

# The juridification of social accounting and the transposition process of the non-financial reporting directive 2014/95/EU

Non-financial  
reporting  
directive  
2014/95/EU

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## Abstract

**Purpose** – This paper aims to critically analyse the transposition implications of Union Directive 2014/95. This Directive identified the need to raise the transparency of the social and environmental information provided by the undertakings to a similarly high level across all Member States.

**Design/methodology/approach** – The paper considers how the European Member States of the European Union (EU) have transposed Directive 2014/95 into their regulations. The focus is on the juridification of social accounting in the pursuit of creating an overlapping consensus through Habermas's concept of internal colonisation. The paper uses qualitative content analysis to scrutinise the national laws that transpose Directive 2014/95, discussing both what has been accomplished and what can be achieved by the release of future legislative provisions.

**Findings** – Despite the aim of Directive 2014/95 to create a common language for disclosing non-financial information, this study shows an implementation gap among and between Member States and an inconsistent picture of the employment of this Directive. Its implementation in the 28 European countries was considered a process of colonisation in implementing Union directives among European undertakings. However, the implementation process, which exemplifies Habermas's juridification, has failed due to the lack of balance between moral discourse and actions.

**Originality/value** – This paper contributes to the ongoing debates concerning the implementation of mandatory disclosure of environmental and social information in the EU Member States, promoting new directions for the EU's democratic laws on social accounting. In addition, it offers an example of how internal colonisation only catalyses effects when moral laws are legitimised through the provision of procedures.

**Keywords** Sustainability reporting, Habermas, Internal colonisation, Non-financial information, EU directive, CSRD, Stakeholder

**Paper type** Research paper



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## 1. Introduction

The call for large corporate undertakings and groups to report non-financial information (NFI) has changed the landscape of the European Union (EU). In 2014, the European Parliament and the Council issued Directive 2014/95/EU, which dealt with the disclosure of non-financial environmental and social information and imposed mandatory disclosure of NFI on public interest entities with more than 500 employees. Directive 2014/95 was enforced on 6 December 2014, amending Directive 2013/34/EU on the annual financial statements, consolidated statements and related reports of certain types of undertakings. The directive required company disclosures to be released in 2018 on information relating to the 2017 financial year (European Union, 2014, 2017).

The key aim of Directive 2014/95 was “to enhance the consistency and comparability of NFI disclosed throughout the Union” (European Union, 2014, p. 2). It mandated the disclosure of NFI, especially with regard to environmental information, social and employee matters, respect for human rights, anti-corruption and bribery information (European Union, 2014). In doing so, the Directive responded to the calls from shareholders and stakeholders to improve transparency on corporate social and environmental impacts (Monciardini, 2016).

Since the introduction of Directive 2014/95, there has been an increase in research on its impact on NFI disclosure. Most of these studies focus on how this directive affected companies’ non-financial disclosure (NFD) (Venturelli *et al.*, 2018; Manes-Rossi *et al.*, 2018) and the positive and negative impacts that the introduction of this directive can have on the quality of this disclosure (Pizzi *et al.*, 2020). Some of these studies consider the implications that the transposition [1] of Directive 2014/95 has (indirectly) on companies’ disclosure at a national level (Mion and Loza Adauí, 2019; Luque-Vilchez and Larrinaga, 2016; Popescu, 2019). According to these studies, the shift from voluntary to mandatory disclosure has not caused a radical change in corporate accountability, and there is still a need for a more pluralist dialogical perspective (Carungu *et al.*, 2021; La Torre *et al.*, 2020; Masiero *et al.*, 2020; Dillard and Vinnari, 2019). These issues guided the release in December 2022 of Directive 2022/2464/EU, the Corporate Sustainability Reporting Directive (CSRD), which requires large undertakings and all listed companies (except micro-enterprises) to disclose a wide range of information about their impacts on sustainability (European Union, 2022). Despite numerous studies on the implementation of Directive 2014/95, little attention has been paid to how each European member approached the transposition process and why this procedure did not result in a concrete improvement in corporate disclosure (La Torre *et al.*, 2020). Because of the lack of studies that consider these matters, the present research proposes a critical reading of the transposition of Directive 2014/95 in the 28 European countries to answer the following research question:

*RQ1.* How and to what extent has the non-financial disclosure EU Directive been transposed at a country level?

An analysis was carried out, comparing the national laws and regulations released as a transposition of Directive 2014/95, taking into consideration the main implications that the differences noticed among EU countries can have in the pursuit of this Directive’s goals. To better understand the challenges faced by the European countries in transposing this Directive into national laws and regulations, Habermas’s concept of juridification has been used. Habermas’s thinking supports the idea that Directive 2014/95 is the result of the juridification of social accounting as an example of internal colonisation. This Directive was proposed to enhance transparency and harmonisation among European companies, formalising the moral discourse among these companies and their stakeholders. In this

process of juridification, a directive, as a law, can be considered a steering medium between the EU and its Member States.

The contribution of the paper is two-fold: Firstly, the analysis highlights issues in the transposition processes of all EU members and provides the basis for improving future directives at the European level. Secondly, the paper sheds light on whether the directive and its transposition are effective in terms of the juridification process of internal colonisation by law, considering the interplay between moral discourse and procedures. The latter issue is the starting point for evaluating and suggesting further steps toward the implementation of the recently released CSRD.

The rest of the paper is structured as follows: Section 2 provides background information on Directive 2014/95 and its further development. Section 3 summarises Habermas's thinking on the internal colonisation process as it applies to Directive 2014/95. The methodology in Section 4 describes how data has been collected and analysed according to a comprehensive framework. The results in Section 5 compare the application of Directive 2014/95 in all European countries. Section 6 discusses how Directive 2014/95 has failed and provides suggestions for its development in terms of democratic accountability.

## 2. Literature review

### 2.1 Background of the implementation of Directive 2014/95 and its developments

Directive 2014/95 represented the EU's response to international and Member State pressures to address environmental and social dilemmas. Shareholders and stakeholders within Member States had called for increased levels of environmental and social disclosure as well as greater transparency of corporate environmental and social impact data (Monciardini, 2016). Such pressures were not the result of an alliance or an overlapping consensus but rather the convergence of interests among individual Member States (Monciardini, 2016; Carini *et al.*, 2018). Although the resulting Directive 2014/95 was not sufficient for reaching the expected consistency (European Union, 2020), this Directive can be considered the first pivotal regulatory provision towards harmonising NFD among EU Member States and enhanced the shift from voluntary disclosure to mandatory reporting for the concerned undertakings (La Torre *et al.*, 2018; Tarquinio and Posadas, 2020; Bebbington *et al.*, 2012). This provision also responds to the 2030 Agenda adopted by the General Assembly of the United Nations in September 2015, as it contributes to SDG 12 (*responsible consumption and production*) on ensuring sustainable consumption and production patterns, as well as SDG 5 on achieving gender equality and empowering all women and girls (European Union, 2017), and target 12.6 of the 2030 Agenda:

[E]ncouraging companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle (United Nations, 2015).

