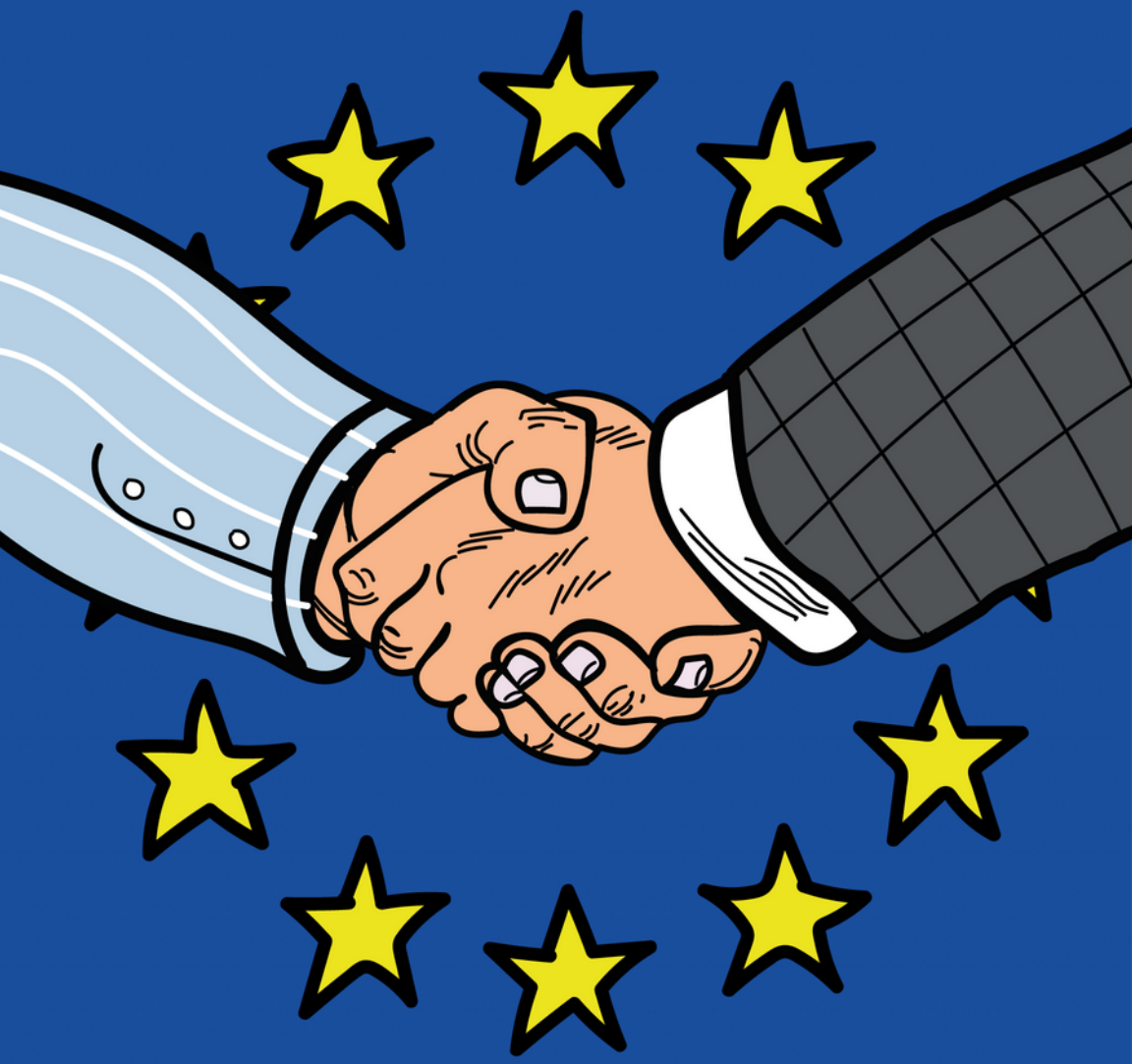
FINANCIAL AND NON-FINANCIAL REPORTS AS TOOLS FOR INVOLVING EMPLOYEES IN COMPANY DECISIONS

FINAL REPORT OF THE EUROPEAN POWER PROJECT



SindNova

FINANCIAL AND NON-FINANCIAL REPORTS AS TOOLS FOR INVOLVING EMPLOYEES IN COMPANY DECISIONS

Final report of the European POWER project

Carried out by SindNova

European project undertaken by

SindNova

in collaboration with

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Executive Summary

The biennial Project *POWER, Multinational companies: improving workers' knowledge of financial and non-financial information to promote their rights*, has been structured with the main objective of fostering the involvement of employees and their representatives in multinational companies, raising awareness and contributing to the application of EU law and policies in this area, in accordance with the priorities set out in the *Call for Proposals* VP/2020/008 on "Information, consultation and participation of representatives of undertakings". With the aim of helping representatives of employees in multinationals to exercise an influence on company decisions, the POWER project has been designed with particular attention to the Directive on European Works Councils (EWC) 2009/38/EC and Directive 2002/14/EC, which establishes a general framework for workers' rights to information and consultation, Directive 2013/34/EU, on annual financial statements, consolidated balance sheets and sustainability balance sheets, Directive 2014/95/EC on non-financial reporting and diversity in some of the major undertakings and groups of undertakings, and Directive 2016/943/EU on trade secrets and their effects on confidentiality.

The rights to information and consultation prove key, both at national and transnational level, to helping workers to react to corporate challenges linked to restructuring and reorganization, to changes in production and technology, and to the digitalisation of new forms of working. In said situations, trade unions and workers' representatives must maintain an ongoing dialogue with corporate management, and the ultimate goal of rights to information and consultation is to guarantee the participation of workers and their representatives in the undertaking's decisions before they are taken. In fact, the relevant European legislation establishes that workers must be sufficiently informed and consulted without delay. As a result, trade unions and workers' representatives, even at company level, must possess the knowledge and skills necessary

to understand the changes ahead and prepare for them, maintaining an ongoing dialogue with corporate management.

In order to reinforce rights to information and consultation at all levels, the first thing is to analyse the reasons why they are not put into practice, identifying appropriate solutions to enable social partners at undertaking level to familiarize themselves with EU law and policy in the area of employee participation, to exercise their rights and duties as established by the law, and work together towards the definition and implementation of specific responses to the challenges posed to workers' involvement. As such, the fact that the POWER Project also includes employers' representatives is an element whose importance should be emphasized: thanks to exchange and debate regarding the measures, tools, needs and aspirations of the social partners, it is possible to gain prior knowledge of the effects and scope of employees' involvement in company decisions.

However, one might say that the full exercise of rights to information and consultation on the part of employees in multinationals is only effective insofar as their representatives have the necessary skills and know-how to analyse the company's economic and financial situation and are capable of knowing how to read and interpret consolidated balance sheets, group balance sheets, sustainability balance sheets and non-financial reports.

It is as such that the POWER Project's most pressing objectives are considered to be: (i) the training of workers' representatives so that they can analyse and interpret financial documents and company balance sheets; (ii) analysis of the scope of the Directive's application on the reporting of non-financial information (*Directive on non-financial Reporting 2014/95/EC),* demanding companies of a certain size provide transparency with regard to social and environmental information, and enabling stakeholders to assess companies' non-financial performance and identify risks to sustainability, thereby encouraging undertakings to develop a responsible approach; (iii) examination of the effects confidentiality has on information received in terms of the exercise of the rights to information and consultation; (iv) assessment of the possible repercussions of non-financial reports on small and

medium-sized companies, even if not directly affected by the Directive on non-financial disclosure, nor by the various initiatives on voluntary information.

In addition to two joint training sessions, the POWER project has initiated its research phase. During the research period analysis has been undertaken of national legislative systems and labour relations in the five countries involved in the project (**Italy, Spain, the Netherlands, Bulgaria and North Macedonia**), focussing specifically on practices and procedures caried out at company level with regard to strategic, financial and non-financial information provided to workers' representatives, to establish how said practices affect their rights to information and consultation. To this end, some 25 multinationals were analysed (in nine of which there are no EWCs), as selected by the Scientific and Coordinating Committee in the nations referred to, and within the area of the sectors: the metal industry, construction, textile/fashion, chemicals, energy, credit, food and beverages. SMEs were not involved in this phase, on the grounds of the obvious problems perceiving the repercussions of financial and non-financial information on their activities.

Interviews were conducted via semi-structured surveys aimed at the heads of human resources or labour relations departments at the undertakings, and at their trade union representatives and EWC delegates where these existed. Those surveyed provided a general overview of the social dialogue practices at undertaking level and of the involvement of employees in the multinationals with regard to strategic business decisions, which has made it possible to compare the practical effects, procedures and tools available for the effective exercise of the rights to information and consultation, at both national and transnational level. The project's first result is the publication of five country Factsheets, with an initial overview of not only the relevant national contexts but also practices with regard to information and strategic consultation, about economic and non-financial data involving employees' representatives at multinationals, and about how the practices in question could be improved. The general overview provided made it possible to devise two training courses, which were held in Madrid and Sofia.

Finally, in addition to the joint involvement of management and trade unions, another added value of the POWER project was the participation of North Macedonia, a candidate for EU membership, as a project partner. It was therefore the intention to give both the trade union and management representatives involved the chance to acquire greater knowledge of the rights of employees at multinationals to be informed and consulted with respect to European law and the varying national systems, taking advantage of the opportunity for exchange and discussion regarding subjects relevant to the social partners and, by extension, prepare them to be able to formulate responses aimed at fostering these rights and contents, with the involvement of all the stakeholders involved at the varying levels.

Introduction

The goal of the POWER project, in line with EU policy on democratic participation in the workplace, aimed at generating the necessary improvements to the regulatory frameworks regarding the rights of workers' representatives to information, consultation and participation for the purpose of safeguarding effective and immediate information and consultation[1], is to ensure that workers are aware of the importance of having access to tools with which to maintain effective dialogue with management, and understanding the decisions of the undertaking before they are taken.

