None	Listed and non-listed entities Exception: small and medium-sized entities are not required to inform about non-financial key performance indicators	
Hungary	√	None	Entities preparing abridged annual reports are exempted.	

Question 2 – How is Article 46 of the EU Modernisation Directive implemented?				
Country	**Is it literally?**	**What are the deviations from the text of Article 46?**	**To which types of entity does it apply?**	**Additional requirements/guidance?**
Ireland	√	None	Listed entities	
Italy	√	None	Listed and non-listed entities but small are exempted.	
Lithuania	√	None	Listed and non-listed entities	
Netherlands	√	None	All Listed and large non-listed entities (meaning large Cooperations, Mutual insurance funds, Private and Public Limited Entities, and Limited Partnerships**)**	Dutch Accounting Standards Board "Guideline 400 Annual Report" and "Guide to Sustainability Reporting"
Norway	√	None	Listed and non-listed entities	
Poland	Almost	None	Listed and non-listed entities (limited liability and joint stock partnerships, limited joint stock partnerships, mutual insurance entities, co-operatives, state-owned enterprises)	
Portugal	√	None	Listed and non-listed entities	
Romania	√	None	For all entities and groups of entities (both listed and non-listed) that publish financial statements accompanied by an administrators report according to the law of accounting.	
Slovenia	√	None	Listed entities	
Spain	√	None	Listed and non-listed entities	
Sweden	√	None	Listed and non-listed entities except par 1 b of Article 46 which is exempted for small non-listed entities	
UK	√	None	Listed entities, PLCs and large and medium-sized private companies, with some exemptions for medium-sized entities	

Question 3 – Other related laws on reporting on environmental and social issues Please indicate what other relevant legislation and standards exist in your country.	
Austria	None
Belgium	Statement of a firm's policies towards its employees (art. 97 of the royal Decree of 30 January 2001
Bulgaria	None
Cyprus	None
Czech Republic	None
Denmark	Entities with (potential) environmental impact shall make green accounts according to specific green accounting law.
Finland	Accounting Board instructions on how to deal with environmental issues in accounting (24.10.2006) and how to express environmental issues in the report of operations (12.9.2006)
France	Additional requirements for listed entities (see question 2 above): • Law n°2001-420 of 15 May 2001 ("NRE" – art. 116) which amended article L. 225-102-1 (al. 5) of the Code de Commerce [Provide details and explanation (see Italy)] • Decree n°2002-221 of 20 February 2002 (art. 1) which detailed the social and environmental information to be mentioned in the management report. • Recommendation of the French accounting standard setter (CNC) R n°2003-r02 of 21 October 2003 about environmental matters. The law, the decree and the recommendation were implemented prior to the EU modernisation directive.
Germany	Germany: IDW Accounting Guidance (IDW AcG HFA 1.007) includes examples of appropriate disclosures regarding employee and environmental matters. IDW Assurance Standard (IDW AsS 821) describes how the acceptance and performance of engagements to audit or review reports on sustainability issues, reporting on such engagements, and the composition of the assurance report should comply with the professional responsibility of German auditors.
Hungary	None
Ireland	None
Italy	2001 Ministry of Finance guidlines, establishing that banks' boards, in addition to financial statements, must prepare management commentary notes (i.e. statement) split into two different sections – economic and financial performance, and a mission statement (Ministry of Treasury, "Atto di indirizzo recante le indicazioni per la redazione, da parte delle fondazioni bancarie, del bilancio relativo all'esercizio chiuso il 31 dicembre 2000", in Gazzetta Ufficiale n. 96, 26 April 2001). In 2006, the Legislative Decree 24 March 2006, n. 155, "Disciplina dell'Impresa Sociale", a Norma della Legge 13 Giugno 2005, n. 118, that introduced the formal term "social enterprise" into the not-for-profit sector (which is currently inadequately regulated by the Civil Code) and established the requirements for not-for-profit entity to be included in this new legal definition of enterprise. It is a significant step, as social enterprises is so far the only entities required by the law to prepare social reports, according to the Guidelines recently developed and issued by the Ministry of Labour.