After the issuance of Directive 2014/95 by the EU in October 2014, each EU Member State had to transpose this Directive into law before the end of 2016 so it could take effect in the 2017 fiscal year. Consequently, each EU Member State has already completed the transposition of the Directive into its national law. In June 2017, the European Commission issued Communication 2017/C 215/01, presenting its guidelines to help companies disclose environmental and social information. The EU underlines in this document several times that the issued guidelines are not mandatory, and a “company may choose to use widely accepted high-quality reporting frameworks, and this part or in full compliance”. Also, these companies “may rely on international, EU-based or national frameworks, and, if so, specify the framework(s) that they use” (European Union, 2017, p. 3). Thus, on one side, through

Directive 2014/95, the EU declared its aim of reaching comparability of NFDs, whereas on the other side, in the 2017 Communication, the Commission “encourages companies to avail themselves of the flexibility under the Directive when disclosing nonfinancial information” (European Union, 2017, p. 3). It declared that “the guidelines are not intended to stifle innovation in reporting practices” (European Union, 2017, p. 3). Furthermore, in June 2019, the European Commission released a supplement to the previous guidelines, focusing on the significance of reporting only climate-related information. Both the EU guidelines and the climate-related information supplement state that these documents “provide non-binding guidelines, and do not create new legal obligations” and underline that:

To the extent that this Communication may interpret Directive 2014/95/EU, the Commission position is without prejudice to any interpretation of this Directive that may be issued by the Court of Justice of the European Union (European Union, 2017, p. 4; 2019, p. 1).

Regarding the contents of the NFD, Directive 2014/95 defined the minimum level of what must be disclosed based on three issues:

- (1) environmental, social and employee matters;
- (2) respect for human rights; and
- (3) anti-corruption and bribery matters.

In addition, these issues had to include the following information:

- a description of the business model;
- a description of the policies;
- the outcome of those policies;
- the risks and how the entities assess the risks related to those matters; and
- the non-financial key performance indicators (KPIs) relevant to the particular business (European Union, 2014).

Despite these provisions, the Directive allowed significant flexibility because of the multidimensional nature of corporate social responsibility and the number of ways that companies can implement related policies. Consequently, EU members each released laws and regulations differing in features and provisions (Luque-Vilchez and Larrinaga, 2016; Aureli *et al.*, 2018).

A further step in the implementation of Directive 2014/95 was the so-called consultation period. In the Communication on the European Green Deal released by the EU Union on 11 December 2019, the Commission announced a review of the Directive in 2020 “as part of the strategy to strengthen the foundations for sustainable investment” (European Union, 2019, p. 17). Accordingly, a public consultation period to propose reviews was launched between 20 February and 11 June 2020, where stakeholders submitted suggestions for the revision of Directive 2014/95. This approach aimed to collect different points of view on NFD as a wider process of stakeholder engagement, particularly including not only financial sector institutions, investors, civil society organisations and trade unions but also other stakeholder groups, such as scholars, national authorities, assurance providers and standard-setters [2]. The public consultation identified several aspects to improve the implementation of Directive 2014/95, relating, for instance, to the lack of comparability, reliability and relevance of the NFI (European Union, 2020). Considering the issues identified during the consultation period, on 14 December 2022, the EU released the CSRD, which amends Directive 2014/95 and strengthens the existing rules on non-financial reporting for affected companies and the sustainability

disclosure contents. The CSRD will be applied to “all large undertakings and all undertakings, except micro undertakings, whose securities are admitted to trading on a regulated market in the Union” (European Union, 2022, p. 19). These companies are also responsible for evaluating the information applicable to their subsidiaries. As rules also apply to listed small and medium enterprises, they will be granted an opt-out during a transitional period, exempting them from the application of the new Directive until 2028. The European Financial Reporting Advisory Group (EFRAG) is responsible for developing draft European standards. Moreover, the commission will adopt the final version of the standards following consultations with EU Member States and different European bodies.

### *2.2 Non-financial information disclosure and the transposition process*

The issue of transposing EU directives into national laws has been widely explored in the literature on financial statement requirements, which has emphasised that this process could be difficult and misleading (Bini *et al.*, 2017). According to Ahern (2016), the non-prescriptive approach to the reporting framework could hinder the comparison of sustainability reports issued by European companies based in different states. The EU Member States can use different techniques in transposing directives into their national law systems, such as replicating just parts of the directive, transposing with minor or major terminology changes or adjusting the directive contents through an in-depth elaboration (GRI-CSR Europe, 2017, 2018; ACT, 2019).

Before Directive 2014/95, most of the disclosure regarding NFI was provided on a voluntary basis, and companies developed social accounting tools following the main international and national guidelines (Mio and Venturelli, 2013; Hahn and Lülfs, 2014; Diouf and Boiral, 2017). The lack of a provision on sustainability disclosure and its related contents has resulted in the release of a wide number of corporate reports that have puzzling features and are hardly comparable to each other (Cho *et al.*, 2015; Jackson *et al.*, 2020). The lack of consistency and comparability among NFD documents has generated increasing pressures from shareholders and standard setters, calling for well-defined rules to follow and new spaces to control (Lai and Stacchezzini, 2021; De Villiers *et al.*, 2022; Giner and Luque-Vilchez, 2022; Abela, 2022). Consequently, Directive 2014/95 was the result of pressures from stakeholders with different claims on NFD, which partially converged in a request for more transparency (Monciardini, 2016).

Directive 2014/95 introduces mandatory disclosure of NFI for the first time at the European level. Although this steered the EU from a voluntary approach to NFD to the employment of a “hard” legal instrument, this left the freedom for EU Member States to shape their own rules (Doni *et al.*, 2020). Consequently, all EU countries had to define how the requirements of Directive 2014/95 were converted into national law, with the state assuming a pivotal role in providing the rules for national NFD. Aureli *et al.* (2018) explored the differences in the transposition of Directive 2014/95 in the UK, France and Italy, illustrating not only an alignment when legal requirements are set by the EU and a spontaneous convergence of certain elements of disclosure but also significant differences (e.g. specific information related to employees) that could hinder the aims of Directive 2014/95. The minimum requirements of this Directive were mainly related to the mandatory disclosure of environmental and social issues (e.g. human rights, corruption, staff issues and diversity policies).

The discrepancy among stakeholders’ claims is something that should be considered both in evaluating the transposition of Directive 2014/95 into national law and in applying the national law by the managers to be a more accountable company (Cosma *et al.*, 2021; Masiero *et al.*, 2020; Korca *et al.*, 2021). The lack of consideration for this issue has resulted in little improvement in the quality of reporting published since Directive 2014/95 was applied,



mainly due to institutional pressures (Posadas *et al.*, 2023; Carungu *et al.*, 2021; Lombardi *et al.*, 2022; Stefanescu, 2022). This is underlined in the special issue of *Meditari Accountancy Research* published in 2020, in which the editors state that “a shift from voluntary to regulated corporate NFR practices has not resulted in a radical change to improve corporate accountability” (La Torre *et al.*, 2020, p. 717). In this sense, Directive 2014/95 has driven a shift from institutional mimetic behaviour (voluntary reporting) to coercive and normative mechanisms (mandatory reporting) (Carungu *et al.*, 2021; Korca *et al.*, 2021; Mio *et al.*, 2020).

Analysis in a few European countries highlights the divergence in the implementation of Directive 2014/95 as the Member States were responsible for implementing procedures to ensure compliance (Posadas *et al.*, 2023; Luque-Vilchez and Larrinaga, 2016; Aureli *et al.*, 2018). The countries that demonstrate a higher quality of NFD had usually adopted an NFI provision before this Directive entered into force (Haji *et al.*, 2022; Nicolò *et al.*, 2020; Venturelli *et al.*, 2018). Considering the EU Guidelines on NFI, released in 2017, and analysing the 50 biggest European companies, Manes-Rossi *et al.* (2018) showed that after the imposition of Directive 2014/95, there is a more comprehensive disclosure of social and environmental aspects by sensitive industries, such as the oil and gas sector and healthcare organisations. Similarly, Aluchna *et al.* (2023) showed how the introduction of Directive 2014/95 improved the environmental, social and governance performance of companies subjected to the legislation, and Samani *et al.* (2023) highlighted a greater disclosure of employee-related matters. Carini *et al.* (2018) analysed the impact of the Directive on European listed oil and gas companies and found that the 2014 disclosure (before the Directive) had a fair level of completeness of NFI. However, they also identified some disclosed issues that require improvement. The vagueness of Directive 2014/95 is also mirrored in the assurance provision. The outcomes of NFD assurance remain limited and strictly adhere to national norms provisions (Mio *et al.*, 2021; Pagani *et al.*, 2021; Quick and Inwinkl, 2020; Bozzolan and Miihkinen, 2019).