The European Works Council (EWC)[2] is a useful tool for social dialogue in multinationals. This is a European body providing collective representation for workers, which has the right to be informed and consulted at such time, in such fashion and with such content as are appropriate regarding transnational matters. These are deemed transnational when they apply to an entire group of Community-wide dimensions, or at least two workplaces located in two different EU Member States, or when the decisions affecting workers have to be taken in a different Member State from the one in which said workers are employed, in addition to those which, regardless of the number of countries involved, may have potential effects in more than one country. Through EWCs, workers' representatives acquire the right to be informed of company strategies and, through consultation and discussion procedures

[1] European Parliament, *Report on democracy at work: a European framework for employees' participation rights and the revision of the European Works Council Directive (2021/2005(INI), 2021.*

[2] The creation of this European body representing workers at multinational companies (with the definition of one or more procedures for informing and consulting employees) was due to Directive 1994/45/EC, revised by Directive 2009/38/EC, the so-called "recast" Directive, the goal of which was to address flaws in the original Directive, increase the number of EWCs, provide for the training of EWC members and improve information and consultation procedures between management and the EWC.

with central management, may influence the decision-making process.

In practice, what occurs is that the information and consultation process is not immediate, or the EWC is informed but not consulted, or provided with information and data which are designated as confidential, meaning that the EWC cannot then pass said information on to the workers its represents, in such a way that it fails to comply with its own functions or, even, the Council delegates may not have the knowledge or skills they require to understand the information provided or the documents shared by the company management at meetings.

Thanks to the considerable and consolidated expertise of SindNova with respect to advice and assistance provided to the EWCs of multinationals, particularly those with Italian parent holdings, since the Directive came into effect in 1994, we have realised how important the ongoing training of EWC delegates is, particularly when it comes to technical matters, such as economic information, the reading and interpretation of balance sheets and any other sort of business report, useful for bolstering the role of workers' representatives, enabling them to exercise fully their rights to information and consultation in multinationals.

The POWER project rose out of these very foundations, complementing the subject of financial information and the need for EWC delegates/workers' representatives to be able to read the balance sheets provided to them by management, the subject of non-financial reports, including social and environmental information, sustainability balance sheets and any other reports involved in efforts undertaken to guarantee gender equality, social dialogue, good working conditions, health and safety in the workplace, rights to information and consultation, the implementation of ILO conventions and so on, also analysing how information (or non-information) on specific major business matters may impact on the implementation of rights to information and consultation and on bargaining at company, national and transnational levels.

The final report is a "synthesis" of what has been carried out over the past two years of research and activity, exchange and

discussion between trade union and management organisations, EWC delegates, the heads of undertakings and research institutes from the countries involved in the project: **Italy, Spain, the Netherlands, Bulgaria and North Macedonia**.

The first part analyses the rights to information and consultation in Europe, from their origin to the development of EWCs, which represent the place in which the representatives of employees in multinationals exercise their rights to information and consultation and, thanks to which, improving and strengthening their capabilities, it has become possible to establish a more constructive dialogue for innovation and change. Given how important it is for workers and their representatives to receive useful economic/financial and non-financial information in order to be able to contribute to, and play a part in, strategic decisions, and also in the light of recent reformism on the part of the supranational legislator in the field of reporting and the disclosure of relevant information, our focus will be on how these areas link up with the requirements of company confidentiality and the role of the EWC as spokesperson and depository for the interests of European workers.

The second part presents a general overview of the evolution of labour relations in the five countries involved, and the nexus between information and consultation procedures and the role of EWCs, along with a summary of the findings of the case studies carried out in the sectors and multinationals examined. Here our attention has focussed on the general characteristics of information and consultation systems, and on the impact of information and consultation procedures and those of the EWC on improving the body's involvement in company management.

PART 1

European framework of workers' rights to information and consultation

The European legislator has been introducing a whole array of directives containing tools and procedures to involve employees and their representatives in corporate decision-making procedures since the 1970s[3]. The legal basis for the adoption of European directives supporting rights to information and consultation is the recognition of the social dimension and policies aimed at protecting workers in European treaties, while the Treaty on the Functioning of the European Union (TFEU) recognises European institutions and Member States' cooperation in adopting minimal measures regarding the rights to information and consultation.

The first directives that emphasized company workers' rights to information and consultation[4] were Directive 1975/129 on collective redundancies and Directive 1977/187 on transfers of undertakings, which were adopted in periods of international economic crisis and productive and organisational change that led to considerable workforce cuts: the "social" management of these situations, varying from one country to another, would have generated market distortions that it was necessary to contain

[3] The European legal basis fostering rights to information and consultation spread, from the mid-1990s, to new EU Member States, while in some national legal systems (Germany's, for example) it existed as early as the 1950s.

[4] Along with the concepts of information and consultation, the more general concept of participation is also addressed. This may have three major implications: direct participation, consisting in the involvement, on the part of management, of groups of workers in carrying out various operational activities, with greater or lesser autonomy and the possible extension into the organisational field; indirect (or representative) participation, which includes joint consultation between social partners, joint decision-making, collective bargaining and consensus procedures, which vary according to the prevailing labour relations models in each national institutional context; and economic/financial participation, which by extension also involves profits, and which is extremely widespread in countries of Anglo-Saxon tradition.

through the adoption of coordinated regulations[5]. Said regulations set out the timeframes, methods and contents of the information and consultation obligations by which companies were bound, with the goal of providing workers with preventive information that would allow them to formulate useful proposals aimed at avoiding or reducing the harmful consequences the company's strategy might have on affected workers.

Until 1989, with the European Charter of Social Rights, information and consultation were not recognised as fundamental workers' rights. In 1989, Directive 391 was adopted for the purposes of improving workers' occupational health and safety, and to raise their awareness of workplace risks, involving them in the formulation of preventive and protective measures. This proved the start of a period of regulatory harmonisation aimed at reasserting the so-called "European social model", as opposed to the American and Asian models, and in which the interests of the worker took priority over those of company profit and competitivity. The European social model also took on a fundamental role in avoiding the effects of social dumping, characterised by distortions in competition caused by lower costs to companies, but also by lower standards of protection and respect for fundamental social rights[6].

During the process of transposing European directives into the legal systems of the Member States, the abovementioned regulation was not introduced in a consistent fashion, partly due to the fact that it has not always been clearly formulated. With regard to rights to information and consultation, the legislative reconstruction work carried out by the European Court has resulted, on the one hand, in the modification of the directives addressing collective redundancies and transfers of undertakings while, on the other, it has contributed to developing subsequent EU

[5] Zito 2018.
[6] Guarriello 2002

legislative output in the area of individual and collective rights to information and consultation[7].

These were first introduced with Directive 1994/45, precisely through the creation of a body providing European workers with collective representation. Following the Directive on European Works Councils (EWC), Directive 2001/86 was adopted, on workers' participation in a European Company (EC)[8], and then Directive 2002/14, setting out a general framework for informing and consulting employees in national companies[9].

In the latter case, the European legislator has created a general framework for informing and consulting workers and their representatives in national companies with a minimum of 50 employees working in a Member State, or at least 20 workers in the workplaces they use in a Member State. It establishes a series of minimal requirements, common to all Member States, enabling workers' representatives to exercise their rights to information and consultation, with a view to preventing major decisions relating to

[7] The regulatory corpus introduced was aimed at safeguarding the exercise of rights to information and consultation in transnational undertakings, joining national regulatory frameworks that already established employer obligations with regard to informing and consulting workers' representatives in specific circumstances, recognising the creation of bodies providing transnational representation to workers subsequent to the national ones.

[8] In this case, the outline of worker involvement within the EC includes rights to information and consultation that are substantially identical to those provided for by EWCs complemented, in the case of the EWC-EC, by the right to participation that allows workers' representatives to participate in the company's supervisory or administrative boards. One of the most important differences between the legislation regarding EWCs and that of EWC-ECs consists in the fact that, whereas the creation of an EWC is undertaken on the initiative of one of the stakeholders (workers or management), an EC cannot (in certain circumstances) be legally registered without there being an agreement regarding worker participation.

[9] Directive 2002/14 contains improved definitions with respect to successive Directives on information and consultation: *information* means transmission by the employer to the employees' representatives of data in order to enable them to acquaint themselves with the subject matter and to examine it; *consultation* means the exchange of views and establishment of dialogue between the employees' representatives and the employer.

workers being taken without prior compliance with the procedures provided for *ex professo,* with collective bargaining allocated the task of seeking solutions that might be put into practice, taking into account the differing national practices and varying systems of labour relations[10].

The information and consultation obligations that apply to national undertakings have different goals to those that apply to undertakings and groups operating at transnational level. The 1994 adoption of the EWC Directive made it possible to develop transnational labour relations based on cooperation and discussion between workers' representatives and the trade union organisations in the varying countries, and the management of transnational undertakings, encouraging the consolidation of European social dialogue.

EWCs: instruments driving the involvement of workers in multinational undertakings

Directive 1994/45, modified by Directive 2009/38 (the so-called recast directive), establishes the obligation for undertakings or multinational corporate groups with more than 1,000 workers in European countries and a minimum of 150 workers in two separate Member States to recognise the right to information and consultation on major strategic, economic and social matters, and to put in place (in accordance with a constituent agreement between management and workers' representatives) a collective body providing transnational representation: a European works council.

After some delay, the 2009 EWC Directive (currently in effect) was transposed in almost all EU countries[11]. **Spain** was the first to

[10] The application of Directive 2002/14/EC has varied from one Member State to another due to different national practices regarding labour relations and collective bargaining, and has not been accurately transposed to the letter, not even in the most advanced legal systems. The main differences of transposition lie in the use of confidentiality clauses, which favour companies, or in the restrictive formulation of the terms "information" and "consultation".

[11] Jagodzinski 2005

transpose the directive, while with regard to **Italy** and **the Netherlands,** the European Commission has initiated proceedings for infraction. **Bulgaria**, in addition to having introduced the directive through an internal *ex professo* act of transposition, has also incorporated the new provisions into its labour code. In 2012, **North Macedonia**, as a candidate for EU membership, adopted national legislation regarding EWCs, which was subsequently modified in 2015 with a view to introducing the provisions of Directive 2009/38 into national law, but this has not yet been completed[12] .

