

EU proposal sparks hope for new era of corporate transparency, says GRI

A proposal to introduce new sustainability reporting requirements across the EU could open the door for a quantum leap in transparency and accountability among European companies, the Global Reporting Initiative said today.

Welcoming the news, GRI Deputy Chief Executive Teresa Fogelberg said: "This proposal could be the vital catalyst that is needed to usher in a new era of transparency in the largest economic region in the world."

The European Commission today adopted a proposal for a directive of the European Parliament and the Council of the European Union which would require large companies to disclose information on the major economic, environmental, and social impacts of their business as part of their annual reporting cycle.

The proposal contains a 'report or explain' approach, requiring companies to provide information on their strategy, results and risks in six key areas - environmental, social and employee-related matters, human rights, anti-corruption and bribery. Should a company decide not to disclose information on any of these topics, they would be required to explain why this is the case. Companies that are already producing a standalone sustainability report using recognized frameworks will be considered to have met the requirements.

The proposal - presented by European Commissioner for Internal Market and Services Michel Barnier - explicitly refers to the Global Reporting Initiative's Sustainability Reporting Guidelines as one of the internationally accepted frameworks companies should use when preparing their sustainability reports, alongside the UN Global Compact and the UN Guiding Principles on Business and Human Rights, among others.

Fogelberg added: "In recent years countries like India, China, Brazil, South Africa and the US have pioneered a number of innovative policies on sustainability disclosure. This proposal is an opportunity for the EU to position itself at the forefront of best practice and regain its global leadership."

The proposal is consistent with the principle of materiality as contained within the GRI Guidelines, which encourages companies to include only information that is material to their business. According to the European Commission, at present, fewer than 10 per cent of the largest EU companies regularly produce sustainability reports. Since a 'report or explain' policy was implemented in Denmark in 2009, disclosure among large Danish companies has risen to 97 per cent. The 'report or explain' approach is designed to allow companies the flexibility to focus on those impacts that are most relevant to their business, as determined in dialogue with their stakeholders, from civil society to investors.

Fogelberg added: "Europe needs a robust and harmonized policy framework, yet one that is also flexible enough to encourage each company to develop their own differentiated and strategic approach to sustainability reporting, rather than treating it merely as a compliance exercise."

“Commissioner Barnier and the European Commission are therefore to be congratulated for the way in which they have balanced the interests of business, civil society, investors and other stakeholders.

“The solution they propose offers the best of both worlds. As well as providing a level playing field for those companies that are already reporting, it would incentivize many more to embark on their sustainability reporting journey. In time, a tipping point would be reached, with a critical mass of companies playing their part in accelerating the transition to a sustainable global economy.

“In the coming months there will be debates within EU institutions, national parliaments and governments on this important topic. We urge them to support this proposal so that Europe can lead the way in making this vision a reality.”

The proposed Directive targets only large companies. Small to medium-sized businesses would be exempt.

In addition to their key sustainability impacts, companies would be required to disclose information on the age, gender, geographical diversity and educational background of Board members, in a bid to improve diversity and combat “group think” among senior executives.

Since their inception in 2000, the GRI Guidelines have become one of the most widely used non-financial reporting frameworks in the world.

The next generation of the Guidelines – G4 – is designed to drive more robust, credible and consistent reporting and to enhance the relevance of the Guidelines for both business and society.

G4 will be launched at GRI’s Global Conference in Amsterdam on May 22, when Commissioner Barnier will be among the speakers to address 1500 delegates from some 80 countries.

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Notes to Editors:

1. The Global Reporting Initiative (GRI) promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to a sustainable global economy. GRI's mission is to make sustainability reporting standard practice. To enable all companies and organizations to report their economic, environmental, social and governance performance, GRI produces free Sustainability Reporting Guidelines. GRI is a not-for-profit, network-based organization; its activity involves thousands of professionals and organizations from many sectors, constituencies and regions. For more information visit: www.globalreporting.org

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