One of the reasons for the perceived vagueness of Directive 2014/95 is that the term “non-financial information” leaves too much space for interpretation (Haller *et al.*, 2017; Tarquinio and Posadas, 2020). A second reason is that the transposition process was based on a vague directive, which, on the one hand, was supposed to enhance the consistency and comparability of the NFI disclosed but, on the other hand, allowed EU members to transpose and interpret it in their own way (Pagani *et al.*, 2021; La Torre *et al.*, 2018). The previous literature shows that many variables can influence the transposition process, such as the translation of EU law into national law in the many different languages of the Member States (Dimitrakopoulos, 2001), existing domestic policies and norms belonging to specific social and cultural context or the lack of a management perspective (Thomas, 2018; Mazzotta *et al.*, 2020; Biondi *et al.*, 2020). Previous studies on the transposition implications suggest that structural changes are needed to promote improvements in a European NFD provision, such as specific requirements for preparation (Cordazzo *et al.*, 2020; Luque-Vilchez and Larrinaga, 2016) or a framework for following NFD contents (Lombardi *et al.*, 2022; Posadas *et al.*, 2023).

There is an increasing amount of research on the impact of Directive 2014/95 on disclosure. However, these studies mainly focus on how this Directive, along with the national laws, is put into practice. They analyse the disclosures that resulted from the imposition of the local NFD legislation and the compliance of these NFI reports with this Directive (Korca *et al.*, 2021; Samani *et al.*, 2023). Only a few of these studies mention the implications of the different ways of transposing the Directive across the EU Member States for the disclosure of European companies (Luque-Vilchez and Larrinaga, 2016; Aureli *et al.*, 2018). The present research contributes to this last issue.

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### 3. Theoretical background

This section explores the theoretical underpinnings that are useful in understanding the federal dimensions of the EU. The focus, in particular, is on how NFI informs Directive 2014/95 of the EU. This section examines whether the transposition can be considered an internal colonisation process resulting from the juridification of social accounting (Habermas, 1985). These observations emanate from critical theory as introduced into accounting in the works of Laughlin and Broadbent (1993) and Power and Laughlin (1996) on the processes of juridification.

#### 3.1 Habermas's thinking

In this research, Habermas's work is used to understand the juridification process due to Directive 2014/95. The study considers Habermas's theory of communication in its binary structure of the lifeworld and its systems (Habermas, 1985). The *lifeworld* is the symbolic space embedding culture, tradition, values and identity that can be reproduced. *Systems* are organised structures of operations that are the expression of their lifeworlds. Furthermore, the interaction and interface between these two levels are steered by *steering media* (e.g. power, money and law) that ensure systems reflect their lifeworld requirements (Broadbent and Laughlin, 2013). Usually, steering media are the natural bridge from the lifeworld to the systems, but when a steering medium gets "out of hand", it drives changes in both the systems and the lifeworld by its internal colonisation (Broadbent *et al.*, 1991). Habermas addresses the internal colonisation process by looking at the steering medium of law, more specifically, the "juridification" of law.

The present study will focus on the juridification process resulting from Directive 2014/95 as an example of internal colonisation, considering the provision of discourses and procedures (Habermas, 1985). In addition, Habermas's work will help us to explain how increasing discourses, coming from various pressures from stakeholders, were insufficient to enhance the effectiveness of Directive 2014/95 (Habermas, 2012). Habermas underlines that in the juridification process, there is a tension between moral discourse and procedures. In the legally institutionalised process of forming opinions, where legislation must legitimise itself, juridification can be seen not just as a more complex network of discourses and negotiations but also as the balance between the moral discourse towards the validity of the law and the procedures that turn words into action (Habermas, 1996). Habermas (1996) also underlines that in the indeterminacy of discursive procedures, where different worldviews coexist, multiple languages may compete with each other.

Habermas (1996) argues that the rationality of laws makes it possible for people to accept them as appropriate and, thus, deserving of obedience. Therefore, laws are different from moral norms, which are a form of cultural knowledge, whereas laws also have a compulsory nature at the institutional level. Habermas underlines that for laws to be legitimate, they must provide both a symbolic (moral) system and an action system (procedures) (Habermas, 1996; Laughlin and Broadbent, 1993). Although formal laws and moral laws are the foundations for legitimate and coercive regulation (Murphy and Moerman, 2018), Habermas (1996) confirms that a legal order can be accepted as legitimate if it does not contradict moral principles result from an ideal speech situation among the involved parties (stakeholders) (Barone *et al.*, 2013). This was the case when pressures from stakeholders and claims for the institutionalisation of the voluntary NFD practice guided the moral discourse under the release of Directive 2014/95 (Monciardini, 2016). An ideal speech situation is a rational form of communication that avoids distortions and builds on truth and correctness (Moggi, 2019; Mazzotta *et al.*, 2020). In this context, all participants in dialogue have the same opportunity to communicate and continue to communicate through a reciprocal dialogue that equally

distributes the opportunities to interpret and explain assertions (Habermas, 2002). However, the ideal speech situation, designed to achieve a rational consensus, is practically unrealistic, and the idealised model fails in the “real world” (Barone *et al.*, 2013; Murphy and Moerman, 2018).

### *3.2 Insights into the juridification of European Union regulatory change*

For a greater understanding of the NFD imposition at a European level, we need to consider “the power-balancing juridification within an area of action that is already constituted by [national] laws” (Habermas, 1985, p. 361). In juridification, “the law serves as a means for organising media-controlled subsystems that have, in any case, become autonomous in relation to the normative contexts of action-oriented by mutual understanding” (Habermas, 1985, p. 365). The problem relies upon the differences between legal norms, which are justified by the application of procedures that support their justification, and informal norms, which are legitimate orders of the lifeworlds and the background of communication action (Habermas, 1985; Power and Laughlin, 1996). For Habermas, the law should be considered a system of knowledge and action. For example, in democratic contexts such as Europe, the increasing tendency towards participation processes is not parallel with a more democratic legal system that should embed moral discourses aligned with procedures. Habermas argues that citizens are more passively affected by supranational measures rather than actively participating in them and that an increasing number of such measures are impacting the lives of a growing number of citizens. Given that:

The role of citizen has hitherto been effectively institutionalised only at the level of the nation-state, however, citizens have no promising opportunities to bring up issues and influence European decisions (Habermas, 1996, p. 503).

He also underlines that although the policies of each European country are released, their different national public spheres remain culturally isolated (Habermas, 1996), and each European nation presents a different national history (Habermas, 2001, 2012).

Besides, Habermas highlights that the EU is frequently tested by unexpected economic crises (e.g. the COVID-19 pandemic and the 2008 financial crisis), putting the European project into question. He wonders if this project is also endangered by the problems inherent in the new geopolitical context testing “the democratic way of life and cultural identity of Europeans” (Habermas, 2020, p. 11). In this sense, Habermas notes that a common political culture could be different from the various national cultures of each Member State and should drive a common European change if it embeds “various nationally specific interpretations of the same universalist principles of law” (Habermas, 1996, p. 507).

In the increasing juridification of European countries, the moral discourse on social accounting disclosure has also been affected. New norms have emerged, and steering mechanisms, such as voluntary reporting practices and voluntary standards, have revealed an increasing influence of these mechanisms on accounting practices and procedures (for example, see the Global Reporting Initiative [GRI] standards) (Abela, 2022).