Recast Directive 2009/38 left previously valid regulations in place, but made substantial specifications concerning a series of extremely important concepts that had been vague in the earlier Directive. The first of these, the concept of transnationality, which in the 1994 Directive had not been taken into account: the new regulations clarify that the competence of the EWC, as well as procedures for informing and consulting employees, are limited to *transnational matters*. In other words, to matters referring to the Community-scale undertaking or Community-scale groups of undertakings or, at least, two undertakings or company workplaces located in two different separate Member States. This means that all decisions relating to another State as adopted by supranational management, and which extend beyond the local sphere of

[12] Procedures for informing and consulting workers are governed by art. 94-a of the national law regulating labour relations. Information and consultation rights are considered mere instruments for the exchange of information and to coordinate the process of representing company employees. This is an obligation that is solely appliable to commercial enterprises, to public undertakings and other legal persons with more than 50 workers, as well as entities with more than 20 workers, but there has been no provision for fines in the event of employers not respecting or adhering to the consultation and information process. Despite various multinational undertakings being legally domiciled in North Macedonia, national law does not recognise EWCs as an effective tool. In April 2021 there was a proposal for changes to be made to the regulations governing EWCs, in order to bring national legislation closer in line with EU law.

application, must be considered transnational and, as such, within the competence of the EWC[13].

Another important new aspect of the 2009/38 Recast Directive consisted in the introduction of new definitions of information and consultation, links with trade unions, communication with workers in each of the production plants, the training of members and assistance from experts.

Workers' information and consultation rights constitute essential elements not only in national systems of labour relations, but in the European social model itself. But what does the European Directive mean by *information* and *consultation*? And what is the use of the exercise of these rights? These are two prerogatives that should not be conflated. The objective of the right to information is to permit workers' representatives at the EWC to obtain, in a timely fashion, a shared idea regarding matters of transnational interest, with the purpose of informing and consulting workers' representatives at local level and effect an exchange among them. Whereas the goal of the right to consultation is to offer workers' representatives at the EWC the chance to express a shared opinion and exert an influence on the undertaking's decision-making process.

Along with European directives and transposed national law, the main source for regulating how EWCs function is the constituent agreement. According to the directive, the creation of an EWC and the definition of the information and consultation procedures refer back to the agreement negotiated between the central management of the undertaking (or holding company) and the Special Negotiating Body (SNB), made up of workers' representatives

[13] To this end, recital 16 of the Recast Directive specifies that: *"The transnational character of a matter should be determined by taking account of both the scope of its potential effects, and the level of management and representation that it involves. For this purpose, matters which concern the entire undertaking or group or at least two Member States are considered to be transnational. These include matters which, regardless of the number of Member States involved, are of importance for the European workforce in terms of the scope of their potential effects or which involve transfers of activities between Member States".*

from branches or subsidiary companies[14]. The agreement content is decided by the SNB and the undertaking's management during negotiation, setting out what the agreement should establish, about what matters the EWC needs to be informed and consulted, what information and consultation procedures should be employed, term of office, methods, number of meetings, how the latter should be conducted, the figure of the expert and confidentiality. This is all decided at negotiation, and it all depends on the parties' capacity for negotiation. In the event of an agreement not being reached despite the negotiation phase, the subsidiary requirements set out in the recast directive will apply[15], should the negotiation parties so decide, or in the event of central management refusing to initiate negotiation following a request to do so, or in the absence of agreement once three years have passed since said request was submitted in writing by a minimum of 100 workers or by their representatives in, at least, two undertakings or workplaces in at least two different Member States.

In a more general manner, annex 1 of article 1 of Directive 2009/38/EC establishes that EWCs have the right to be informed and consulted on subjects relating to the structure, economic and

[14] The SNB is the body that negotiates with the central management of an undertaking to reach an agreement regarding the methods of implementing workers' information and consultation rights. It acts as a negotiating representative of the workers and signs the agreement. However, with respect to Directive 1994/45, Directive 2009/38 introduces a factor of proportionality in the composition of SNBs, establishing that the members of the special negotiating body should be chosen or designated in proportion to the number of workers employed by the Community-scale undertaking or Community-scale group of undertakings in each Member State, allocating each Member State one seat per portion, amounting to 10%, or fraction thereof, of the number of workers employed in the all Member States taken together. Having established this criterion, the Directive grants Member States discretion when it comes to choosing their methods of selection or designation of SNB members in their own territories.

[15] In the event of an absence of agreement between the parties with regard to the creation of the Council, the subsidiary requirements establish minimum standards for rights to information and consultation on the part of representatives of employees in multinationals in order to ensure that the EWC works in accordance with the law.

financial situation, probable development of activities, production and sales of the Community-scale undertaking or Community-scale group of undertakings, employment situation and its probable development, investments, substantial changes concerning organisation, the introduction of new working methods or production processes, transfers of production, mergers, cuts in the size of undertaking, cut-backs in workplaces or major parts of them, or their closure, as well as collective redundancies.

During the Covid-19 pandemic, with rising numbers of cases involving the lack of information and consultation of workers' representative bodies, and with the purpose of tackling the imminent challenges associated with restructuring and structural changes in economic activities as a result of the crisis, the need to safeguard greater levels of democracy in the workplace became clear. On 16 December 2021, the European Parliament adopted a resolution inviting the Commission to amend the EWC Directive in order to foster information, consultation and participation rights, providing European bodies representing employees in multinationals effective access to justice, establishing dissuasive sanctions to curtail the excessive use of confidentiality as a means to restrict access to information and effective participation, and safeguarding the efficient coordination of information, consultation and participation at local, national and European levels[16]. With this resolution it would seem that the European Parliament is qualifying workers' participation as a legal instrument for shared decisions, aimed at fostering social and environmental sustainability.

[16] The European Parliament Resolution dated 16 December 2021 on Democracy in the workplace: the European framework for workers' participation rights, and revising the European Works Council Directive (2021/2005).

Understanding and interpreting economic and financial information

In its definition of the concepts of information and consultation, article 2 of recast Directive 2009/38 sets out that: *"information shall be given at such time, in such fashion and with such content as are appropriate to enable employees' representatives to undertake an in-depth assessment of the possible impact",* while consultation should take place *"at such time, in such fashion and with such content as enables employees' representatives to express an opinion , […] about the proposed measures to which the consultation is related".*

Article 6, which deals with the content of the agreement, does not list the specific attributes of the EWC, nor the subject of information and consultation[17], allowing the stakeholders themselves to be the ones who freely define the subjects of the agreement. Only point 1 (a) (Annex I) of the subsidiary requirements, applicable in the event of an absence of agreement, sets out that: *"The information of the European Works Council shall relate in particular to the structure, economic and financial situation, probable development and production and sales of the Community-scale undertaking or group of undertakings. The information and consultation of the European Works Council shall relate in particular to the situation and probable trend of employment, investments, and substantial changes concerning organisation, introduction of new working methods or production processes, transfers of production, mergers, cut-backs or closures of undertakings, establishments or important parts thereof, and collective redundancies."*

Information relating to the economic and financial situation is fundamental to employees' representatives and to the EWC, as it reflects the current state of "health" and outlook of the undertaking,

[17] In article 1.3 ("Subject"), the European legislator only goes as far as to mention transnational matters as subject to information and consultation on the part of employees' representatives, while in point 1.4 the concept of transnationality is specified.

providing a picture of the employment situation and the workforce, and is subject to discussion and negotiation with company management.

Multinationals, where EWCs undertake their activities, are complex structures, operating in various countries generally via a holding company that supervises the undertakings established in different States. Said entities, thought legally autonomous, form a corporate group characterised by the existence of a plurality of undertakings, controlled either directly or indirectly by a single economic subject, and with a single strategic orientation. The holding company is the only subject obliged to draft a consolidated financial statement; it considers the corporate group as a single entity, only recording the relations between the corporate group and the external economic system. Specifically, the consolidated statement is a series of documents providing information about the group's asset structure and finances (investments, payables and receivables), along with the composition of the overall economic outturn (turnover, costs, profits, losses) and financial flows (funds moving in and out) to the various stakeholders: shareholders and the financial community, investors, employees, trade union representatives, clients, suppliers, local communities, institutions and public administrations.

In order to gain a full understanding of the economic and financial position of a group, it is necessary to complement the analysis of data indicators with information that may be obtained from management reports and explanatory notes. All of these concepts, as well as the principles employed when drafting clear and comparable financial statements, are set out in Directive 2013/34/EU on annual financial statements, consolidated financial statements and related reports of certain types of undertakings[18].

[18] The text of the directives is available in all EU languages at the following link https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013L0034. The directive has been transposed in all the POWER project nations: Italy, Spain, the Netherlands and Bulgaria; in Italy and Bulgaria with various national legislative acts. More recently, Directive 2013/34/EU was modified by Directive 2021/2101/EU (which needs to be transposed by June 2023), introducing a new

The Directive sets out general principles regarding accounts, prohibiting, for instance, the modification of accountancy principles or assessment criteria from one financial year to the next, while some detailed regulations refer to the presentation of the financial statement, the profit and loss accounts and report, as well as financial management reports, non-financial information, reports on company governance and consolidated reports.

The economic and financial position enables one to obtain a picture of an undertaking's assets and liabilities at a specific time (generally 31/12). This includes information relating to assets, liabilities and net profits and losses[19] and, by extension, understanding such a document enables stakeholders to know whether the group is growing or contracting, from a structural point of view, how the group's investments are progressing and what their nature is (whether they are productive or financial, for example), whether major disinvestments have taken place, and of what type, whether holdings have been purchased in new undertakings or whether company shares have been alienated, whether the group is in debt and what said debt relates to (investments, acquisitions, lack of liquidity or low levels of self-finance).

By analysing these documents, it is possible to understand how the financial and productive profits and losses of the varying areas (geographical or business-related) in which the group operates are developing, where it is growing and where it is not, where is has

chapter (10 a) referring to the communication of information relating to corporation tax on the part of multinational groups whose consolidated statements amount to in excess of 750m Euros: the holding company of said groups is required to issue a specific statement, in a report published on its own website, including the corresponding income, profits obtained, corporation tax paid and number of employees for each Member State and third-party country not collaborating with the Union in tax matters or that does not meet all the requirements and undertakes to carry out reforms. Likewise, company records will provide public access to said reports; the multinational groups from third-party countries that do business in the Union will also have to issue said reports.

[19] For a more detailed view of the analysis of the aforementioned accountancy statements, see Part 5 of SindNova's *La Biblioteca Essenziale*, which is available, also in English.

profits, where it has losses, how its market share is developing in varying areas, or what criteria have been adopted when assessing the various items in its accounts. This is the reason why they are so important to the information and consultation process involving workers' representatives at all levels.

Non-financial information and Directive 2014/95/EC

According to the European Commission, this information of a non-financial nature is that which is key to identifying risks to sustainability and to increasing investor and consumer trust[20]. As a result, the reporting of non-financial information is fundamental to managing the shift towards a sustainable global economy, combining long-term profitability with social justice and the protection of the environment. It helps to measure, monitor and manage company performance and its impact on society.

