

## Leadership for the European Union

Europe 2020 is the European Union's ten-year growth strategy. It is about more than just overcoming the crisis which continues to afflict many of our economies. It is about addressing the shortcomings of our growth model and creating the conditions for a different type of growth that is smarter, more sustainable and more inclusive.

Europe has the opportunity to be a conscious leader by securing long-term growth, where companies are responsible and build a solid competitive advantage by:

- Producing quality goods and services and demonstrating responsible business practices throughout their operations, supply chains and investments
- Mitigating their negative social and environmental impacts, thereby building trust
- Showcasing their positive social and environmental impacts
- Engaging in dialogue with their key stakeholders

The increasing demand for transparency from civil society and the investors' community, the growing creativity and willingness to act on CSR of the private sector, the several positive initiatives of Member States make this the right moment to act. Countries outside Europe are already demonstrating the potential for leadership in this field. Among others:

**India:** The Securities and Exchange Board of India (SEBI) mandated that the top 100 listed companies – with a plan to be extended to other companies in phases – to submit as of August 2012 Business Responsibility Reports. These would describe measures taken to observe the principles of the 2011 Indian Ministry of Corporate Affairs' *National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business*.

**China:** The State-owned Assets Supervision and Administration Commission of the State Council (SASAC) guidelines, besides requiring state-owned companies to establish CSR fulfillment and reporting systems, set out that to fulfill Corporate Social Responsibilities, should: (i) carry out operations legally; (ii) improve the ability for sustainable profit; (iii) improve product quality and service; (iv) strengthen environmental protection and conservation; (v) promote innovation; (vi) ensure safety; (vii) protect legal rights of employees; and (viii) participate in social public welfare.

**USA:** Section 1502 of the Stock Exchange Commission Dodd-Frank Act requires some securities issuers to disclose their connections with conflict minerals, and whether those minerals originated in the Democratic Republic of Congo or adjoining countries. Section 1504 requires securities issuers that commercially develop oil, natural gas, or minerals to disclose certain payments made to the U.S. or a foreign government. The European Union has already addressed this issue in the Transparency Directive<sup>1</sup> and in the proposal for the amendment of the Accounting Directives.<sup>2</sup>

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<sup>1</sup> Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2004L0109:20080320:EN:PDF>

<sup>2</sup> Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. [COM(2011)684] <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52011PC0684:EN:NOT>

In the context of the new 2011 EU CSR strategy, the 2013 European Parliament's resolutions on CSR<sup>3</sup> and the recent adoption by the European Commission of a proposal for a Directive to enhance the transparency of large companies<sup>4</sup>, there is window of opportunity for European Union show leadership and provide guidance in creating the right conditions for a smart, sustainable and inclusive growth.

This document is part of a series of pagers on topics related to Sustainability Reporting and should be read in conjunction with the Global Reporting Initiative (GRI) non-paper on the Renewed EU Strategy 2011–2014 for Corporate Social Responsibility (CSR) and the European Commission's proposal for a Directive on non-financial information disclosure available at: [www.globalreporting.org/resourcelibrary/GRI-non-paper-Report-or-Explain.pdf](http://www.globalreporting.org/resourcelibrary/GRI-non-paper-Report-or-Explain.pdf)

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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 an international not-for-profit organization, with a network-based structure. Its activity involves thousands of professionals and organizations from many sectors, constituencies and regions.

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<sup>3</sup> European Parliament resolution of 6 February 2013 on corporate social responsibility: accountable, transparent and responsible business behaviour and sustainable growth (2012/2098(INI)) and European Parliament resolution of 6 February 2013 on Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery (2012/2097(INI)).

<sup>4</sup> Proposal for a Directive of the European Parliament and of the Council amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups [COM(2013) 207].