Considering the field of accounting, further thought is needed. The relations between law and accounting are rooted in an institutionalised context where economic systems act and develop calculative practices, steering indeterminate effects from the application of law (Power and Laughlin, 1996). In this context, social accounting has already colonised accounting technologies and standards in those countries that already had a provision in their law. This colonisation has enhanced the development of voluntary practices in responding to the stakeholders’ claims due to mimetic behaviour (Carungu *et al.*, 2021). Similarly, as suggested by Habermas, when a law (in this case, the Directive) is introduced in an institutionalised context,



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the legal medium (the transposed law) risks being unsatisfactory; hence, the juridification process fails (Power and Laughlin, 1996; Habermas, 1985).

#### 4. Methodology

To determine how and to what extent Directive 2014/95 has been transposed in EU countries, an empirical investigation was carried out on the key documents related to this Directive released by the EU and its Member States. The hermeneutic unit includes:

- the Directive;
- all subsequent EU communications until 2020;
- the national laws that were published in transposing the Directive; and
- the national regulations or technical documents that support the implementation of the directive in the EU countries.

A complete list of the analysed documents is provided in Appendix 1 (Table A1). All EU countries were included in the sample of analysis, resulting in a total of 28 different legal contexts. The analysis was carried out on documents dated up to 20 February 2020, which was the beginning of the consultation period. These documents were downloaded from the websites of governments or ministries of finance. All national laws and regulations, if not available in the English language, were translated with the support of a professional translator. The researchers involved in the project were able to translate documents from Spanish, German, French and Italian. Since “language translation is not a simple technical, but a socio-cultural, subjective and ideological process” (Evans, 2018, p. 1844), the resulting text may not preserve the original meaning (Alexander *et al.*, 2022; Albu *et al.*, 2022). For this reason, on technical issues and translations, professional support was used to convey nuances and meanings of the original national law (Alexander *et al.*, 2018).

A content analysis was carried out on the downloaded documents, taking into consideration the main dimensions that reveal a national law that overlaps with Directive 2014/95. To frame these aspects and increase the reliability of the analysis (Moggi, 2019; Guthrie and Abeysekera, 2006; Guthrie *et al.*, 2004), a framework was developed based on the categories used in prior studies (Caputo *et al.*, 2020; Beck *et al.*, 2010). Further dimensions were added considering the categories of analysis proposed by the GRI and CSR Europe overview on NFD (GRI-CSR Europe, 2018). The final analytical framework comprised 17 aspects, each identified in transposed national laws and their related regulations (see Table 1).

The content analysis considers three levels of adherence to Directive 2014/95: if the aspect was omitted in the transposition from this Directive to the national law/regulation, the aspect was coded “0”. If the aspect transposed in the national law/regulation was similar to the Directive, it was coded “1”. If the aspect was more detailed in the national transposition than the Directive, it was coded “2”. Assigning a numerical attribute to each element allowed the countries to be ranked for the level of adherence between the country’s law and the Directive. The units of analysis considered in the coding phase were whole sentences of national laws and related regulations since words change meaning outside their discourse (Milne and Adler, 1999). The content analysis was conducted separately by two researchers, and in the event of any disagreement between the two coders, a third researcher was involved as a third auditor (Creswell, 2003) and the results were compared and reviewed in defining the final score. The total scores range from the lowest possible minimum of zero to a maximum of 34. The content analysis technique used in this study avoids solely numerical procedures and supports “the view that one can draw more meaningful inferences by nonquantitative methods” (Holsti, 1969, p. 10). Accordingly, the numerical scores are

**Table 1.**  
Agreement of  
transposed laws with  
the Directive 2014/95

State	General items					Non-financial information items					Organisational issues							
	Definition of a large under taking	Definition of a public interest entity	Reporting framework/ standard	Disclosure format	Assurance	Non-compliance penalties	Environmental	Social	Personnel	Human rights	Anti-corruption and bribery	Business model	Policies	Outcome policies	Risks	KPIs	Diversity	Total
Austria	1	2	1	2	1	2	1	1	1	1	1	1	1	1	1	1	2	21
Belgium	2	2	1	2	2	2	1	1	1	1	1	1	1	1	1	1	1	22
Bulgaria	1	2	2	2	2	2	1	1	1	1	1	2	2	2	2	2	2	28
Croatia	1	2	1	2	1	2	1	1	1	1	1	1	1	1	1	1	2	21
Cyprus	1	2	1	1	1	2	1	1	1	1	1	1	1	1	1	1	2	20
Czech Republic	2	2	1	2	1	2	1	1	1	1	1	1	1	1	1	1	1	21
Denmark	2	2	2	2	2	2	1	1	1	1	1	1	1	1	1	1	2	24
Estonia	2	1	1	2	1	0	1	1	1	1	1	1	1	0	1	2	17	
Finland	1	1	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1	18
France	1	2	1	2	2	2	2	2	2	2	2	1	1	1	1	1	1	26
Germany	1	2	1	2	1	2	1	1	1	1	1	1	1	1	1	1	1	20
Greece	2	2	1	2	1	2	1	1	1	1	1	1	1	1	1	1	1	21
Hungary	1	2	1	2	1	2	1	1	1	1	1	1	1	1	1	1	1	20
Ireland	1	1	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1	18
Italy	1	2	2	2	2	2	2	1	1	2	2	1	1	1	1	2	1	26
Latvia	1	2	1	2	2	2	1	1	1	0	0	2	1	1	1	1	1	20
Lithuania	1	2	1	2	1	2	1	1	1	1	1	1	1	1	1	1	1	21
Luxembourg	2	2	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1	20
Malta	1	1	1	2	1	2	1	1	1	1	1	1	1	1	1	1	1	19
The Netherlands	1	2	1	2	2	0	2	2	2	1	1	1	2	1	1	1	1	23
Poland	1	2	2	1	1	2	1	1	1	1	1	1	1	1	1	1	1	20
Portugal	2	2	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1	20
Romania	2	2	1	1	2	2	2	2	2	1	1	1	1	1	1	1	1	24
Slovakia	1	2	2	2	1	2	1	1	1	1	1	1	1	1	1	0	1	20
Slovenia	1	1	1	2	1	2	1	1	1	1	1	1	1	1	1	1	1	20
Spain	1	2	2	2	2	0	2	2	2	2	2	2	2	2	2	2	2	29
Sweden	2	2	1	2	1	2	1	1	1	1	1	1	2	1	2	1	1	24
United Kingdom	2	1	1	2	2	2	1	1	1	1	1	1	1	1	1	1	1	21