Question 3 – Other related laws on reporting on environmental and social issues Please indicate what other relevant legislation and standards exist in your country.	
	Italian sustainability and assurance reporting guidance: General Reporting • CNR-Gruppo di Studio Economia ambientale, La comunicazione ambientale nel bilancio d'esercizio (Environmental information in the financial statement), March 2005; • CNDC-Commissione Economia e contabilità ambientale, Il report di sostenibilità ambientale e sociale: principi e contenuti (Social and environmental sustainability report: guidelines and contents), Milan, Egea, 2004; • Gruppo di studio per il Bilancio Sociale (GBS), "Principi di Redazione del Bilancio Sociale" (Guidelines to the social report preparation), April 2001. There are also specific laws, guidances in relation to Sector reporting, Assurance and Specific Matters (Emission Rights).
Lithuania	None
Netherlands	Regulations on environmental issues (e.g. as emissions to air and surface water), and on labour conditions The Environmental Protection Act specifies that the identified heavily polluting industries have to submit a mandatory environmental report to the governmental entity from whom they receive their environmental permit. The requirement for the mandatory public environmental report has been dropped after been active for several years. In relation to financial reporting the Dutch Accounting Standards Board (DASB) has issued a guideline on Annual Reporting (2003), which includes paragraphs how to address sustainability information. The guideline was in 2008 further refined in line with the explanatory memorandum of the Modernisation Directive. More detailed guidance on sustainability information can be found in the DASB's Guide to Sustainability Reporting (2003). In the DASB's guidelines in relation to financial statements examples of how to account for environmental issues are given such as examples of environmental provisions. As a result of the European Emission Trading Scheme from 2005 certain industries have to provide a mandatory emission report to the Dutch Emission Authority. The Dutch health insurance entities have to submit a mandatory CSR report to the Dutch Healthcare Authority. The Ministry of Economic Affairs has submitted a commitment to increase sustainability reporting in the Netherlands and monitors annually 175 entities in relation to their transparency on sustainability performance. For Assurance Royal NIVRA, the Dutch professional body has issued the standard: Assurance Engagements related to sustainability reports.
Norway	None
Poland	None
Portugal	CNC Portuguese Accounting Standard 29/02, of the 5th of June for Environmental Issues (To Account for Provisions or Disclosure in Annex). This Accounting Standard adopts the Commission Recommendation of 30 May 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of entities.
Romania	The Low no 265/29 June 2006 related to the environment protection defines the environment report as an analysis document necessary in the process of plans and programmes promotion. The situations when an entity may need an environment agreement or authorisation are various. If the impact on the environment is considered significant than in order to obtain an environment authorisation is necessary an

Question 3 – Other related laws on reporting on environmental and social issues Please indicate what other relevant legislation and standards exist in your country.	
	evaluation study of the impact on the environment and most often an environment balance sheet. In all cases, when an environment evaluation study or an environment balance sheet are necessary, the analysis of those documents and their public debate is made on the base of a document called also environment report on the environment balance sheet or on the environment valuation. The standard SR EN ISO 14004/2005 establishes the elaboration of an annual environment report and its content.
Slovenia	None
Spain	1. Environmental information to be included in that the annual accounts. Financial disclosures (provisions, costs, investments) and notes to the accounts (explanations about investments, costs, contingencies,…). New General Accounting Plan 2007 (compulsory accounting standards for all types of entities, based on EU Directives) has included all the items of the Resolution. (Resolución de 25 de marzo de 2002 del Instituto de Contabilidad y Auditoría de Cuentas, por la que se aprueban normas para el reconocimiento, valoración e información de los aspectos medioambientales en las cuentas anuales). 2. On the measurement of the greenhouse emisión rights (Resolución de 2 de febrero de 2006 Sobre Normas de Valoración de los derechos de emisión de gases de efecto invernadero).
Sweden	The Annual Account act (ÅRL, Chapter 6) also specifies that entities with environmental permissions in accordance with the Swedish Environmental Act are to report on their environmental impact. This legislative demand has been interpreted by the Swedish accounting Standards Board (BFN) in a statement BFN U 98:2 on which environmental information to include in the management report.
UK	In Jan 2007 the ASB published a Review of narrative reporting by UK listed entities in 2006. The Report examines the depth to which entities have adopted the recommendations in the Reporting Statement, as well as compliance with the legal requirements on The Business Review.The UK Treasury also requires government entities to produce a “Management Commentary/OFR”.

