

FACTSHEET



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

Italy¹

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

With the entry into force of **Directive 2014/95/EU**, transposed in Italy by **Legislative Decree 254/2016**, large groups and listed companies are asked to be more transparent with respect to their activities and to provide specific information on company's policies and the impact generated by the economic activity on workers, the environment and in the community in which they operate.

- Directive 2014/95/EU has, in addition, amended **Directive 2013/34/EU** on annual financial statements, consolidated financial statements and sustainability reports, which was introduced to promote the convergence of accounting standards globally and ensure consistent and comparable financial reporting across the EU.

FINANCIAL INFORMATION

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

NON-FINANCIAL INFORMATION

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

Financial and non-financial reporting is an important opportunity for workers' representatives and trade unions to initiate or reinforce **social dialogue** and obtain key information on management



¹ Edited by SindNova in partnership with FIM CISL, FEMCA CISL and FILCA CISL.

Overview of **reporting** practices and of the different Italian cultural and economic background

In the Italian economic system, at least until 2007, there were no obligations to disclose information of a social and/or environmental nature. It was left to the voluntary initiative of those companies most oriented towards the values of sustainability and the common benefits.

The first provision of the possibility to include non-financial indicators, regarding the company's activities and concerning information relating to the environment and personnel, in the annual report dates back to **Legislative Decree no. 32/2007** implementing **Directive 2003/51/EC** (Accounts Modernisation Directive).

However, the Italian legislator has not indicated standard indicators for environmental and personnel reporting, due to the diversity of the companies concerned in terms of economic activity, size/territory and degree of commitment and sensitivity to sustainability.

With **Legislative Decree No. 254/2016**, the obligation of non-financial reporting and disclosure of information on the diversity of corporate bodies in the private sector has a broader scope and is not limited to only large and public interest companies.

Examples of mandatory non-financial (and also financial) reporting are those provided for Benefit Societies (**Law no. 208/2015**), Third Sector Entities (**Legislative Decree 117/2017**), Social Enterprises (**Legislative Decree 112/2017**) and Banking Foundations (**Legislative Decree 153/1999**).

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

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

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



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

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

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

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

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

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



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

From the analysis of the data provided and the interviews conducted with company representatives and EWCs' members within the framework of the European **POWER** project, different practices of workers' involvement and shared requirements emerged. The multinational companies studied by the Italian partners of the project belong to the textile-fashion, construction (**Buzzi Unicem**), IT (**Oracle**), chemical (**Solvay**), energy and infrastructure (**Saipem**) sectors. The company of the textile-fashion industry analysed is the only multinational company without an EWC but to boast good practices of involvement of workers and their representatives. The company agreement, signed in order to face the new scenarios resulting from the pandemic, confirms the existence of solid industrial relations, where union representatives (RSU) are an active part in the company transformation. In addition to the publication of the integrated financial statements, the company aims to disseminate the company agreement as widely as possible in order to increase the involvement of workers in company processes through: the flow of information, the strengthening of monitoring and the exchange of information and the setting up of a number of joint working groups for the analysis and verification of aspects relating to professional grading, training and the implementation of welfare policies. **Buzzi Unicem, Oracle, Solvay** and **Saipem** have already experienced voluntary Corporate Social Responsibility (CSR) initiatives, even before it became compulsory for them to disclose non-financial information reporting. These multinationals companies have established EWC regulated by agreement,

with the exception of **Oracle** EWC, whose agreement in being negotiated as a result of the EWC's central management transfer to Ireland due to the Brexit. In the absence of the agreement, the functioning of the EWC is subject to the subsidiary requirements of the Directive, transposed into Irish law by the TICEA. On the subject of workers' involvement, there is an important flow of communication and the need for specific training on the interpretation of financial and non-financial reporting. The agreement established the EWC in **Buzzi Unicem** provides the information and consultation of workers' representatives on economic, environmental, sustainability and employment issues. The social partners expect to increase specific training initiatives on the reading and understanding of financial and non-financial information aimed at a better exchange of information and the involvement of workers' representatives at European level. In **Solvay**, both the management representative and the EWC representative interviewed, affirmed that the information and consultation process takes place, in practice, better than is planned in the agreement. The basic principle is the involvement of the EWC in a project at an early stage, to give their opinion and feedback. **Saipem** promotes a participative approach with reference to the social dialogue. This is particularly important in the current phase in which the company is undergoing wide reaching changes with an ever increasing focus on energy transition and infrastructures. EWC Delegates have proposed the definition of more precise criteria defining the content and span of the information and consultation process.