Through Directive 2014/95/EC, also known as the Non-Financial Reporting Directive (NFRD), along with traditional financial reporting requirements, the European legislator has introduced, for large undertakings, non-financial reporting obligations that do not translate into the obligation to apply policies of corporate social responsibility (CSR), but into the transparent reporting of (complete and correct) information relating to actions carried out in the interests of land and community, the environment, consumers, workers and in diversity matters with regard to the composition of administrative, management and surveillance bodies[21].

[20] European Commission 2014(a).

[21] With regard to the transposition of Directive 2014/95, some EU countries, including Italy, Bulgaria and Spain, have added further requirements in their respective national regulations, referring to the publication of information about the diversity of managing boards, the break-down of personnel in terms of age and sex, and management pay. Others have simply transposed the Directive literally.

Art. 1 of the directive on non-financial information, which is currently in effect, establishes that large undertakings with an average workforce during the financial year of 500[22] are required to include, in their management reports, a non-financial statement including: *"information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, including a) a brief description of the undertaking's business model; (b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented; (c) the outcome of those policies; (d) the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks;(e) non-financial key performance indicators relevant to the particular business.[23] Where the undertaking does*

[22] The Non-Financial Reporting Directive establishes a minimum scope of application, this being large undertakings which are public-interest entities with more than 500 employers during the financial year. From the point of view of its transposition, however, certain countries have introduced stricter standards, for example lowering the employee number threshold for undertakings having to comply with the disclosure requirements.

[23] In June 2017, the European Commission provided guidelines regarding non-financial reporting requirements to aid undertakings in the disclosure of relevant information in a more coherent and comparable manner. In June 2019, to complement the 2017 guidelines, the European Commission published guidelines on the disclosure of information regarding the climate, to complement the recommendations on information regarding the climate from the Task Force on Climate-Related Disclosures (TFCD). Furthermore, art. 8 of the Regulations governing taxonomy (Regulation I(EU) 2020/852) requires those financial and non-financial organisations covered by the NFRD Directive to include, in their non-financial information statements, data regarding how and to what degree their activities are "associated" with sustainable economic activities from an environmental point of view. Of the EU's legislative initiatives, it is also worth mentioning the Directive's proposal regarding undertakings' sustainability *due diligence* (April 2022), with the goal of identifying, preventing, mitigating and taking account of the negative impacts business activities may have on human

not pursue policies in relation to one or more of those matters, the non-financial statement shall provide a clear and reasoned explanation for not doing so".[24]

When the directive on non-financial information came into effect, the social and environmental goals became obligatory and demonstrable, with the consequence that, in the event of not having adopted a policy in one of the areas established by the Directive, the undertaking is required to justify its reasons: this is the principle of "comply or explain", which ensures that, whenever an undertaking fails to provide policies on subjects of a non-financial nature, this will become public, thereby damaging its reputation.

On 11 December 2019, in its communication on the European Green Deal[25], the Commission undertook to revise the Non-Financial Reporting Directive as part of a strategy to strengthen the base of sustainable investments. In line with said commitment, on 20 February 2020 the Commission launched a public consultation on the revision of Directive 2014/95. On 21 April 2021 the European Commission adopted a package of measures, which included a proposal for a directive on the drafting of sustainability reports by undertakings (the so-called Corporate Sustainability Reporting Directive, or CSRD), for the purpose of tackling existing shortcomings in the disclosure of non-financial information, insufficient for investors to take it into account adequately, which poses an obstacle to the transition towards a sustainable economy.

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rights and the environment throughout the entire value chain, and provide governance, management systems and suitable measures to those ends.

[24] The text of the Directive is available in all EU languages at the following link: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013L0034. It brings modifications to Directive 2013/34/EU as it asks the undertakings involved to include non-financial statements in their annual reports or in a separate document.

[25] The European Green Deal needs an in-depth revision of EU energy and climate policies, with the aim of reducing emissions by 55% rather than by 40%. To attain these goals, on 14 July 2021 the Commission adopted the *Fit for 55* programme, a package of proposals for regulations and directives which will have to be negotiated with the European Parliament and Council, and by which the plan of action to tackle the climate challenge may be implemented.

The Commission's proposal would change the current non-financial information requirements as they are set out in Directive 2014/95, increasing the list of those to which it applies, even once again including large companies (whether they are listed on the stock exchange or not) and, from 1 January 2026, listed SMEs (with the exclusion of micro-enterprises), but it would also increase the reporting obligation, referring to environmental and social impacts and company governance. Said obligation also applies to extra-Community undertakings that have established at least one branch or subsidiary generating a net turnover of 150m Euros on European soil. The proposed sustainability reporting directive (CSRD) sheds further light on the obligation to disclose information from the perspective of double materiality. In other words, that undertakings have to provide the information necessary to understand how they are affected by issues of sustainability, but also the information necessary to understand the impact they themselves have on people and the environment. Furthermore, whereas according to Directive 2014/95 the non-financial reports could either be included in the management report or stand alone as a separate report, the proposed CSRD establishes the obligation to include it as part of the management report, thereby framing it as an integral part of financial reporting.

On the subject of informing and consulting employees, while the directive on non-financial reporting does reassert the role of EWCs and the rights to information and consultation from the moment at which it establishes that undertakings are obliged to provide stakeholders, including social partners, with any relevant information, by which it refers to aspects that are not strictly financial, the application of said regulatory provisions may only be effected through collective bargaining and in the stipulation of EWC agreements[26] that provide for the effective involvement of

[26] For example, the EWC agreement of the Belgian multinational group Solvay S.A., currently in effect (2019), establishes the competence of the Council to receive information and be consulted even on the group's environmental policy, enabling the parties to undertake transnational-level negotiations regarding matters of particular importance, as has already been the case in the area of

workers and their representatives, even through the knowledge and understanding of sustainability reports. The negotiating capability of social partners is what makes it possible to raise the level of involvement on the part of employees and their representatives, promoting and increasing social dialogue[27] and the content of information and consultation, by defining the corporate policies and strategies on specific matters, and the participation in company decision-making. In fact, with regard to matters linked to sustainability and, to be exact, the protection of the environment and the fight to combat climate change, subjects typically far removed from labour relations, there are plenty of examples of cooperation between trade unions and multinationals, through transnational collective bargaining tools aimed at meeting the challenges associated with the green, digital and fair transition[28].

Confidentiality in EWCs' daily life

When talking about confidentiality, we need to reconcile two elements: whether, on the one hand, undertakings resort to confidentiality clauses as an instrument for preventing their competitors from gaining prior knowledge of their corporate strategies or, on the other, whether confidential information represents a problem for the EWC and employees' representatives because it is an obstacle to the right to information and the obligation to keep workers informed and, as such the correct working of the EWC. Confidentiality also involves experts to

sustainable development. The Buzzi Unicem group's agreement also includes similar EWC competences.

[27] Non-financial reports often represent the sole official source of corporate policies: in the Inditex group, workers' representatives use analysis of the non-financial report as a tool for monitoring the application of the global framework agreement. In other cases, with regard to information referring to personnel and the number of employees in each country, when information on corporate structure is not available, non-financial reports can prove useful for assessing whether the requirements for the creation of the EWC are being complied with.

[28] Zito 2022.

whom, in turn, the EWC or SNB may resort when exercising their functions.

There are, essentially, two possibilities: the undertaking may provide limited information to the EWC, claiming that it is confidential, or the undertaking may provide no information at all, on the same grounds, alleging that it may not be disclosed to the EWC. In both cases the right to information and consultation is not being fully exercised. As a result, what is set out, or going to be set out, in this regard in the negotiation/renegotiation agreement is important, in such a way that there is clarity with respect to on what, how and for how long management may use confidentiality clauses.

More specifically, article 8 of Directive 2009/38[29] establishes that: *1. Member States shall provide that members of special negotiating bodies or of European Works Councils and any experts who assist them are not authorised to reveal any information which has expressly been provided to them in confidence […] 2. Each Member State shall provide, in specific cases and under the conditions and limits laid down by national legislation, that the central management situated in its territory is not obliged to transmit information when its nature is such that, according to objective criteria, it would seriously harm the functioning of the undertakings concerned or would be prejudicial to them.* As such, article 8 is somewhat vague, giving multinationals the freedom to use the confidentiality clause as they see fit, and to decide for themselves what should be considered confidential and what should not, limiting themselves solely to demonstrating the methods of reporting[30].

The European regulations governing *confidential information* have been transposed into national law in a range of ways. In **Italy**

[29] Before the so-called recast directive, Directive 2001/86 on European Companies, and the framework Directive on Rights to information and consultation 2002/14 had already addressed the subject of confidentiality, as had the 1994/45 Directive itself.

[30] For further detail, see Part 7 of SindNova's *La Biblioteca Essenziale*, which is also available in English.

a maximum period of three years has been established for bans on the disclosure of information that has been received in confidence by workers and experts who, the case being, collaborate with the EWC (or SNB); while the national legislator has limited company bans on the disclosure of information solely to situations in which: *"according to objective criteria, it would seriously harm the functioning of the activities exercised by the undertakings concerned or may even be prejudicial to them"*. In **Bulgaria** specific sanctions have been established for bans by which those who have received confidential information from management may not disclose it either to employees or to third parties and, as is the case with Italy, management is only not obliged to disclose information required from it when, according to objective criteria, it is of a nature that it might seriously harm the functioning of the undertakings concerned or be prejudicial to them, providing for the possibility of resorting to mediation or arbitration in the event of an undertaking refusing to reveal information. In **Spain**, article 8 has been transposed literally. In the **Netherlands** the European Works Council Law establishes that EWC members must respect the confidentiality of trade secrets they receive as workers' representatives concerning all information considered confidential, as well as any other information whose confidential nature they should sense in the light of the confidentiality requirements imposed by the undertaking and to prevent distortions in regulated markets. Furthermore, the Dutch legislator grants workers the option of initiating control procedures in the event of undertakings making improper use of information confidentiality.