Question 4 –	To what extent is it mandatory to assess the consistency or provide assurance on environmental and/or social information in the separate CSR (Corporate Social Responsibility) or sustainability report or in the annual report related to the financial statements[18]? Please specify what type of assurance is required if any (consistency check, review, audit or other form of assurance) and whether they are the same for all information disclosed.
Austria	For separately prepared sustainability reports, there is no such obligation, but those reports do not relief the entity from the obligation to prepare a director's report according to sec 243 UGB (i.e. Art 46 of the Fourth EC-Directive). For the annual report (director's report), a consistency check with section 243 UGB, including social and environmental issues is performed by the financial auditor.
Belgium	Besides the requirement of Article 97 of the Royal Decree of 30 January 2001, it is not mandatory in Belgium to provide assurance on environmental / social information in a report. However, the Annual/Directors Report is subject to "consistency check" vis-à-vis the audited financial statements in compliance with ISA 720.
Bulgaria	Accounting Act Art.33 para 2-component of the annual report for the performance of the entity. No other requirements related to the statutory audit
Cyprus	The business review forms part of the directors' report. The whole of the directors' report must be reviewed by the auditor who must state in his audit report whether the information in the directors report (including environmental and employee matters) is consistent with the information contained in the annual accounts.
Czech Republic	The extent is defined by ISA 720 "Other Information in Documents Containing Audited Financial Statements" issued by IFAC. ISA 720 was fully adopted by the Chamber of Auditors of the Czech Republic.
Denmark	It is not mandatory to audit supplementary reports (e.g. sustainability reports). Non financial information contained in the Management Commentary in the annual report is subject to mandatory auditing.
Finland	Audit on all information disclosed in financial statements
France	Some social and environmental information is provided in the management report. The auditor has to provide negative assurance on the fairness and consistency of financial information given in the management report and to read the other information in order to identify material misstatements of facts.
Germany	Environmental and employee information given in the annual report (management commentary) of large corporations has to be audited by the auditor of the financial statements. The preparation and audit/review of sustainability reports is not mandatory in Germany.
Hungary	There is no specific requirement but to follow the ISAs.
Ireland	Directors Report subject to "consistency check" vis-à-vis the audited financial statements in compliance with Section 15, Entities (Amendment) Act, 1986. All "other information" included in the Annual Report in addition to the Audited Financial Statements will be read and assessed as to

[18] In some countries, sustainability information is only discussed in the annual report.

Question 4 –	To what extent is it mandatory to assess the consistency or provide assurance on environmental and/or social information in the separate CSR (Corporate Social Responsibility) or sustainability report or in the annual report related to the financial statements[18]? Please specify what type of assurance is required if any (consistency check, review, audit or other form of assurance) and whether they are the same for all information disclosed.
	consistency by the auditor/s in accordance with ISA (UK and Ireland) 720 "Other Information in Documents containing Audited Financial Statements".
Italy	Related to sustainability report, there is no obligation to adopt particular guidelines or to provide assurance on environmental and/or social information although guidelines related to these activities already exist. Social enterprises are the only entities required by the law to prepare social reports, according to the Guidelines recently developed and issued by the Ministry of Labour (see Question 3). The statutory auditor shall only provide assurance on environmental and/or social information contained in the annual report's management commentary. In fact the Italian law requires that the report of the statutory auditors shall include an opinion concerning the consistency or otherwise of the annual report with the annual accounts for the same financial year (consistent with the Article 1, para 18, of the Directive 2003/51/CE, implemented by the Article 2409 ter of the Civil Code).
Lithuania	Auditor, performing an audit of financial statements, has to verify whether the data given in an annual report drawn up by the board (head) of the enterprise (if required under law) correspond to the data presented in the financial statements (Law on Audit). It is a review (a limited assurance engagement) when negative form of expression of the conclusion is used. The same assurance for all information disclosed is required. The preparation and audit/review of sustainability reports is not mandatory in Lithuania.
Netherlands	It is mandatory for the financial auditor to provide a conclusion on the consistency of the financial statements with the information in the annual/director's report. It is not mandatory to provide assurance on the separate CSR report. About 50% have an assurance report, mostly issued by one of the audit firms. Sometimes the assurance provider of the CSR report is from a different firm than the financial auditor. These assurance providers are not required to check consistency with the annual report unless the information in provided at the same time.
Norway	No other requirement than minimum consistency requirement based on Article 51 of the Fourth Directive.
Poland	In the case of limited liability and joint stock entities, limited joint stock partnerships, mutual insurance entities, co-operatives, state-owned entities, the entity's manager shall prepare annual report, together with the annual financial statements that – among others – should include (if it is material for the assessment of the entity's position) financial and non-financial indicators, together with the information relating to environmental and employment matters, as well as additional explanations to amounts presented in the financial statements. Currently in Poland there is no formal obligation for entities to issue a separate CSR (Corporate Social Responsibility) sustainability report. Such information can be shown by the entity in the annual report related to the financial statements. If the financial statements are reviewed/audited by a statutory auditor, he is obliged to check whether such information, presented in the annual report related to the financial statements, are fairly presented (in a statutory auditor's report a statutory auditor is obliged to state, that an annual report is completed within the meaning of Article 49 para 2 of the Accounting Act and the information, that comes from the report, are consistent with this report).