Notes: Key: 0 = omitted; 1 = similar to Directive; 2 = more detailed

Source: Created by authors

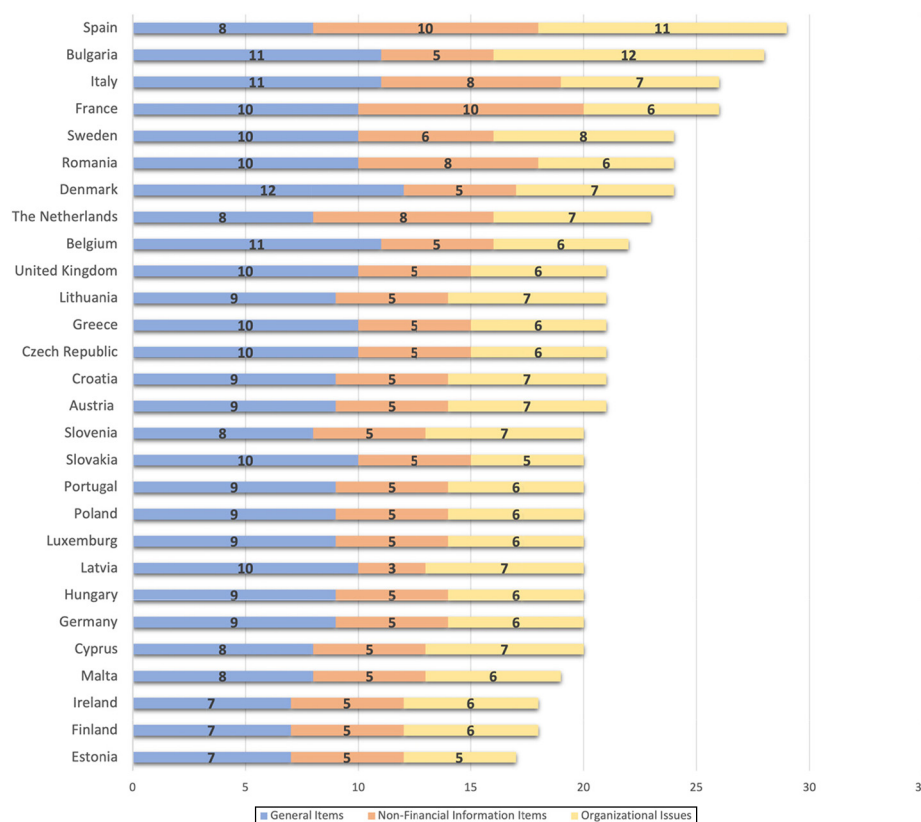
supported by qualitative examples that illustrate how the transposition has necessitated the customization of the provisions of Directive 2014/95 to fit a particular national context. For each country, all the framework dimensions were coded into the coding sheet according to the level of adherence to each aspect (Guthrie and Abeyssekera, 2006). A summary of the coding sheet is provided in Appendix 2 (Table A2).

## 5. Results

The following subsections present data on the three core aspects requested by Directive 2014/95: general items on transposition, main items of NFI to disclose and the organisational issues to present in the NFD. This section describes the data presented in Figure 1, supported by qualitative examples of how the transposition has been adapted to specific national contexts.

### 5.1 General items on transposition

Regarding the duration of the transposition process, although the Directive requested that “Member States shall bring into force the laws, regulations and administrative provisions



**Figure 1.** Transposition levels on the contents of Directive 2014/95

Source: Created by authors

necessary to comply with this Directive by 6 December 2016” (European Union, 2014, art. 4), only 13 of them respected the deadline. Nine Member States released the transposed national law before the end of 2016, and the remaining members did it before the end of 2016, except for Spain, which published its NFD law on 29 December 2018. Figure 1 represents the three main areas (general items, NFI items and organisational issues) of the content analysis using the sum of the scores for each section. It should be noted that Spain, the last to complete the transposition process, is also the country that provided the highest number of additional requirements compared to the Directive.

In defining the concept of a large undertaking, 18 (64%) of the European members used the definition proposed by Directive 2014/95. Twenty-two (79%) offered a specific description of a public interest entity, embedding it in their national laws. Considering the reporting framework for NFD, this Directive was vague and did not provide a specific standard to follow but a generic list of recognised references (e.g. United Nations Global Compact, ISO 26000, GRI). Therefore, 22 European countries (79%) maintained the same general suggestions mentioned in the Directive. The other six countries were more specific and requested that any applied standard has to be adapted to their national law. For example, the Spanish law suggested that:

Obligated companies [to NFD] should refer to national frameworks, European Union frameworks and the Environmental Management and Auditing System (EMAS) adapted to our legal system that can be employed with Royal Decree 239/2013 (Spain, art. 1).

In steering the process of reporting, some countries referred to other national laws that already define specific requirements on social and environmental issues that are embedded in the financial statement requirements (e.g. Spain, Slovenia, Poland). Regarding the formal requirements, 21 (75%) of the European members prescribed where the NFI should be included (e.g. in the management report or a separate document), with only seven (25%) following the Directive 2014/95 approach and leaving it to the company to decide where to disclose NFI. On NFD assurance, the Directive required that:

Member States should ensure that adequate and effective means exist to guarantee disclosure of non-financial information by undertakings in compliance with this Directive. To that end, Member States should ensure that effective national procedures are in place to enforce compliance with the obligations laid down by this Directive (European Union, 2014, art. 10).

Nineteen (68%) of the EU members maintained the same minimum approach as in the Directive, whereas nine (32%) required specific assurance on NFI. For example, the UK linked the NFD assurance to the English Company Act, which defines the contents of the auditor’s report. On the non-compliance penalties, 25 (89%) of the EU members decided to indicate a specific fee in case of a lack of compliance with the national law on NFD, with only three countries not referring to this issue at all, as Directive 2014/95 considered penalties as voluntary.

### *5.2 Main items of non-financial information to disclose*

Regarding the main items of NFD, such as environment, social, personnel, human rights and anti-corruption, national standards are quite similar to those proposed by Directive 2014/95, except for some countries that have placed greater emphasis on environmental aspects and employee matters. The requested information on environmental issues mostly relates to data on the use of renewable energy sources, greenhouse gas emissions, water consumption and air pollution. Some countries that are traditionally more attentive to sustainable development issues (e.g. The Netherlands and France) preferred to be more explicit in

defining these aspects and their environmental impacts with a wide range of NFI. This thoroughness is demonstrated by The Netherlands, which declares:

In line with government policy being targeted for green growth, the information may also relate to the use of natural capital (ecosystem services such as pollination) and natural resources (such as minerals and drinking water) or the contribution of the company towards a more circular economy, on which reusability of products and raw materials is concentrated. In line with government animal welfare policy, information may also be related to animal welfare aspects of farming systems, transportation and killing of animals. (The Netherlands, art. 3)

On the social aspects, Directive 2014/95 was vague, and most of the European members were similarly vague in considering information related to the consequences of the company's activity on sustainable development. French law goes more deeply into these aspects and requires consideration of the:

[...] [effects of] use of the goods and services it produces on climate change, its social commitments to sustainable development, the circular economy, the fight against food waste, the fight against food insecurity, respect for animal welfare and responsible, fair and sustainable food, collective agreements concluded on the farm and their impact on the company's economic performance as well as on the working conditions of employees, actions to combat discrimination and promoting diversity and measures taken for disabled people. (France, art. 102-1).

Similarly, the consideration of personnel and human rights concerns remains general – as in Directive 2014/95 – in most of the European countries (82% and 86%, respectively), except for a few countries (e.g. France, Spain). Exemplifying the in-depth descriptive approach used on this issue, Spain requests information on employment, organisation of work, health and safety, social relations, training, accessibility for people with disabilities, equality and a dedicated section on human rights. For example, regarding the organisation of work, Spanish law requires information on “the organisation of working time; the number of hours of absenteeism; measures to facilitate the conciliation and promote the equality between parents” (Spain, art. 2). By contrast, in a more minimal approach, the Romanian law requests “the implementation of the fundamental conventions of the International Labour Organisation” (Romania, art. 492).

Finally, regarding the anti-corruption concerns required by Directive 2014/95, 24 (86%) European members maintain a general reference to it. However, Italian law requests that the NFDs embed specific details on the instruments adopted to fight both active and passive corruption (Italy, art. 3). Similarly, the Spanish law required information on preventing corruption and, in particular, “measures taken to prevent corruption and bribery; measures to fight money laundering in contributions to foundations and non-profit organisations” (Spain, art. 5).

### *5.3 Organisational issues to present in the non-financial disclosure*

The organisational issues requested in the NFD are superficially described, and EU members mainly adopt the same approach as in Directive 2014/95, except for diversity concerns, which show adaptation to national laws and regulations that have specific requirements.