At national level, what is lacking is an adequate system of penalties to cover those scenarios in which an undertaking does not allow employees' representatives access to information and consultation, or makes excessive use of confidentiality clauses. There is also a lack, both at European level[31] and in national

[31] The Directive itself fails to specify which subjects should be considered confidential, and that gives rise to a plethora of questions when it comes to restricting workers' exercise of rights to information and consultation and management's use of information confidentiality which, if used to excess for the

regulations, of a definition of what confidentiality is, or the limits of trade secrets, that would enable one to know precisely when certain data should not be considered secret or confidential for the protection of the undertaking and the workers themselves. As such, it is worth mentioning Directive 2016/943 of the European Parliament and of the Council, adopted in accordance with art. 114 of the Treaty on Functioning of the European Union (TFEU), with the purpose of protecting *know-how* and trade secrets from unlawful appropriation, theft, economic espionage or the breach of confidentiality obligations, both inside and outside of the European Union. In fact, it provides a definition of trade secrets and acts to strike a balance between undertakings' rights to confidentiality and the exercise of employees' right to information and consultation, though it does not provide a single, clear definition of confidentiality. In essence, the European legislator has attempted to legitimise the disclosure of so-called confidential information so long as said disclosure takes place when exercising workers' rights to information and consultation. As a consequence, in the event of an undertaking's request for protection for confidential information inherent to industrial and trade secrets, any consideration of the balance of rights will give priority to those of workers and their representatives to exercise their freedom of expression and information, and the effective exercise of the instruments of the collective representation of workers' interests.[32]

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purpose of safeguarding company interests, may prove an obstacle to EWC activities.

[32] Paragraph 1 of art. 3 of Directive 216/943 establishes workers' or their representatives' exercise of the right to information and consultation as a lawful tool for acquiring trade or industrial secrets. Said provision is corroborated by art. 5, which requires the judicial authorities dismiss possible requests for protection on the part of the undertaking from the alleged unlawful acquisition, use and disclosure of trade secrets when this has been carried out in any of the following cases: *"[…] a) for exercising the right to freedom of expression and information as set out in the Charter, including respect for the freedom and pluralism of the media; (b) for revealing misconduct, wrongdoing or illegal activity, provided that the respondent acted for the purpose of protecting the general public interest; (c) disclosure by workers to their representatives as part of the legitimate exercise by those representatives of their functions in*

The only instrument which, in practice, EWC delegates have for outlining the subject and methods of information and consultation, as well as the limits regulating the use of confidentiality clauses, are the agreements reached for the purposes of not giving corporate policies a wide margin for discretion when it comes to confidentiality. In addition to delegates' capacity to ensure that the terms of agreement established in dialogue with management are complied with. Normally, these agreements do no more than refer back to the provisions of European directives, with the result that all of the difficulties that exist regarding the limits of information confidentiality remain unchanged.

accordance with Union or national law, provided that such disclosure was necessary for that exercise; (d) for the purpose of protecting a legitimate interest recognised by Union or national law".

PART 2

Premise

The practices of social dialogue that are in place in the various EU countries, and which enable employees' representatives to obtain key information on management policies adopted by multinational undertakings, reflect national labour relations traditions and legal frameworks, even with regard to employees' representatives in multinationals. In the following pages we will be emphasizing the results of the survey that has been carried out in the countries involved in the POWER project, paying particular attention not only to the relevant regulatory contexts concerning rights to information and consultation in multinationals, but also to the effective practices of participation undertaken by the representatives of workers employed in the multinationals studied. This makes up an extremely varied picture, also considering the fact that the project's partner countries have differing labour relations cultures and systems. In some cases, labour relations are fostered by more advanced regulatory frameworks; in others, the relations that are undertaken or consolidated between the social partners are what promote the implementation of good practices involving employees' representatives in the undertaking's decision-making, regardless of whether the regulatory context referred to is more or less favourable. In any case, what acquires greater prominence is the necessary recognition of the EWC, specifically as a privileged interlocutor on the part of the multinational and, on the other hand, for the body to become more aware of, and adopt a position that reflects, its own potential. And that is where the role of the trade union becomes more important in making available all the resources (from communications and culture to training) that might help to foster a greater awareness of the role to be played by employees' representatives at all levels.

In Italy, representatives in the workplace are governed by the workers' statute (Law 300 of 1970), which provided for trade union representation at undertaking level (the RSA in the Italian

acronym). Subsequent agreements between social partners, in 1993 and 2014, created a new structure of representation, the RSU, which brings together all trade unions in the workplace. Despite all of this, in some undertakings the structure established by the workers' statute lives on, with each trade union having its own body of representation at undertaking level (the RSA). At European level, Italian representatives of EWCs (and SNBs) are designated by the trade unions that sign a sector-wide collective agreement, applying to the undertaking and to its trade union representative body (RSU), where one exists. Where one does not, the trade union and management come to an agreement regarding an appropriate procedure for the purposes of said designation. In Bulgaria, the local trade union is still the main body representing employees within the undertaking. Based on section 2 of art. 7 of the labour code, workers are empowered to elect their own representatives within the undertaking, regardless of the number of employees on the payroll, at a general assembly establishing the number of delegates and the methods by which the voting will be carried out. The selection of SNB and EWC members at European level is undertaken in the same fashion. In 2006, provisions were introduced into the labour code to strengthen and promote social dialogue, as well as to set out the rights to information and consultation in situations such as collective redundancies or company transfers. In the Netherlands, all undertakings with a minimum of 50 employees are required to create a Works Council (WC), holding a series of rights to information and consultation, although not all undertakings obliged to do so actually do establish worker representation within the undertaking. Trade unions have the recognised right to assembly in the workplace but, as opposed to what occurs in Italy and Spain, specific bodies have not been established by law. The law recognises that works councils have rights to information, consultation and approval, as well as to involvement in collective bargaining on pay and work hours. Where they exist, the WCs are the bodies that select the EWC employees' representatives, and where they do not the workers elect the members through their trade unions, which have the right to name them.

Article 4 of the Spanish Workers' Statute establishes that workers have the right to information, consultation and participation in the workplace. In Spain, undertaking-level trade union representatives have a well-defined legal framework (articles 61-76 of the Workers' Statute and the Organic Law on Freedom of Association) and, in addition to the trade union structures in the workplace, the law also establishes that there should be representatives chosen from the entire workforce in all undertakings, other than in the smallest ones. Spanish EWC members are named by trade unions which, whether together or separately, have majority support in the undertakings in question[1].

There are multiple challenges facing social partners in the Republic of North Macedonia: some are endogenous, related to the capacity for action of the trade union parties, while others depend on the relevant legal context, modified and complemented on several occasions following independence to satisfy the current needs of society[2]. The first attempt at a systemic regularisation of rights to information and consultation goes back to 2010. This was no more than a formal definition of worker representation and rights to information and consultation as, in fact, North Macedonian law does not establish any procedure for naming employees' representatives or for information and consultation. This leads us to conclude that the sole effectively existing form of worker representation lies with the trade unions, whose competences include collective bargaining, two- and three-party social dialogue, labour-related controversy and information and consultation. The very concepts of information and consultation are lacking in meaning, given they are conceived of as mere

[1] Trade unions are responsible for the great majority of proposals for elected representatives, and almost three quarters of these come from the CCOO and UGT.

[2] In North Macedonia, questions referring to employment and labour relations are governed by the constitution and by a law on labour relations (Law on Labour Relations, 2005). This Law, which regulates fundamental and labour rights, pay, secure working condition, equal pay and representation for employees and employers through trade unions and other organisations, as well as collective bargaining, has been amended 17 times, most recently in February 2016.

methods of exchanging information, with the European Works Council not being granted any recognised role.

Financial and non-financial reports: a comparative analysis

In the Italian legal system the subject of financial reports in multinationals has developed with the adoption of Directive 2013/34/EU, transposed in Legal Decree 139/2015. The civil code regulates how annual balance sheets should be drafted (art. 2423), and even before the reforms of 2015, certain obligations were already provided for regarding financial reporting[3]. Furthermore, there is a code of self-discipline that applies to listed companies, drafted in 1999[4] by the Committee for *Corporate Governance* and promoted by the Italian Stock Exchange, with recommendations that constitute a model of best practice for the organisation and functioning of listed Italian undertakings. The code's recommendations are not legally binding, but listed undertakings have to keep both the market and their own shareholders informed about their structure of governance and the extent to which they adhere to the code. To that end, listed undertakings are obliged to publish an *ex professo* report along with the publication of financial statement data, made available to the stakeholders, and simultaneously passed on to the Italian Stock Exchange, which in turn makes it available to the public. With regard to non-financial

[3] Before the law was amended, financial statements were included in the annual accounts reports. With the reforms to the regulations governing annual reports, a new article (art. 2425b of the civil code) was introduced, which establishes that financial statements must reflect, with regard to the financial year referred to by the annual accounts and the previous year, the sum and composition of liquid assets at the beginning and end of the financial year, as well as the financial year's cashflow derived from operational activity, from investment and from financing included therein, with a separate indication marking operations with partners.

[4] Revised in 2003 by the Committee for Corporate Governance for undertakings listed on the stock market and again in 2020, with the first mention of "sustainable success".

reports, up until 2007 there was no obligation to disclose information of a social and/or environmental nature; this was left to the voluntary initiative of those undertakings more oriented towards values of sustainability. One early provision with regard to the possibility of introducing non-financial indicators concerning the undertaking's activities into the management report, including information appertaining to the environment and to personnel, came as early as legislative Decree 32/2007, which transposed Directive 2003/51/EC (Accounts Modernisation Directive)[5]. Legislative Decree 254/2016 widened the scope of obligation to present non-financial reports on the diversity of company bodies in the private sector[6]. According to the Italian document of transposition (Legislative Decree 254/2016, which came into effect on 25 January 2017), the information that had to be provided referred to environmental, social, personnel-related and human rights subjects, along with the fight to combat active and passive corruption, taking into account the activities and nature of the undertaking. The Italian legislator accepted the possibility of not providing information considered sensitive. The omission of said information must be of an exceptional nature, and confidentiality may not be invoked where doing so might damage the understanding of the progress of the undertaking and its financial position.

In Spain, the publication by undertakings of reports on corporate governance is relatively recent. The first code on corporate governance was published in 1998 (the *Olivenza Code*), while in

[5] However, the legislator did not establish standard indicators with regard to environmental and personnel information, due to the diversity of undertakings involved by economic activity, size/territory and level of commitment and sensitivity to sustainability.

