



EUROPEAN COMMISSION

Brussels, 2.12.2013  
C(2013) 8310 final

*Dear President,*

*The Commission would like to thank the Riigikogu for its Reasoned Opinion concerning the Proposal for a Directive of the European Parliament and the Council amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups {COM(2013) 207 final}.*

*The Commission takes note that the Riigikogu considers that the mentioned Proposal does not comply with the principle of subsidiarity and would like to provide the following clarifications.*

*Disclosure of non-financial information by companies is already regulated by the Accounting Directives (Council Directives 78/660/EEC and 83/349/EEC) in order to foster the freedom of establishment across the EU. These directives have been transposed into national legislation by all Member States, and were subsequently merged by Council Directive 2013/34/EU of 29 June 2013, leaving unchanged non-financial disclosure requirements.*

*As regards non-financial information, over time, some Member States have introduced national legislation going beyond the requirements of the Accounting Directives, while others have not. Reporting practices vary substantially amongst Member States, and less than 10% of EU large companies report regularly on these aspects. This has implications for the efficient decision-making process of companies and investors across the EU. This in turn, hinders the functioning of the EU Single Market and the objective of freedom of establishment as established in Article 50(1) of the Treaty on the Functioning of the European Union. Some safeguards and harmonisation are therefore necessary for the appropriate functioning of the EU Single Market. This objective can only be achieved at EU level, through a legislative measure. The use of a Directive makes it possible to amend the content of the existing legislation by setting general objectives, while leaving to the Member States the choice of the instruments necessary to achieve them. It also allows those Member States that wish it, to go beyond the minimum requirements it foresees.*

*Ms Ene ERGMA  
President of the Riigikogu  
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*Increased transparency will indeed contribute to better management of risks and opportunities, and stronger performance on the long-term. The proposed measure would apply only to certain companies larger than 500 employees. Smaller companies would not be subject to any new requirement. Companies would retain significant flexibility to disclose information in the way that they consider most useful. Information that is not necessary for an understanding of the company's development, performance or position would not need to be disclosed. These elements would contribute to avoid undue administrative burden.*

*The Commission hopes that these clarifications address the concerns raised by the Riigikogu, and looks forward to continuing our political dialogue in the future.*

*Yours faithfully,*

*Maroš Šefčovič  
Vice-President*