Regarding the business model, Directive 2014/95 only required a brief description, and most European countries took the same approach. Sometimes, additional information is required; for example, Lithuania lists several elements embedded in the business model description: “General information on the main types of business of the company and its geographic markets, business partners, customers, key resources used, expense and income flows and other business information” (Lithuania, art. 3). On policies and their outcomes, the



Spanish law is one of the few that requires “a description of the policies [. . .], which will include due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts, as well as verification and control, including Spanish regulation” (Spain, art. 6).

Directive 2014/95 required a description of the risks associated with operations, including business relationships, products or services that are likely to cause adverse impacts on the company. Most European countries dedicate just a few words to this issue, usually rewording the Directive. For example, Bulgaria requires a description of the risks “concerning environmental and social policies, including a description of those activities which could harm the environment, employees or other social issues” (Bulgaria, art. 48).

Regarding KPIs, the Directive did not require any specific disclosure. Although most European members (86%) maintain this approach, Italian law expands on this point, declaring that the indicators should be those “provided by the reporting standard adopted and [. . .] representative of the various areas, as well as consistent with the company’s activity and the impacts produced by it” (Italy, art. 3). Also, if the indicators provided by the adopted standard are not sufficient to consistently represent the activity carried out by the company, “the company can select the most suitable indicators for this purpose, providing the reasons for this choice in a clear and detailed manner” (Italy, art. 3).

Regarding diversity concerns, Directive 2014/95 embeds general requirements throughout the entire law through general provisions that take into consideration more in-depth changes in organisations. Eight (29%) EU members have decided to require specific disclosure on this issue, as requested. For example, Bulgarian legislation requires disclosure on “diversity and gender equality in the governing bodies of enterprises [such as]: number of women and men, age, geographical diversity, education, professional qualities, religion” (Bulgaria, art. 48).

## 6. Discussion and conclusions

Directive 2014/95 has been a pivotal part of the “renewed EU strategy 2011–2014 for Corporate Social Responsibility” (European Union, 2014), arising from the need to increase NFI reporting across all EU Member States to a similar level. The declared aim of Directive 2014/95 was the harmonisation of NFI in the European context in terms of the contents and features of NFD. Between the release of Directive 2014/95 and its concrete application, there was a transposition process carried out by each EU country with respect to its laws and regulations. The present study, based on Habermas’s thinking, has considered the transposition of Directive 2014/95 as an example of the juridification of social accounting. Since this Directive did not require stringent regulation but a minimum harmonisation approach (Doni *et al.*, 2020), this permitted a large span of action in its transposition into national laws (La Torre *et al.*, 2020). The transposition assumed a pivotal role in shaping the NFD provisions into the local systems, although little is still known about the results of this process at a European level (Luque-Vilchez and Larrinaga, 2016; Aureli *et al.*, 2018). Due to this insufficiency, the present study proposes a critical reading of the transposition of this Directive in the 28 European countries, offering insights into its further development. Using qualitative content analysis, the paper proposed an analysis of how the NFD Directive has been transposed at a country level (Albu *et al.*, 2022). Because of the need to consider national laws in their own language, their translation into English can present a limitation for the present study. Although researchers and translators can convert a precise term from one language to the other, readers can perceive the translated text differently compared to a native-language speaker (Alexander *et al.*, 2018, 2022).

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Habermas's concepts of juridification have been used to increase the understanding of how and to what extent Directive 2014/95 has been transposed at the country level through a process of internal colonisation. Despite this Directive being initially proposed as a common language for increasing harmonisation among European companies, this study depicts the failure of this process of juridification of social accounting as the national laws are not a valuable medium between the Directive and European undertakings due to the indeterminacy of procedures (Power and Laughlin, 1996; Habermas, 1985). Vagueness in the Directive was mirrored and amplified in the requirements at the national level.

Moreover, the transposition process, due before the end of 2016, was concluded late. When defining large undertakings and public interest entities, the transposition into the EU members' national laws needed to align what is required by Directive 2014/95 with the national laws on financial statements and audits, including the avoidance of an increase in the responsibilities of both those who draft the financial statements and those who audit them (Bozzolan and Miihkinen, 2019; Pagani *et al.*, 2021). Generally, two approaches to Directive 2014/95 have been identified in the transposition of the requirements on NFD into national laws. Most of the EU members simply replicate Directive 2014/95 in their national transposed laws. However, some countries provide additional specifications compared to the Directive (e.g. Spain, Bulgaria, Italy and France), applying this approach to most of the law requirements. Only in NFD areas that are closely interconnected with national legislation (e.g. diversity) have EU members provided a more precise transposition process with specific suggestions connected to the national laws.

As shown in previous studies (Venturelli *et al.*, 2018; Luque-Vilchez and Larrinaga, 2016), this means that the expected comparability between the European NFDs is not possible, not only among reports from different EU countries but also among reports produced within the same nation. Despite the declared aim of Directive 2014/95 to enhance the consistency and comparability of NFD among large European companies, previous studies have noted only a slight improvement in NFD and comparisons (Venturelli *et al.*, 2018; Manes-Rossi *et al.*, 2018). Due to this lack and the further issues highlighted during the consultation period (European Union, 2020), the new CSRD was released, amending Directive 2014/95 and starting a new transposition process (European Union, 2022).

Our results suggest that Directive 2014/95 supported its validity in terms of proposed moral norms and discourse, but it failed to provide procedures to make sustainability reporting possible at the system level. This means that the juridification failed to effect internal colonisation of the Directive into the national context. Directive 2014/95 lacked legitimation as it failed to translate words into actions as well as convert moral discourse into concrete accounting procedures (Bebbington *et al.*, 2012). At the same time, in transposing the Directive, EU countries ignored the already institutionalised practices of informal and moral laws, such as the GRI guidelines or the established practices on sustainability reporting (Korca *et al.*, 2021; Posadas *et al.*, 2023).

Although the basic idea of the application of the Directive falls within that of democratisation of law, its actual application and context of transposition have driven the development of a sort of "anarchic accountability" (Habermas, 1998; Schmid, 2018) due to the failure in the juridification of social accounting (Laughlin and Broadbent, 1993). Directive 2014/95 lacks specific provisions on how a moral law can be put into practice, and the transposition process did not solve this issue. This is also highlighted by the national legislators' lack of expansion of the provisions of Directive 2014/95, thus avoiding measurement constraints and, at the same time, reducing the potential for harmonisation (La Torre *et al.*, 2020). According to Habermas's thinking, this is due to a divide between Directive 2014/95 and the national context since the Directive does not mirror a European identity, and the proposed moral discourse is not being put into action (Mio *et al.*, 2021; Stefanescu, 2022). Thus, through the release of

Directive 2014/95, the EU lost the opportunity to create a common language that enhances the validity of the ideal speech situation among European companies and improves comparability among reports (Luque-Vilchez and Larrinaga, 2016; Ahern, 2016). The issues highlighted by the present research are in line with pressures from EU members and large companies that steered the release of the recent CSRD. Building on the present research, there is scope for further studies to monitor the implementation of the new Directive in the EU Member States. Since our analysis suggests that the EU should present not just the moral discourse on NFD but also support the systems in putting these discourses into practice, further research should explore how the EU took into consideration the suggestions that arose during the consultation period in producing the CSRD. Another important aspect that should be considered for further legislative evolutions is the role that standard setters should play as steering institutions (Giner and Luque-Vilchez, 2022; Abela, 2022; Lombardi *et al.*, 2022).

As a contribution to the critical studies in social accounting, the present research provides an example of how the transposition process should be considered a concrete tool for juridification. Policymakers and standard setters should consider these findings to advance in the transposition process, facilitating the alignment between moral norms (e.g. directives) and procedures (e.g. NFD standards institutionalised in voluntary practices). Considering the recent release of the new Directive, it will be interesting to observe how the new transposition process will be steered by standard-setters and EU Member States.