[6] Examples already existed of obligatory non-financial reports for third-sector institutions (Legislative Decree 117/2017), for social undertakings (Legislative Decree 112/2017) and for banking foundations (Legislative Decree 153/1999). More recently, Italy has seen the introduction of Società Benefit [Benefit Corporations] (Law 208/2015), for-profit undertakings whose statutory provisions establish that they are aimed at achieving shared benefits, and which are required to publish reports on the degree to which they have achieved (or not achieved), the social and/or environmental benefits they promote.

2003 a law was published on the transparency of reporting (Law 206/2003), which requires listed public limited companies to publish an annual report on corporate governance. Also in 2003, a new code came out on corporate governance, which has had a greater impact on transparency in multinationals, requiring the publication (on company websites) of information regarding general assemblies and agreements adopted, and establishing that said information should be aimed at society in general. This code established the principle of "*comply or explain*" . The transposition of European Directive 2014/95 was undertaken through two laws: firstly in 2017 (Law 18/2017), and subsequently in 2018, through more ambitious legislation (Law 11/2018). This second regulatory act was effected in accordance with ordinary parliamentary procedure, with a government of different political orientation and a content that goes beyond European Directive 2014/95/EU[7]. In the first place, a transitional provision established the progressive application of the obligation to issue reports for undertakings with more than 250 employees, as of the third year following the law coming into effect. Furthermore, the new law sets out procedures for selecting the members of the administrative board, such as upholding diversity. Other examples of required non-financial (and financial) reporting were established in Law 2/2011 regarding the sustainable economy, Law 13/2013 on transparency, access to information and good governance, and Law 26/2013 on savings banks and banking institutions.

In the Netherlands, pursuant to book 2 of the civil code, all undertakings have the obligation to submit a management report to the Chamber of Commerce, which means that, by regulatory provision, said information is public. The Dutch social and economic model (the *Polder Model*) is known for the State's "soft" intervention in corporate affairs, instead preferring to apply guidelines, codes or non-binding agreements of consensus among

[7] It is worth noting the fact that the legislative procedure does not provide for the intervention of the consultative body on matters of corporate social responsibility, the State Council for Corporate Social Responsibility (CERSE). This entity was created in 2008, and is attached to the Spanish Ministry of Labour, which also includes employer and trade union organisations.

social partners. One example of this is the code on corporate governance, which in theory is a voluntary code, and the involvement of the bipartite Social and Economic Council (SER) in labour relations and in Corporate Social Responsibility (CSR) policy. However, in 2004 the legislator pointed to the corporate governance code as the code of conduct which listed companies must refer to in their annual reports. In the case of the Netherlands, they also have to indicate to what degree they have adhered to the principles of provisions of best practice (the principle of "comply or explain"). With regard to non-financial information, Directive 2014/95/EU was transposed by a decree dated 22 December 2016 (the *Diversity Policy Disclosure Decree*). The non-financial report is added to the management report, which large public-interest entities are obliged to publish, and which overall make up corporate governance reports, by that time obligatory for all listed companies. The Dutch legislator has not widened the subject scope for non-financial information already included in the directive. However, in accordance with policies in that country with regard to environmental protection, it has broadened the content of reports on corporate environmental policy, even including the use of natural resources, or corporate policy in terms of the circular economy and reusing raw materials, as well as aspects related to animal protection. With regard to diversity reports, Directive 2014/95/EU does not set out any different content subsequent to what was already included in the Dutch corporate governance code. Finally, the directive applies solely to large, listed companies, whereas the code applies to all listed companies.

In Bulgaria, the transposition of the directive on non-financial reporting (which came into effect on 9 June 2021) was undertaken through two successive pieces of legislation: the *Law on Amendment and Supplementation of the Labour Code (LC)* and the *Accountancy Act*, where arts. 48, sections 1-3, 51 and 52 set out that non-financial reports should contain the information necessary to understanding an undertaking's progress, gains and losses and financial position, as well as the impact of its activities, at least in terms of environmental and social matters, with regard to its employees and human rights, and the efforts to combat corruption

and bribery. It is worth highlighting the 2019 adoption, at national level, of the strategy for corporate social responsibility for the 2019-2023 period. With this programme, the Bulgarian government sets out two priority objectives and commits to promoting the capacity of undertakings to incorporate socially-responsible practices into their activities, with the aim of increasing their competitiveness and sustainability, even including ethical matters, consumer protection and human rights, and also driving the attainment of sustainable development goals.

Finally, in the Republic of North Macedonia, the drafting and content of annual or consolidated statements, their revision and publication, and corporate responsibility as it is established there, is governed by the national company law, which came into effect in 2004. Macedonian undertakings are not obliged to disclose social and/or environmental information; those sorts of reports are left to the voluntary initiative of those undertakings with greater tendencies towards sustainable values. In this area there are several initiatives also promoted by employer organisations, but as this information is not obligatory, it is not shared with employees. Nor has there been any provision for authorities with competences regarding evaluation or the application of penalties in the event of non-compliance. However, for multinationals operating in the country there are different rules: in addition to being subject to national corporate law, European multinationals with subsidiaries in North Macedonia are governed by European directives in accordance with the country in which their holding company is based.

How financial and non-financial reporting may improve the involvement of workers and their representatives in company decisions

The reading and interpretation of financial reports gives an insight into the direction in which the markets are moving, the performance and strategies of the group, its financial position and

profits and losses, investments, human resources, information regarding shareholding composition and corporate governance. In turn, through non-financial reporting, in their annual statements and sustainability and consolidated balance sheets, undertakings disclose data and information with the purpose of helping stakeholders to understand and monitor the results of company policy relating to environmental issues, social and employee aspects, with regard to human rights, the fight to combat corruption and bribery, and linked to board of administration diversity.

But why is this technical information so important for exercising rights to information and consultation? Because to know is to participate, and participation is democracy.

From a trade union perspective, it is important to obtain complete and immediate economic and financial information, but it is also important to know how to interpret it and detect possible doubts or complexities demanding fruitful discussion with management prior to adopting certain strategic decisions. Of the stakeholders, the employees' representatives and, more specifically, EWC members, are the main targets of said information, judging from Directive 2009/38, at least when dealing with the adoption of decisions that may have a major impact on the interests of European workers. As is the case with reports on economic and financial information, when it comes to non-financial reporting, EWC regulations do not provide any specific indications with regard to the subject of the rights to information and consultation, nor do they shed any light on what the agreement has to establish, leaving said stakeholders to negotiate freely on matters concerning what aspects the EWC should focus its attention on, and express their views. In these agreements it is also important to establish guiding limits for the use of confidentiality clauses, the training of delegates on the areas subject to information and consultation, and/or establish the possibility of calling on experts to obtain assistance in reading and understanding technical and complex reports with the goal of giving rise to an effective exchange with the company management.

Dutch law grants workers' representatives and EWC delegates wide-ranging rights to information and consultation where these

are useful to exercising their own duties, with the employer expressly obliged to provide (at least twice a year) reports on the current economic position and future outlook, as well as all information on corporate governance, workers and structure that could be useful to verifying that the requirements for the creation/renewal of the EWC are being met. Of the multinationals analysed within the scope of the POWER project research, three of the EWCs subject to Dutch law[8] may be considered examples of best practice in terms of the efficiency of the tasks undertaken by delegates and the recognition company management showed for the importance of information and consultation procedures. For the exercise of rights to information and consultation, a minimum of two official meetings a year (in English) have been established, along with unofficial communications between management and delegates. Sufficient resources have been allocated for training (including language courses) in the translation of documents, where necessary, and for the possibility of hiring an expert.

In Spain, workers' representatives are provided with information on the economic situation of the undertaking every three months, while they are also provided timely information on annual accounts, profits and losses, the annual statement and any other document made available to stakeholders. One highly useful tool for granting workers access to information on diversity is the salary register, which sets out the law on pay equality between men and women (2020). This contains information on the measures adopted to foster equality between women and men within the undertaking and, where an equality plan is in place, how this should be applied. Said information is made available to workers'

[8] One of the three aforementioned EWC agreements provided for an extremely potent consultation procedure: it may express an opinion regarding the matter it has been consulted on, either at the end of the meeting/s or within a reasonable period thereafter. Central management will take the EWC opinions into account in its decision-making process. Furthermore, central management is obliged to notify the EWC of the degree to which it has taken its opinion into account or into consideration in the final decision-making process, or why the EWC opinion has not been taken into account. Only then, once this consultation procedure has been completed, may management put the decisions it has taken into practice.

representatives at least once a year. A healthy flow of information within the EWC is represented by the existence of the select committee and the creation of subject-based task forces with regular meetings throughout the year, as well as the EWC annual plenary session. As is also the case with the "Italian" EWCs surveyed, joint plenary sessions have a planned timetable of at least three days. During two of those three days workers' representatives meet separately: one day before the joint meeting session and one day after, for the purpose of evaluation and synthesis. Specifically, Italian interviewees from the EWC presenting best practices commented that, on one or more days given over to the plenary meeting, specific training sessions were offered on current and general subjects, but also on how to read financial statements, and that all said subjects were agreed by management. In others, little training is allocated to subjects relating to financial and non-financial information. According to both Italian and Spanish interviewees, this was not considered relevant information to be addressed during these annual meetings. In one of the Italian cases studies, local training was not included at all, and nor was the possibility of bringing an expert in to meetings. Furthermore, in the absence of agreement in the specific case, the functioning of the body depends on the application of supplementary provisions from the recast directive. It is clear that, in situations such as these, the European Council's rights to information and consultation are seriously compromised.

In North Macedonia, for the majority of multinationals non-financial reporting is not obligatory. However, said information is shared voluntarily thanks to EWC policies: environmental and social matters, the way workers are treated, respect for human rights, combatting corruption and bribery, as well as administrative board diversity. Most large Macedonian undertakings, and some corporate organisations, participate in initiatives on these subjects and draft (non-obligatory) reports which are shared with employees solely when so requested. It is also common for Macedonian undertakings to hold training sessions within the scope of which workers are provided with information specifically on these areas of a non-financial nature.

In Bulgaria, the information and consultation processes in undertakings without trade unions are developing relatively slowly. In the four multinationals surveyed, there are trade union structures that participate in undertaking-level social dialogue, and one could say that the flow of financial and non-financial information is satisfactory from a corporate point of view. Only in one of these is there no EWC. In addition to information and consultation procedures, the EWC is also involved in subject-based task forces, the programme, goals and responsibilities of which are defined jointly by the EWC and management. The calling in of outside experts and the assistance of trade union coordinators belonging to the sector's European Federation is frequent. During EWC meetings, management provides information on the undertaking's financial situation, and new investment projects in their initial stages, as well as reporting on effective corporate governance and any other information that might be obtained thanks to the dissemination of company reports. Regular training sessions play a major role in understanding these topics. Of the multinationals examined, those that have no EWC complain of a lack of information and consultation with regard to transnational matters. Financial information is not a subject of discussion, nor are non-financial information or the undertaking's CSR policies.