Question 4 –	**To what extent is it mandatory to assess the consistency or provide assurance on environmental and/or social information in the separate CSR (Corporate Social Responsibility) or sustainability report or in the annual report related to the financial statements[18]? Please specify what type of assurance is required if any (consistency check, review, audit or other form of assurance) and whether they are the same for all information disclosed.**
Portugal	In Portugal, Sustainability issues are only required in the annual report, with the same terms used in the Modernisation Directive ("To the extent necessary for an understanding of the entity's development, performance or position, the analysis shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters"). In Portugal, the auditor has to review the consistency of the annual report with the financial statements. For this matter any environmental and social information disclosed in the annual report that has impact in the financial statements must be checked by the auditor. Separate sustainability reports are not mandatory in Portugal and are not subject to any kind of assurance required by law.
Romania	Currently in Romania there is no formal obligation for entities to issue a separate CSR (Corporate Social Responsibility) sustainability report. In case of issuing such a report there is no obligation to audit or to issue any kind of assurance report on it. Environmental and social information can be shown by the entity in the annual administrators report related to the financial statements. If the financial statements are audited by a statutory auditor, he is obliged to check whether the information in the directors' report is consistent with the information contained in the annual accounts (according to ISA 720).
Slovenia	The Ljubljana Stock Exchange has a Corporate Governance Code, which purpose is to define in more detail the governance and management principles of public joint stock entities, whose shares are listed on the Slovenian regulated market. Point 8.3.1 of the Code lay down that part of the annual and semi-annual report shall also be the corporate social responsibility report (responsibility to employees, consumers, local community and the natural environment) and point 8.5. lay down that part of entity's report shall be the disclosure of corporate governance. For all those information consistency with other information in annual accounts is required.
Spain	CSR reporting is not mandatory and in case of issuing such a report there is no obligation to audit or to issue any kind of assurance report on it.
Sweden	The information described above should, if relevant, be included in the management report which is part of the statutory audit. The assurance given is then a positive one included in the general audit report. Separate sustainability reports can be independently reviewed by a third part in accordance with the FAR SRS (the institute for the accountancy profession in Sweden) standard RevR 6 Independent review of voluntary separate sustainability reports. This is however voluntary. The assurance given is negative.
UK	In the UK, the business review forms part of the directors' report (the annual report). The whole of the directors' report must be reviewed by the auditor who must state in his audit report whether the information in the directors report is consistent with the information contained in the annual accounts.