### Notes

1. According to the EU-Lex glossary, *transposition* is the process of incorporating EU directives into the national laws of EU Member States. Specific information is available at the following link: <https://eur-lex.europa.eu/summary/glossary/transposition.html> (accessed on 5 December 2022).
2. Further information on the consultation period is available at the following link: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive/public-consultation> (accessed on 5 December 2022).

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Governing body	Publication date	Original title	Title in English
European commission	22.10.2014	<i>Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regard disclosure of non-financial and diversity information by certain large undertakings and groups</i>	
European commission	5.7.2017	<i>Guidelines on non-financial reporting (methodology for reporting non-financial information) (2017/C 215/01)</i>	
European commission	20.6.2019	<i>Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01)</i>	
Austria	17.01.2017	Bundesgesetz, mit dem zur Verbesserung der Nachhaltigkeits- und Diversitätsberichterstattung das Unternehmensgesetzbuch, das Aktiengesetz und das GmbH-Gesetz geändert werden (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG)	Federal law, which amends the corporate law, the stock corporation law and the GmbH law to improve sustainability and diversity reporting (Sustainability and Diversity Improvement Act, NaDiVeG)
Belgium	11.09.2017	Loi relative à la publication d'informations non financières et d'informations relatives à la diversité par certaines grandes sociétés et certains groupes	Law relating to the publication of non-financial information and information relating to diversity by certain large companies and certain groups
Bulgaria	24.11.2015	УКАЗ № 237 – ЗАКОН за еверноуправство	Decree No. 237 – The Law for accounting
Croatia	21.12.2016	NN 120/2016 (21.12.2016), Zakon o izmjenama i dopunama Zakona o računovodstvu	NN 120/2016 (21.12.2016), Law on Amendments to the Accounting Act
Cyprus	02.06.2017	Ο περί Εταιρειών (Γροπολητικός) (Α.ρ. 3) Νόμος του 2017 <i>εκδίδεται με δημοσίευση στην Επίσημη Εφημερίδα της Κυπριακής Δημοκρατίας σύμφωνα με το Άρθρο 52 του Συντάγματος.</i>	The Companies (Amendment) (No. 3) Law of 2017 is published by the Official Gazette of the Republic of Cyprus by Article 52 of the Constitution
Czech Republic	14.12.2016	Zákon č. 462/2016 Sb. Zákon, kterým se mění zákon č. 563/1991 Sb., o účetnictví, ve znění pozdějších předpisů	Act No. 462/2016 Coll. Act amending Act No. 563/1991 Coll., On Accounting, as amended
Denmark	01.06.2016	BEK nr 558 af 01/06/2016 - Bekendtgørelse om offentliggørelse af en række redegørelser efter årsregnskabsloven	BEK no 558 of 01/06/2016 – Notice of publication of a series of statements under the Danish Financial Statements Act
Estonia	10.12.2015	Raamatupidamise seaduse muutmise ja sellega seondudvalit teiste seaduste muutmise seadus	Accounting Act Amendment Act and other related acts

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Table A1.  
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analysis

Table A1.

Governing body	Publication date	Original title	Title in English
Finland	20.12.2016	Eduskunnan vastaus EY 256/2016 vp — HE 208/2016 vp vp Laki kirjanpitolain muuttamisesta	Reply of Parliament EV 256/2016 vp — HE 208/2016 vp Accounting Act Amendment Act
France	09.08.2017	Code de commerce – Article L225-102-1 (modification)	Commercial Code – Article L225-102-1 (Amendment)
Germany	11.04.2017	Gesetz zur Stärkung der nichtfinanziellen Berichterstattung der Unternehmen in ihren Lage- und Konzernlageberichten (CSR-Richtlinie-Umsetzungsgesetz)	Law to strengthen non-financial reporting of the companies in their situation and group management reports (CSR Directive Implementation Act)
Greece	07.07.2016	NΟΜΟΣ ΥΠ' ΑΡΙΘΜ. 4403	Law 4403
Hungary	15.06.2016	MAGYAR KOZLÖNY 87. Szám MAGYARORSZÁG HIVATALOS LAPJA	HUNGARIAN PUBLIC # 87 Official Gazette of Hungary
Ireland	30.07.2017	STATUTORY INSTRUMENTS, S.I. No. 360 of 2017 – EUROPEAN UNION (Disclosure of non-financial and diversity information by certain large undertakings and groups) REGULATIONS 2017	STATUTORY INSTRUMENTS, S.I. No. 360 of 2017 – EUROPEAN UNION (Disclosure of non-financial and diversity information by certain large undertakings and groups) REGULATIONS 2017
Italy	30.12.2016	Decreto Legislativo 30 dicembre 2016, n. 254	Legislative Decree 30 December 2016, No. 254
Latvia	29.12.2016	Grozījumi Finanšu instrumentu tīrģus likumā, 2016/254.4	Amendments to the Financial Instruments Market Law, 2016/254.4
Lithuania	15.12.2016	Išomonių finansinės atskaitomybės įstatymo nr. ix-575 4, 22, 23, 25, 27, 28 straipsnių ir priedo pakaitimo ir išstatymo papildymo 231, 232 straipsniais Įstatymas A — N° 156 – Publication d'informations non financières	No. of the Law on Financial Reporting of Enterprises IX-575 articles 4, 22, 23, 25, 27, 28 amendments to the annexe and articles 231, 232 to the law A — N° 156 – Publication of non-financial information
Luxembourg	04.08.2016		
The Netherlands	14.03.2017 – 22.12.2016	Besluit bekendmaking niet-financiële informatie PbEU 2014, L 330 – Besluit bekendmaking diversiteitsbeleid PbEU 2014, L 330	Decree disclosure of non-financial information PbEU 2014, L 330 – Decree Disclosure of the diversity policy PbEU 2014, L 330
Poland	15.12.2016	USTAWA z dnia 15 grudnia 2016 r. o zmianie ustawy o rachunkowości	ACT of 15 December 2016 amending the Accounting Act
Portugal	28.07.2017	Diário da República, 1.ª série — N.º 145 — 28 de julho de 2017	Diário da República, 1st series – No. 145 – 28 July 2017
Romania	17.08.2016	ORDIN nr. 1.938 din 17 august 2016 privind modificarea și completarea unor reglementări contabile	ORDER No. 1,938 of 17 August 2016 regarding the modification and completion of some accounting regulations

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Governing body	Publication date	Original title	Title in English
Slovakia	06.05.2015	130/2015 Z.z. ZAKON zo 6. mája 2015, ktorým sa mení a dopĺňa zákon č. 431/2002 Z.z. o účtovníctve v znení neskorších predpisov a ktorým sa menia a doplňujú niektoré zákony	130/2015 Coll. ACT of 6 May 2015 amending Act No. 431/2002 Coll. on Accounting, as amended and amending and supplementing certain acts
Slovenia	31.03.2017	730. Zakon o spremembah in dopolnitvah Zakona o gospodarskih družbah (ZGD-1)	730. Law on Amendments to the Companies Act (ZGD-1)
Spain	29.12.2018	Ley 11/2018, de 28 de diciembre, por la que se modifica el Código de Comercio, el texto refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio, y la Ley 22/2015, de 20 de julio, de Auditoría de Cuentas, en materia de información no financiera y diversidad	Law 11/2018, of December 28, amending the Commercial Code, the consolidated text of the Capital Companies Law approved by Royal Legislative Decree 1/2010, of July 2 and Law 22/2015, of July 20, Audit of Accounts, in matters of non-financial information and diversity
Sweden	18.10.2016	Civilutskottets betänkande 2016/17:CU2 Foretagens rapportering om hållbarhet och mångfaldspolicy	Civil Committee report 2016/17: CU2 Corporate reporting on sustainability and diversity policy
United Kingdom	19.12.2016	2016 No. 1245 COMPANIES PARTNERSHIP The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016	2016 No. 1245 COMPANIES PARTNERSHIP The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016

