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Business views on sustainability reporting policies

Companies can achieve significant benefits from engaging in sustainability reporting. Sustainability reporting can benefit business by driving innovation and creating competitive advantage in the market. Sustainability reporting is primarily driven by regulation through the introduction of informed policies by regulators, governments or stock exchanges. According to research by consultants Corporate Knights, disclosure policies enacted by such policymakers ultimately lead to improvements in company disclosure practices[1].

There has been a raft of recent policies introducing requirements for enhanced disclosure of non-financial information. Policy makers in countries such as India, China and Denmark have recently introduced successful policies in this area. In April 2013, the European Commission tabled a proposal for a directive which could introduce sustainability reporting requirements for certain large companies in the EU, if adopted. The proposal is an opportunity for the European Union to address the fragmented and heterogeneous legislative framework in this space, and to provide guidance in creating the right conditions for smart, sustainable and inclusive growth.

Investors and other stakeholders view sustainability reporting as a key indicator in terms of the value creation of a company into the longer term. According to the 2013 ACCA/Eurosif investor survey on non-financial reporting, investors are unanimously in favor of large listed companies reporting on non-financial information[2]. Likewise, econsense, the Forum for Sustainable Development of German Business, supports the need for disclosure of non-financial information. Commenting on the need for global companies to be more transparent along the value chain, it argues that “consumers and business partners increasingly demand supply chain transparency, including on some of the issues addressed in the EU proposal”[3].

However, the current legislative framework in the EU is not sufficient to achieve a culture of corporate transparency on non-financial information. To increase transparency, econsense contends that a new policy that takes into account “the principles of decision relevance, materiality and proportionality”[4] must be put in place.

Striving to create long-term value by balancing social and environmental responsibility since 2008, Maersk is an example of a company that has welcomed policy on sustainability reporting. Annette Stube, Director of Group Sustainability at Maersk contended that “The Danish regulation and other drivers in society have helped advance corporate reporting on sustainability and thus created more openness and transparency on the challenges faced by companies. In Maersk today, we see increased transparency on strategy, performance and industry challenges as an important part of doing business.”.

As a market leader in the Netherlands, issuing sustainability reports since 1997, Rabobank states that “transparency on corporate sustainability is becoming increasingly important to identify opportunities for our clients and for appropriate risk management. Reporting policies stimulate fact-

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[1] CK Capital, 2012. *Trends in Sustainability Disclosure: Benchmarking the World’s Composite Stock Exchanges.* Available at: www.corporateknights.com/report/sustainable-stock-exchanges

[2] ACCA/EUROSIF, 2013.*What do investors expect from non-financial reporting?* Available at: www.eurosif.org/images/stories/pdf/1/acca_nfr%20survey%20exec%20summary.pdf

[3] econsense, 2013. *econsense discussion paper.*

[4] Ibid.

based dialogues between stakeholder groups and in doing so contribute to increasing sustainability". (Olaf Brugman, Rabobank)

Enel, Italy's largest power company, also supports policy on sustainability reporting and welcomes the proposal for a Directive on non-financial information "as a powerful incentive to improve accountability and transparency on ESG policies and performances for companies in every sector." After 10 years of disclosing sustainability information, ENEL stresses that "in the wide picture, the Commission's proposal could give impulse to re-think the role of sustainability in every company, no matter the size."

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

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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.

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