Question 5 - Entities Annual Reports	
a) Are listed entities in your country in practice already making disclosures based on Article 46 of the EU Modernisation Directive in relation to environmental matters? b) Is it also the case of non-listed entities?	
Austria	Yes, all medium and large corporations are making such disclosures since the amended law became effective for financial periods beginning on or after 1 January, 2005.
Belgium	It is already compulsory for entities to disclose information based on Article 46 of the EU Modernisation Directive (see Articles 96 1° and 119, 1° of the Belgian Company Code). There is no difference between listed and non-listed entities.
Bulgaria	Yes
Cyprus	A small number of listed entities already report on environmental / social issues. It is not common to find such disclosures in non-listed entities annual reports.
Czech Republic	(a) Yes. (b) Non-listed entities are required to make the required disclosure in their annual reports only when they are obligatory audited. Without such information would be their annual reports incomplete.
Denmark	<u>Listed entities:</u> Most listed entities have sections regarding the external environment, health, safety and human resources in their annual report. The level of detail in this information varies greatly from short qualitative description of central policies and challenges to more extensive disclosure of non financial key performance ratios related to the external environment, health, safety and human resources. Examples of best in class reporters. <u>Large non listed entities:</u> The same pattern can be seen in annual reports from non-listed entities. New law in progress requiring big entities to include in the annual report a statement on responsibility for the society (UN Global Compact principles and UN Principles for Responsible Investment principles)
Finland	Yes as from 1 January, 2005.
France	(a) Yes. (b) No (see answer to question 2 above)
Germany	Any large corporation – listed or not – and any group is required by Article 289 or 315 HGB (Article 315 HGB refers to consolidated annual reports) to inform about environmental and employee matters in management commentary.
Hungary	Yes
Ireland	Disclosures made as "good corporate citizen", competitive/peer pressure within particular business sector, greater interest within society in environmental law and social issues, etc. Not apparent that increasing and/or "better" disclosure can be specifically linked to implementation of Article 46.

Question 5 - Entities Annual Reports	
a) Are listed entities in your country in practice already making disclosures based on Article 46 of the EU Modernisation Directive in relation to environmental matters? **b) Is it also the case of non-listed entities?**	
Italy	The legislative decree n 32/2007 implementing the Modernisation Directive shall be relevant as to annual reports for the years following the date in which it enters into force. Therefore, financial statements concerning years starting the 13 April 2007 shall include, by mean of law, if so required, information on social and environmental matters. There are only 350 Italian listed entities, most of which are large entities. Of the 4 million Italian enterprises, 97% are SMEs, so any evaluation and observations have to be made taking this fact into account.
Lithuania	Listed and non-listed entities make such disclosures.
Netherlands	Yes entities have disclosures based on Article 46 in their annual report. Various entities refer to their separate CSR report that is increasingly published around the same time as the financial annual report.
Norway	Yes, both in case of listed and non-listed companies/entities are making such disclosures.
Poland	No response.
Portugal	Some important Portuguese entities have, in the present and in the past years, been issuing separate sustainability reports, such as banks, large industrial entities and the state owned Portuguese Electricity Entity, among others. Although the issuance of a separate sustainability report is not mandatory, we feel that the option to disclose such matters in a separate report has been growing in Portugal. Portuguese entities are aware that good environmental performance makes good business sense and that environmental risks and uncertainties impact to some extent on all entities. They are also starting to affect investment decisions, consumer behaviour and Government policy. As a consequence of such awareness our Institute is developing an audit standard for the audit of sustainability reports. However their is still some work to be done in relation to the public perspective, namely to assess the: 1 – Usefulness of these kind of reports (usually very nice to read but normally not read by those which might be/would expected to be interested in); 2 – Need of an audit or some kind of assurance of such report or parts of such report.
Romania	Some listed entities are making disclosures related to environmental matters. Non-listed entities have a lower level of compliance with this requirement. Usually multinational entities disclose this information (CSR Romania made a research on transparency in CSR practices in Romania and found out that 37% of Romanian entities that answered the questions publish social reports. Although the majority doesn’t publish the

Question 5 - Entities Annual Reports	
a) Are listed entities in your country in practice already making disclosures based on Article 46 of the EU Modernisation Directive in relation to environmental matters? b) Is it also the case of non-listed entities?	
	reports on the internet site.
Slovenia	Listed entities make such disclosures according to the Corporate Governance Code but there is not such practice of non-listed entities.
Spain	Yes as far as stated in question 3 there is an obligation to report on environmental issues since the publication of this resolution. CSR separate reports are usual in Spanish listed and non-listed entities. About 90% of listed entities publish a CSR report.
Sweden	Information is to be given by all large entities that are to follow the Annual Accounts Act. However only 36% of the 55 largest listed entities in Sweden (KPMG, 2007) do report on all the demands related to environmental, social and employee issues asked for. This is most probably due to the lack of an official guidance.
UK	The majority of UK listed entities are now reporting in accordance with Article 46 as implemented in UK company law. The extent and quality of environmental and social disclosures varies quite widely however and it is difficult for us to single out specific examples of good or bad reporting.