From a corporate point of view, it is important to consider management's use of confidentiality clauses to control the flow of communication and avoid damaging the undertaking and its own employees by making certain information public. There is no lack of cases, particularly in more recent agreements, where efforts have been made to regulate the definition of confidentiality more specifically: in some, definitions cover the procedure for acquiring and using confidential information, while in others the agreement itself defines the procedures to be followed in the event of disagreement between the undertaking and the EWC with regard to what information should be considered confidential.

On this point, all the Dutch EWC members surveyed agreed that, if the EWC needs to be informed about a given project or strategy from the outset, it is necessary to keep this information confidential for a certain time. In all agreements there are

confidentiality clauses. Of the most positive cases analysed, it is worth highlighting the agreements in which, in the event of company management wanting to keep certain information confidential, it is obliged to send (without delay) EWC members a declaration stating the reasons for considering said information confidential and for how long, as well as the subjects with which, by contrast, it is not necessary to respect said confidentiality. In other agreement cases, for example with Spanish multinationals, there is specific guidance as to when information may not be considered confidential, including: where the delegate can demonstrate that said information has already been publicly disclosed; when said information has been revealed by a legal resolution, or when information refers to a breach of the law by the undertaking. In Spanish multinationals it is also common to see the creation of a "European department" to improve the flow of information between the undertaking and the EWC, and information by local management country. According to the Italian interviewees, confidentiality is not specifically regulated in the agreements, thereby leaving management a considerable margin, often labelling as confidential all the documents and information shared, making it impossible for EWC delegates to carry out their duties.

Best practices and exercising employees' rights to information and consultation in multinational undertakings

Analysis of the data provided and the surveys conducted with representatives from the undertakings and EWC members within the framework of the European POWER project have revealed varying practices regarding worker participation, but also shared needs. The Italian case studies included multinationals from the following sectors: textile/fashion, construction, IT, chemicals, energy and infrastructures. The textile/fashion sector undertaking surveyed is the only multinational examined without an EWC, but

it does boast good practices when it comes to the participation of employees and their representatives. The last inclusive agreement, signed to tackle new scenarios resulting from the Pandemic, confirms the existence of solid labour relations, in which trade union representatives (RSU) form an active part of the undertaking's transformation. In this case, employees' participation is achieved through the exchange of information and the creation of subject-based task forces. All the multinationals experience with voluntary CSR initiatives. In general, it is felt that training is the key tool to ensuring efficient information and consultation processes, and it should also be increased in those cases that already present good practice in this area. Out of the best case studies, the Italian interviewees stated that the information and consultation process is carried out best when EWC participation takes place early on in the project, so its opinion is taken into account from the outset. In other cases, EWC delegates proposed that more precise criteria be established defining the content and scope of the information and the consultation process.

There are different levels of EWC involvement in the practices involving information, consultation and participation in the Spanish undertakings analysed. Equally, the scope of information on non-financial matters is greater in some EWCs than in others. Preferred resources in agreements include training and expert assistance, including the participation of a representative from the sector's European federation, although in practice their support is fairly limited. Non-financial reports are very often the sole official source of information on the undertaking's policies: in one of the Spanish multinational groups analysed, employees' representatives use non-financial reports as a tool for monitoring the application of the global framework agreement signed by the sector's world federation. In other cases, where there is a lack of available information on personnel or the number of employees in each country, non-financial reports can be useful for evaluating compliance with the requirements for the creating (or re-establishing) of an EWC.

In Bulgarian undertakings, the degree of European social dialogue also varies between the undertakings that took part in the

POWER project, as does the application of information and consultation procedures. In general, in most cases examined, central management recognises its employees' European representatives as interlocutors: there is a willingness to hold meetings and to get involved at corporate level. In addition to the information and consultation procedures, the EWC also participates in task forces created to discuss specific European issues. In the multinationals where there is no EWC, financial and non-financial information is provided to trade union representatives at the undertaking during monthly meetings to address matters involving production; when there is an EWC, information is normally provided during periodical meetings. Those surveyed stated that whenever clarifications were requested, management was willing to provide any possible additional information.

Although the law is extremely favourable when it comes to rights to information and consultation, the majority of Dutch EWCs and multinationals continue to have difficulties dealing with financial information. Those surveyed highlighted the difference between ordinary information and that which was provided during processes involving restructuring or new projects. Central management occasionally informs and consults EWC members, and the main problems arise when decisions are being taken by other levels of management. During the consultation procedure on a major restructuring project in an undertaking from the banking and credit sector, the EWC wanted to analyse the justification for the project. Said evaluation was made possible thanks to the existence of an ad hoc group tasked with questions of economic and financial risk, which was able to undertake a risk analysis and advise the EWC. In general, EWCs are given the opportunity to participate in working groups or task forces created specifically to evaluate individual projects on certain subjects, such as health and safety, matters appertaining to CSR, or the reconciliation between work and family life. In other cases, the EWC has become an observer and the voice of non-European workers' claims. Finally, although in the majority of Dutch undertakings CSR reports are published, including occupational matters and human rights, most

EWCs do not participate directly in the formulation of these social, environmental or governance-oriented policies.

Not all the Macedonian multinationals analysed have an EWC. They use various tools of employee participation in their corporate policies. Prominent among these are regular training sessions, both official and unofficial, direct and indirect consultations and technical meetings focussed on improving the way communications are organised. In addition to regular monthly meetings, others are scheduled depending on the specific needs of employees, trade unions and the employer. In one of the surveyed undertakings from the construction sector, employees are regularly consulted and informed, particularly on matters of health and safety. Furthermore, once a year management presents the undertaking's financial profits and losses, productivity and plans for the coming year, as well as its ecological policies. To this end, both management and trade unions hold regular training courses. Other training areas include trade union leadership and tools for collective bargaining. When it comes to non-financial information, management focusses largely on legal matters of health and safety in the workplace as a consequence of the Covid-19 pandemic. Finally, in one of the undertakings analysed from the gaming sector, not being unionised, employees created, on their own initiative, a workers' association whose task is to participate in the development of the company and its policies through an "ideas laboratory". As such, employees have the chance to be proactive and get involved, informed and consulted on matters relating to their rights and duties, but they do not participate fully in company decisions.

The textile/clothing/fashion sector and micro, small and medium-sized enterprises in the Italian and European context: an overview

Of the sectors analysed within the framework of the POWER project, one might mention the textile/fashion sector, where there was also emphasis on the importance of non-financial information for small and medium-sized Italian enterprises, and their focus when it comes to the European context and priorities such as sustainable development and the circular economy.

The European textile/fashion sector is a diversified industry, largely made up of small enterprises, including textile and clothing sectors and supply chains, in both technical and industrial aspects, as well as textiles for the home[9]. The EU plays an important role as a producer, exporter and importer of half-finished and completed products at international level[10] .

What is Italy's role in the European and global textile value chain?[11]. The Italian fashion and textile supply chain has two prevailing characteristics that reflect a unique competitive advantage in a global context: (i) it is the only supply chain in the world that remains intact. There is a local corporate organisation

[9] According to Euratex (2022), in Europe there are some 160,000 undertakings in the sector, providing jobs for approximately 1.5m workers, with a turnover of some 162,000m Euros. 88.8% of these are micro-enterprises and 11% are SMEs across the varying parts of the value chain, from production to retail sales and the provision of services; https://euratex.eu/.

[10] Analysing the productive capacity of the European textile value chain in terms of the flow of materials, the EU has produced (2020 EU-27 figures for 2018, in tons) 2,405,318m tons of fiber, 1,458,168m tons of fabric thread, 1,943,686m tons of woven fabrics, 948,957 tons of completed products, in Köhler *et al*. 2021.

[11] According to ISTAT figures, put together by the CNA Centre of Studies, with a volume of business in constant growth, 472,252 workers, reaching a million if you add those from the distribution industry, and almost 58,000 undertakings, the fashion sector is a significant figure on the Italian economic and productive scene. It is worth highlighting that 98.1% of the productive base of the fashion sector is made up of SMEs, employing 83.9% of labour and generating 67.5% of the volume of business.

for each stage of production, including SMEs and artisan enterprises working from raw materials through the phases of production and finally distribution; (ii) it boasts a corporate production and creative tradition based on the principles of "circularity". In Italy, as with the rest of the Community territory, the financial context is characterised by the predominant number of largely artisan-based micro-enterprises and SMEs, whose contribution is decisive when it comes to transformative actions affecting the textile sector. The concentration of enterprises in industrial areas represents a specialisation in national production. These areas, geographic districts in which SMEs have clustered over the years, have borne witness to how specialisation grows out of one or more stages in the production process where the quality of the work is directly related to the network of connections linking the undertakings. These, joined by a shared network of exchange of productive and technical know-how, work to align themselves with the values and objectives of the district. Their network structure thereby tends towards a constant search for forms of coordination that lead to the ongoing improvement and analysis of the most efficient solutions to be adopted depending on the changing demands of the market.

However, the propensity for change is not just a characteristic, it is a commercial necessity. As key components of the global value chain, Italian SMEs must comply with the practices of social, economic and environmental sustainability and responsible management, especially if they operate in B2B sectors as clients of industry leaders. The companies operating across the chain of production have a different negotiating power to that of the contractor brands. Often, the management of this relationship translates into SMEs adapting to increasingly tight production schedules, signing supply contracts with increasingly complex norms that are constantly updated. Ongoing change and adjustment have become constants in the life of the SME, yet this does not always lead to improvements in operational standards but, rather, to unplanned and unscheduled adjustments which, as a consequence, are ineffectively managed and dictated by the sole desire not to lose a market share that was previously won. As such,

in many cases, the result is the disempowerment of entire links in the chain of supply, which become unstable and lose resilience, having to address both small and large shifts in the market, resulting in major drops in Italy's GDP.

The scope of application of Directive 2014/95/EU: what about SMEs?

Directive 2014/95/EU on the disclosure of non-financial and diversity information by major undertakings and groups of undertakings, which is rooted in the need to improve corporate governance, especially when it comes to the operational transparency of large European undertakings, obliges them to disclose all relevant non-financial information.

