

# Position Paper

## UEAPME<sup>1</sup> position on Disclosure of Non-Financial Information by Companies

### Introduction

The option in the 4th Directive, to exempt SMEs from disclosure obligation of non-financial information should remain. UEAPME considers non-financial disclosure as a voluntary engagement of the entrepreneur, who should remain free to decide how far, or what and how he/she is willing to disclose. In addition, it should upon the entrepreneur to decide whether he would like to let the report attested or not. Any disclosure obligation of non-financial information or even certification of the reports is not only way too expensive and often not feasible for SMES, but would also be counterproductive to the voluntary and diverse CSR-activities of SMEs.

In addition it are mainly the big audit firms that are offering at the moment audit services in the field of disclosure of non-financial information. The majority of SMPs are not offering this service as they do not have the means to follow the recent developments in the field of disclosure non-financial information.

The competition between SMEs and the increasing pressure on companies concerning disclosure may in the long term lead to a situation that more and more SMEs will disclose non-financial information. The role of the public authorities, including the European one, is however to stimulate and to support SME to disclose non-financial information. Compulsory disclosure however is unacceptable. Compulsory disclosure will be regarded by the SMEs as, once again, an additional administrative burden and in fact it is also an additional administrative burden. Even exempting SMEs from compulsory disclosure will lead to an unacceptable situation for SMEs as the bigger enterprises will de facto oblige their (SME) suppliers/sub-contractors to disclose information in the same way.

So every envisaged measure should apply the “think small first” principle.

Enterprises should be encouraged to take initiatives on a voluntary basis and they should be proud to disclose, as this will be regarded as important and will have a positive effect towards the outside world.

### Non-financial information: is it useful for the decision-making of a company?

In UEAPMEs opinion non financial information can be useful for the decision making of an enterprise. Strategic decisions are not only based on data/ result but also on the values of an enterprise. These values can, thus, be handled more concretely.

---

<sup>1</sup> UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is [55820581197-35](https://ec.europa.eu/transparency/regexp1/index.html).

In the field for example of diversity and equal changes: it can give an answer on how the personnel evolve (how many people are leaving? Absenteeism, gender balance,...)... What kind of trainings are offered and how many? Environment: what is the evolution of the cost in the field of waste and the turnover? Is the consumption of energy decreasing?

Also the feedback that an enterprise receives from the stakeholders is an important part of social responsible information. Also this can be of importance when an SME takes strategic decisions.

However it has to be stressed **that in SMEs this information is gathered and communicated in an informal way and that the informal way should also be recognised as disclosure.**

### **Costs and benefits**

Sustainability reporting may be considered by some – especially bigger enterprises – as a methodology which can lead to innovative processes in the enterprise. As such sustainability reporting may transfer vague objectives into a concrete business practice..

Sustainable reporting engages the entrepreneur to map its most important stakeholders and to involve in the process of disclosure. This can be beneficial for the relation with the most important stakeholders and can result in useful information for the SME.

However, it is important to assess the cost and benefits for SMEs from a SME point of view, taking into account their limited resources.

Possible positive effects can be considered:

- As supplier of big enterprises;
- In the framework of “employer branding” – the struggle for talent

On the other hand, especially for SMEs it leads to very high costs:

- Sustainability reporting is a very time-consuming process, which goes against the limited time self-employed entrepreneurs have at their disposal. Even SME business organisations do not have the resources to support SME in this field.
- Certification is very expensive for SMEs. It is unacceptable that certification will become an obligation, as this will imply that SMEs will be excluded.

In UEAPMEs opinion no legislation can be accepted in this field and no requirements should be imposed about non-financial disclosure. SMEs should be given the opportunity to get information on sustainable public procurement and to prepare themselves to it.

### **Human Rights.**

In the last years more and more SME have become active at the international market or in markets in third countries, in order to remain competitive with the big international chains and companies.

Our small enterprises are fully committed to respect the human rights. But they do not have the means, the knowledge or the power to guarantee that their providers or sub-contractors in third countries are respecting the human rights. Often they work with intermediary persons and is control (through independent advisors, company visits collaborators) extremely difficult to realise. Since many years UEAPME, also in the framework of the Multistakeholder Forum on CSR, has tried to solve this dilemma together with NGOs who do have the necessary know –how in this field. Unfortunately these NGOs neither do have the means to help our SMEs nor are not even allowed to operate in the most problematic third countries.

That's why UEAPME is asking to pool together resources: the U.N, the ILO, the European Commission or the EU Embassies should provide databases to our small enterprises with reliable counterparts in third countries.

Public authorities could in addition support SMEs and raise awareness amongst them concerning international trade and human rights.

An obligation to disclose non-financial information is not acceptable for SMEs. This is not in line with the policy of the European Commission to reduce administrative burdens and red tape for SMEs.

Brussels, 4<sup>th</sup> March 2011

**For further information on this position paper, please contact:**

Luc Hendrickx  
Director Enterprise Policy and External Relations  
[l.hendrickx@ueapme.com](mailto:l.hendrickx@ueapme.com)