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**Table A2.**  
Example of coding  
for each category

Aspect	Definition	Example (translated into English)
Definition of a large undertaking company	Type of company considered as undertaking company	[...] 4. In addition to the information specified in Paragraphs 2 and 3 of this Article, large public-interest entities with an average annual number of employees as listed on the past day of the reporting year shall include a social responsibility statement, except for the established case (Lithuania)
Definition of a public interest entity	Type of company considered as public interest entity	[...] b) That they are either considered to be public interest entities following the auditing legislation or, for two consecutive years, they meet, on the closing date of each one, at least two of the circumstances following: 1. That the total of the items of the consolidated asset is greater than 20,000,000 euros 2. That the net amount of the consolidated annual turnover exceeds 40,000,000 euros 3. The average number of workers employed during the year is greater than 250 (Spain)
Reporting framework	Reference to any standard, framework or guideline on NFD	[...] (5) At the request of presenting the information mentioned in par. (1), entities may be based on national, Union or international frameworks. In this case, the entities specify the frameworks on which they were based (Romania)
Disclosure format	How NFD should be presented (e.g. into the Financial Statement, Standalone report)	(3) A corporation referred to in paragraph 1 shall also be exempt from the requirement to extend the management report to a non-financial statement where the corporation for the same financial year created a separate non-financial reporting before the Management Report and the following conditions are met: 1. The separate non-financial reporting at least meets the substantive requirements under § 289c and 2. The corporation makes the separate non-financial report available to the public through a) identification together with the management report according to § 325 or b) publication on the website of the corporation no later than four months after the closing date and at least 10 years, unless the management report refers to this publication, indicating the reference website. Paragraph 1, Sentence 3 and §§ 289d and 289e apply mutatis mutandis to the separate non-financial report (Germany)
Assurance	Provision of the assurance process on the NFD	[...] 6 – In the case of companies that are obliged to present a non-financial statement following Article 66B or Article 508-G, the statutory auditor accounts should only certify that it or the report separate were presented (Portugal)
Non-compliance penalties	Provision of penalties in case of lack of compliance or lack of NFD	414D Approval and signing of the strategic report (1) The strategic report must be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company. (2) If a strategic report is approved that does not comply with the requirements of this Act, every director of the company who – (a) knew that it did not comply or was reckless as to whether it complied and (b) failed to take reasonable steps to secure compliance with those requirements or, as the case may be, to prevent the report from being approved, commits an offence. (3) A person guilty of an offence under this section is liable – (a) on conviction on indictment, to a fine and (b) on summary conviction, to a fine not exceeding the statutory maximum. (the UK)

(continued)

Aspect	Definition	Example (translated into English)
Environmental contents	Requested disclosure on environmental aspects	<p>[...] To the extent necessary to understand the development of business, performance, the situation of society and the impact of its activities, relating at least to social, environmental and personnel matters, respect for human rights and the fight against corruption, the annual report, referred to Article 95, includes a declaration which includes the following information:</p> <ul style="list-style-type: none"> <li>a) a brief description of the company's activities;</li> <li>b) a description of the policies applied by the company in relation to these matters, including the due diligence procedures implemented;</li> <li>c) the results of these policies;</li> <li>d) the main risks associated with these matters about the activities of the company, including, where relevant and proportionate, the business relationships, products or services of the company, which are likely to have a negative impact in these area and how the company manages these risks;</li> <li>e) key performance indicators of a non-financial nature relating to the activities in question (Belgium)</li> </ul>
Social contents	Requested disclosure on social aspects	<p>II. – The declaration contains when they are relevant about the main risks or the policies mentioned in I of this article:</p> <p>A. – For all the companies mentioned in I of article L. 225-102–1, the following information:</p> <p>1. Social information:</p> <ul style="list-style-type: none"> <li>a) Employment: <ul style="list-style-type: none"> <li>– the total workforce and the distribution of employees by sex, age and geographic area;</li> <li>– hiring and dismissals;</li> <li>– remuneration and their evolution (France)</li> </ul> </li> </ul>
Personnel contents	Requested disclosure on personnel aspects	<p>[...] (b) contain information, to the extent necessary for an understanding of the development, performance, position and impact of its activity relating to, at least, the following matters:</p> <ul style="list-style-type: none"> <li>• environmental matters;</li> <li>• social and employee matters;</li> <li>• respect for human rights;</li> <li>• bribery and corruption (Ireland)</li> </ul>

(continued)

Table A2.

Table A2.

Aspect	Definition	Example (translated into English)
Human rights contents	Requested disclosure on human rights aspects	[...] 6. The large public limited companies comprise entities of public interest, in the sense of Annex A to Law 4308/2014, and which, on the closing date of their balance sheet, exceed the average number of 500 employees during the financial year, including in the management report a non-financial asset voltage containing information, to the extent that is needed to understand evolution, performance, location and impact of activities its, at least about environmental, social on labour issues, respect for rights of human beings, the fight against corruption and on corruption issues (Greece)
Anticorruption and bribery contents Business model contents	Requested disclosure on anticorruption and bribery aspects Requested disclosure on business model aspects	[...] f) fight against corruption, both active and passive, with an indication of the tools adopted for this purpose (Italy) [...] 1) A brief description of the business model of the capital company, which may include general information on: the main types of economic activity of the capital company and its geographical area (Latvia)
Policies contents	Requested disclosure on policies issues	[...] b. the policy, including the due diligence procedures applied, as well as the results of this policy, about: (i) environmental, social and human resources matter (ii) respect for human rights (iii) fighting corruption and bribery (The Netherlands)
Outcome policies contents	Requested disclosure on outcome policies aspects	[...] (2) The information must include – (a) a brief description of the company's business model, (b) a description of the policies pursued by the company in relation to the matters mentioned in subsection (1)(a) to (e) and any due diligence processes implemented by the company in pursuance of those policies, (c) a description of the outcome of those policies, (d) a description of the principal risks relating to the matters mentioned in subsection (1) (a) to (e) arising in connection with the company's operations and, where relevant and proportionate – (i) a description of its business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and (ii) a description of how it manages the principal risks and (e) a description of the non-financial key performance indicators relevant to the company's business (the UK)
Risks contents	Requested disclosure on risk aspects	[...] 5. The main risks that are likely to harm these matters, and how society handles these risks a. insofar as they arise from the company's business activities and, b. if this is relevant and proportionate insofar as they arise from their business relationships, their products or their services ... (Austria)

(continued)

Aspect	Definition	Example (translated into English)
KPIs	Requested disclosure on key performance indicator aspects	[...] (1) Entities of public interest which, at the balance sheet date, exceed the criterion of having an average number of 500 employees during the financial year include in the directors' report a statement non-financial that contains, to the extent that they are necessary to understand the development, performance and position of the entity and the impact of its activity, information on at least environmental, social and personnel aspects, respect for human rights, fighting corruption and bribery, inclusive: a) a brief description of the business model of the entity; b) a description of the policies adopted by the entity about these aspects, including the due diligence procedures applied; c) the results of the respective policies; d) the main risks related to these aspects arising from the operations of the entity, including, when relevant and proportionate, its business relations, its products or services that could harm the respective fields and the way the entity manages those risks; e) key non-financial performance indicators relevant to the specific activity of the entity (Romania)
Diversity contents	Requested disclosure on diversity aspects	[...] (b) a description of the diversity policy applied to the administrative, management and supervisory bodies of the undertaking, with particular regard to age, gender, academic and professional background, the objectives, how this diversity policy is implemented and the results achieved during the reporting period; description. If no such policy is applied, the statement shall include an explanation (Hungary)

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Table A2.