Undertakings to which this obligation applies have to formulate their own strategic guidelines in economic, environmental and social fields, identifying the priorities and setting out a pluriannual sustainability plan: the data collected refers to a model of report on the quantity and quality of the relationship between the undertaking and its stakeholders. In fact, it recognises the importance of carrying out reporting on negative externalities that have come to pass and associated social and environmental factors, to identify risks to sustainability and increase trust on the part of investors and consumers, clearly demonstrating the interdependence between the economic and social factors where the undertaking operates.

In the context of transition towards a global sustainable economy, the disclosure of non-financial information is seen as crucial to managing industrial processes that combine long-term profitability, social justice and protecting the environment. As such, the regulations act largely to help to measure, monitor and manage the performance of undertakings and their impact on society and ecosystems. They not only refer to the performance of enterprises, but also describe how they manage those aspects that are most relevant to the monitoring of negative externalities.

At the same time, the directive provides for a high level of flexibility in terms of how undertakings act, taking account of the

multi-dimensional character of corporate social responsibility (CSR) and the diversity of CSR policies applied by enterprises in these processes of change, and the choice to exclude SMEs from the legislation's scope of application was made due to specific reasons.

In its conclusions of 24 and 25 March 2011, the European Council asked for a reduction, both at European and national level, of the regulatory burden weighing down on small and medium-sized enterprises (SMEs), and proposed measures to increase productivity, while the Europe 2020 strategy for smart, sustainable and inclusive growth has the goal of improving the corporate climate of SMEs and promoting their internationalisation. As a result of this, in accordance with the "Think Small First" principle, the new requisites for the disclosure of information should only be applied to specific enterprises and large groups of undertakings.

Furthermore, the scope of obligation for non-financial reporting must be defined with reference to the average number of employees, the total sum of annual accounts and the net business volume. SMEs should be exempt from additional requirements, and the obligation to disclose non-financial information should only apply to large undertakings that are public-interest entities, and those public-interest entities that are the holding companies of large groups, and which in each case have an average workforce of 500, in the case of a group, calculated on a consolidated basis.

All of which should not prevent Member States from demanding the disclosure of non-financial information from undertakings and groups of undertakings that are not subject to this directive. Legislative Decree 254/2016, which transposed the EU's Directive 2014/95/EU in the Italian legal system, introduced the mandatory requirement to issue reports for specific large undertakings and groups with more than 500 employees, for the purpose of providing added and complementary information regarding what their annual accounts reflect, which is necessary to understanding the activities that have been carried out, the progress the undertaking has made and the profits and losses it has obtained, thereby enabling the stakeholders to be able to make informed decisions.

As a consequence of this, the reporting of non-financial and diversity information, toward which the sustainability policies of SMEs are oriented and which, in fact, exerts an underlying effect on enterprises' compliance with a range of regulatory obligations, has been steadily growing in importance, even in a voluntary manner.

In the light of our earlier comments regarding the structural characteristics of the Italian textile/fashion sector, one might say that the effect of the directive regulating the operations of certain undertakings and large groups of undertakings also has an indirect effect on SMEs. As was mentioned earlier, this is closely linked to the sector's real structuring and the characteristics of the sizes of the operators.

The Italian fashion sector's model of production is a system arranged around the chain of supply and its districts, structured around processes both prior and subsequent to production, ensuring productive capacity and the quality of the product, which represent a strategic competitive advantage enjoyed by the country, and which it needs to maintain in global markets. This is therefore made up of major contractors (normally presenting more structured dimensions) which design and sell the finished product, while the micro, small and medium-sized enterprises that operate for third parties and occasionally enter into contract with a single client, but more often with several, carry out the work using the materials providing to them by the contractors, depending on the orders received, then delivering the finished product to them.

This dynamic is directly linked to the obligation the contractor has to meet when it puts on the market a finished product that was out-sourced to third parties who undertake the production side of the item (and who are not subject to the regulations) and yet who are, however, indirectly required to comply with the executive dictates that form part of the regulations' scope of application.

It is important to emphasize the fact that this production method gives rise to serious imbalances of power. For enterprises given over to production, the change could mean considerable obligations, with costs also rising. SMEs are not internally equipped with the technical, economic and logistical capacities to

address these new dynamics linked to the drafting of non-financial and sustainability reports in a direct and prompt fashion, both with regard to compliance and to regulatory interpretation, whereas a more structured undertaking has offices and company departments devoted to just such areas. Due to their lesser size and more limited resources, they should be afforded the sufficient time and resources to make the relevant preparations necessary for applying the obligation to issue sustainability reports.

With the proposal for a Corporate Sustainability Reporting Directive (CSRD), European undertakings are obliged to disclose information regarding the risks and impacts relating to matters of sustainability in their corporate activities. The main new aspect of the European Commission proposal refers to extending the non-financial reporting obligation to include all undertakings listed on regulated markets, therefore also applying to small and medium-sized enterprises. The obligation will not affect micro-enterprises, which will remain completed exempt from the obligation to provide information, or SMEs that are not listed on the stock market, although these may draft voluntary reports on sustainability based on regulations that match their characteristics.

SMEs and non-financial reports

Although the strategic objective of developing the regulations is to allow for reports to be submitted without significantly affecting the administrative structure of enterprises, one could say that SMEs and micro-enterprises have adopted specific methods and tools to disclose and disseminate non-financial information, in particular where it relates to the global sustainability of the organisation, and these bear testimony to said SMEs' adherence to the practices of sustainability, the circular economy and, in general terms, responsible corporate governance.

To be specific, it is possible to identify two main motivations that explain why the subjects covered by the non-financial reporting obligations have become applicable even for less-structured enterprises; self-discipline and an aptitude for

organisation and management. If, on the one hand, the drafting of non-financial information reports and compliance with underlying sustainability practices is linked to the commercial need to maintain a market quota that has been obtained within the global value chain, on the other hand it is also necessary to highlight the growing awareness of the role of the artisan and craft sector when it comes to paying attention to the impact of an enterprise's own production.

Artisan production is concerned with generating more value than it destroys. SMEs and micro-enterprises operate in accordance with sustainability agendas that reflect the values of their founders, such as social and environmental responsibility and a respect for the dignity of labour. The textile and tanning sectors have, for historical and cultural reasons, though most of all on account of their recognised economic value, adopted artisan and creative practices geared towards the regeneration of waste as part of a transformation that is, thanks to the development processes of industrial sectors, currently giving rise to consolidated business models.

In particular, depending on their structural flexibility, SMEs represent pilot case studies for the experimentation of business models based around new cores, such as the exchange of clothes or waste materials, or the upcycling of waste in order to reuse it as a new material.

The structural characteristics of SMEs mean that they have the capability to drive change: direct control of strategic management; flexibility in experimentation; freedom in decision-making processes; sustainable agendas that reflect the values of their founders, such as social and environmental responsibility and a respect for the dignity of labour; responsibility in the use of resources through constant improvements to the quality of the product, thereby making its possibilities of being repaired a form of prolonging its life.

Territory, artisanship and community, and as such the systemisation of individuality, these are all crucial to this process. In the words of one enterprise that is a member of the CNA Federmoda association, and which operates in the footwear, bags

and leather goods sector located in the San Mauro Pascoli district[12]: *"our organisation's vision is to give voice to the territory of Italian artisanship through the community of San Mauro Pascoli, a place where art, culture and know-how live side by side with tradition. This synthesis is a service that is 'thought and done' in Italy, 'studied and done' with the heart, and dedicated to those who are not only searching for a product, but seeking an accessory with style that is able to characterise an identity"*. As such, it is the human factor that gives rise to sustainability. *"The human factor expresses the centrality of our know-how. People are the ones that contribute to bringing the right energy to a company, and through people we can hit upon the best technical solutions. The development undertaken by our company is focussed on solutions geared towards the wellbeing of our human resources along with the need for ongoing technical and humanistic training."*

In the way it operates, the enterprise completely involves its workers in company values, as well as in the organisation's goals, through the constant sharing of information on the notice board so that it can be continually consulted, either at an individual level or through group meetings dealing with information of a general nature: *"[…] the company objectives, as well as the solutions that have to be implemented in the face of possible options demanded by extraordinary orders, are regularly shared with workers. Company values are shared with employees, and these are asked to make every effort to respect them (sustainability, respect, teamwork, cooperation, problem-solving)."*

Individual wellbeing as the cornerstone of how the enterprise is organised, the fair economic and social recognition of work done and, for full sustainability, practices aimed at internalising the most important negative environmental externalities: *"in the company a line of museum-oriented merchandise has been created to regenerate the waste produced in manufacturing, thereby ensuring*

[12] Interview conducted by CNA Federmoda (as part of the POWER project) with Smart Leather Sas https://tomassinibags.com/

that the leather used as the predominate raw material does not end up becoming special waste."

In conclusion, when an organisation is founded on ethical values that are very much in line with the individual vision of its founder, the possibility of a perfect harmony between the formulation and narrating of the story is greater. In micro-enterprises and SMEs, it is actually quite common to observe the balance between those that produce sustainability and those who communicate it, and an increasing recognition with regard to non-financial reports. This is undertaken through a range of channels and practices, that is to say through regulations that are aligned with their commercial characteristics and needs.

This is the case for enterprises that have to do juggling acts with the varying certifications for products/services and/or processes, and/or management systems, adhering to varying protocols such as the Restricted Substances List (RSL), the Manufacturing Restricted Substances List (MRSL), or the Greenpeace Detox Commitment, for the responsible management of chemical substances in products and processes, as well as the specifications contractors use when submitting their supply orders. There are also examples of voluntary sustainability reporting. However, even in the mare magnum originated by the regulatory overload to which productive processes are subject, even in that case, the flexibility and networked organisation of the Italian supply chain has served to provide the impetus necessary to generate an effective response to the major adherence to, and compliance with, the abovementioned. The supply chain has responded by concentrating these technical specificities in the appearance of new trades in the supply chain of the textile/clothes/footwear sector, in order to offer specialised services that meet the changing and increasingly-technical demands of the market.

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POWER. ***Multinational companies: improving workers' expertise on financial and non-financial information to foster their rights*** aimed at investigating the reporting practices of economic and non-financial information as a tool for the involvement of workers and their representatives in multinational companies in the different sectors involved in five countries: Italy, Netherlands, Spain, Bulgaria and North Macedonia.

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