

**SUPPLEMENT THE SOCIETY FOR THE ENVIRONMENT
RESPONSE
TO THE
CORPORATE GOVERNANCE REFORM GREEN PAPER.**

1. The Society for the Environment made a submission to the inquiry on the 9th February. We wish to complement this submission with further information.
2. As of January 2017, more than 6,000 companies in Europe are preparing to comply with a new European directive on non-financial reporting, a major milestone in the path towards integrating sustainability, environmental and other non-financial disclosure into financial reporting.
3. Last year several countries across Europe, including the UK, Denmark, France and Italy, transposed into national law Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups – also known as the NFR Directive.
4. This Directive will be significant in increasing transparency and keeping companies accountable for their actions. It covers a variety of topics: environmental matters, social and employee aspects, respect for human rights, anti-corruption and bribery issues and diversity on the board.
5. Companies across Europe with 500 or more employees will have to disclose information about their policies, the material risks associated with their actions and their initiatives that impact the environment, as well as other, human capital-related issues. Whilst the Directive provides clauses on where companies could report their non-financial information, the UK regulation goes further by requiring it to be included in annual reports.
6. The Directive here has been transposed with an amendment to the Companies Act 2006, now known as the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016. Companies with fewer than 500 employees, which were already captured by the Companies Act 2006, will continue as before.
7. So what has changed for companies that were already disclosing this kind of information in annual reports? In past times, hundreds of companies disclosed only part of the information now required, and sometimes not in the most useful way for investors to make decisions. These new Regulations will be a substantial improvement.
8. These are a very good example of the relationship between regulation and behaviour which we have explored in our first submission. The Regulations define the framework in which good behavior can be reported. In modern management there is an aphorism that ‘you get what you monitor for’. And if that is responsible behaviour and the connected responsibilities of environmental care and social justice, this is to be welcomed. Clearly further work is needed on environmental impact reporting and the Society would be pleased to help BEIS on this matter