

Verification of non-financial reports in accordance with Law 11/2018

The recent passing of Spanish law 11/2018 on non-financial results amends Spain's Commercial Code, Corporation Law and Audit Act. Companies that are obliged to issue a report must have this verified by an independent body such as Applus+ Certification.



When this new legislation comes into force, it will be mandatory for a company to present independent non-financial information for approval at its annual general meeting, thereby giving this the same status as financial information. This non-financial information must be verified by an independent verification body.

Applus+ Certification provides non-financial reporting verification services. Its team of auditors specialise in the various reporting criteria (environment, occupational health and safety, etc.) thanks to their extensive experience of carrying out management system certifications and supplier evaluation audits.

Which companies are obliged to report their non-financial results?

The new legislation applies to corporations and companies that file consolidated financial statements where both of the following requirements are also met:

- Their average number of employees during the fiscal period in question is greater than 500
- Either they are deemed to be public interest entities under the Audit Act or they fulfil at least two of the following criteria at year end in two consecutive fiscal periods:

1. The sum total of their assets exceeds €20 million

2. Their net revenue exceeds €40 million
3. Their average number of employees during the fiscal period in question is greater than 250

Are there any exceptions?

A group subsidiary is exempt from the need to issue a non-financial report if said subsidiary and its own subsidiaries, should it have any, are included in the parent company's consolidated management report, drawn up in accordance with article two, section three of the law.

What will happen three years after the new law comes into force?

Three years after the new legislation enters into force, its scope will widen to encompass any companies filing consolidated financial statements with more than 250 employees that either (a) are deemed to be public interest entities under the Audit Act, with the exception of those classed as small and medium-sized enterprises under EU directive 2013/34/EU, or (b) fulfil at least one of the following criteria at year end in two consecutive fiscal periods:

1. The sum total of their assets exceeds €20 million
2. Their net revenue exceeds €40 million

What should a non-financial report include?

A non-financial report must contain the following company information:

- General outline of the group's business model (business model, risks, etc.)
- Description and outcomes of any group policies
- Overview of the key risks associated with the group's activities (products, services, etc.), including how these risks are managed
- Non-financial performance indicators

What data should be presented?

- **Environmental information:** atmospheric pollution; circular economy; sustainable use of resources; climate change; biodiversity protection
- **Social and personnel-related information:** recruitment; organisation of work; health and safety; training and development; universal access for people with disabilities; equal opportunities
- **Information on human rights:** risk management for the prevention of human rights abuses; promotion of and compliance with the International Labour Organization's

fundamental conventions; elimination of employment and workplace discrimination; elimination of all forms of forced labour; abolishment of child labour

- **Information on the fight against corruption and bribery:** measures to prevent and fight against corruption, money laundering, bribery, etc.
- **Company information:** the company's commitment to sustainable development; job creation; social, gender-equality and environmental issues; relations with suppliers and subcontractors for whom the company is socially and environmentally liable; customer relations (complaints systems, complaints received and complaints resolved); fiscal information (any gifts or perks received, taxes paid thereon and state subsidies received)