APPENDIX II - SWITZERLAND: SUSTAINABILITY IN THE ANNUAL REPORT

Switzerland is not a member of the European Union. Therefore, it is not subject to the implementation of the Modernisation Directive amending the Fourth and Seventh Directives. The Swiss situation concerning the area of annual report is described below.

Swiss public limited entities (Aktiengesellschaften) are obliged by the Swiss Code of Obligations to prepare a statutory management report containing information on the development of the business and the financial condition of the enterprise. It is discussed in the literature that key figures/ratios should be presented; a presentation of significant future chances is regarded meaningful. This general requirement does not depend on whether the entity is listed or not; it is a statutory requirement.

In case of a listing at the Swiss Exchange (SWX) in Zurich the registrant has to apply either IFRS or US-GAAP.

Additionally, Swiss GAAP FER is permissible at the SWX in the following regulatory segments:

- SWX Local Caps;
- Real Estate Entities;
- Investment Entities.

Swiss GAAP FER is a true and fair view accounting standard issued by a Swiss private standard-setter.

Swiss GAAP FER requires a management report as part of the annual financial statements.

The management report should include at a minimum:

a) Environment (information on the economic environment, market forces and competition within the industry, political, legal and other conditions)
b) Reporting period (comments on the annual report and its figures, key balance sheet figures and their development)
c) Outlook (comments on the expected future development of the entity, description of significant risks and chances).

Regarding environmental issues: such information is not “expressis verbis” required by Swiss GAAP FER or Swiss law.

The Swiss Code of Obligations does not require an audit of the management report.

APPENDIX III - LIST OF ENTITIES OF WHICH THE ANNUAL REPORT IS SELECTED FOR THE CONTENT ANALYSIS

Country	Entities
Austria	➢ Flughafen Wien AG ➢ Verbund ➢ Hirsch Servo AG ➢ Palfinger AG ➢ Voestalpine AG
Czech Republic	➢ Prague Airport ➢ Škoda Auto ➢ PRE Group ➢ CEZ Group ➢ OKD
Denmark	➢ Novo Nordisk A/S ➢ Novozymes ➢ Copenhagen Airports A/S ➢ Danfoss A/S Salg Danmark ➢ Vestas Wind Systems A/S
France	➢ GDF Suez S.A. ➢ Michelin ➢ L'Oréal ➢ Total S.A. ➢ Crédit Agricole S.A. ➢ Air France ➢ Groupe Danone ➢ Sodexo
Germany	➢ DaimlerChrysler AG ➢ Allianz Deutschland AG ➢ Volkswagen AG ➢ Siemens ➢ Deutsche Bank AG ➢ Deutsche Telekom ➢ Metro Group ➢ E.ON AG ➢ Munich Re Group ➢ Deutsche Post AG
Hungary	➢ BC ➢ MVM Group ➢ TVK ➢ MOL Group

Italy	➢ Enel S.p.A ➢ Intesa San Paolo S.p.A. ➢ Hera S.p.A ➢ Snam rete Gas S.p.A. ➢ Acea S.p.A ➢ Telecom Italia ➢ Buzzi Unicem S.p.A ➢ Autostrade per l'Italia S.p.A
Netherlands	➢ Royal Ahold ➢ CSM ➢ Eriks Goup NV ➢ Getronics ➢ Royal Numico NV ➢ Royal Dutch Shell ➢ TNT ➢ Wolters Kluwer NV
Norway	➢ Statoil ASA ➢ Storebrand ASA ➢ NSB ➢ Norske Skog
Spain	➢ Repsol ➢ Santander ➢ Telefonica S.A. ➢ Banco Bilbao Vizcaya Agentaria (BBVA) ➢ Altadis S.A. ➢ Acs ➢ Iberdrola ➢ Grupo Ferrovial S.A.
Sweden	➢ Green Cargo ➢ SAS ➢ Trelleborg
UK	➢ BP ➢ HSBC ➢ Aviva ➢ Unilever ➢ RBS - Royal Bank of Scotland ➢ Tesco ➢ Northern Rock ➢ Vodafone