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Panel III: *Regulating CSR - How to ensure transparency and adequate disclosure?*

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Business perceptions of transparency and disclosure

- There is a growing understanding and belief in companies that CSR transparency and stakeholder engagement can have a positive return.
- More and more companies have seen the benefits of being transparent about their business operations - identifying costs, risks and possible solutions; enhancing business position in the market, image, coherence with company ethics, etc.
- It can be a useful tool for companies to measure their activities and the impact of them, to communicate their unique corporate conduct and performance, to account for social and sustainability performance towards stakeholders and society at large, and to engage in dialogue with those affected by the company's decisions.
- And in fact, many companies already work together with a wide range of stakeholders to look for the most appropriate solutions in this field.
- This is a positive development and companies should be acknowledged in respect of their efforts in this field.
- There are various ways for a company to communicate their CSR strategies/policies internally and externally.
- The type and content of CSR communication is aligned to the company's possibilities, the needs of its stakeholder groups and cost-benefit considerations.
- Disclosure of non-financial information is just one way that companies aim to ensure transparency.
- Naturally, the issues which companies disclose on differ, as do the stakeholders with which companies communicate.
- To conclude on this point - a voluntary approach to transparency does not mean a lack of commitment. On the contrary, the great efforts made by companies to continuously improve transparency vis-à-vis employees, consumers, local communities, investors and society, show how much transparency and CSR has become a core issue in corporate activity.

What approach is needed?

- The dynamic development in transparency and disclosure just highlighted should not be impeded by more rigid requirements at EU level.
- Laying down strict obligations which prescribe the form and content of non-financial information that companies may disclose will jeopardise this.
- Any action should allow companies the flexibility to continue to seek out the best solutions jointly with stakeholders, avoiding a box-ticking exercise, and respecting the differences between companies.



Comments on the Commission's approach

Based on the developments at company level, we do not believe that further, more rigid measures are necessary at EU level - the current requirements on disclosure of non-financial information included in the Accounting Directive are sufficient.

If, however, the Commission does take action to introduce further requirements in this field, we would make the following points:

- Avoid deleting elements of flexibility in the current provisions.

These allow companies to tailor their disclosure activities to their specific situation.

- Key Performance Indicators (KPI) should not be set at EU level.

Companies need to have the possibility to develop KPIs in accordance with their needs and those of their stakeholders. This is also important as part of the internal management aspect of disclosure, as it allows for the development of an appropriate process within the company.

- Specific topics on which companies disclose should not be set at EU level. The list of topics currently included in the directive should not be extended.

The topics on which companies report should not be prescribed, rather companies should be given full flexibility to decide on the issues that are material to them and their stakeholders. One of the dangers with starting to extend the list of topics is that this becomes never-ending.

- Companies should be able to decide on the form in which they disclose non-financial information.

The commission should leave it to companies to decide how they report, so that it is possible for them to continue reporting along the lines they already do. Also, companies and their stakeholders each have different information needs and expectations, which means that the information often has to be provided in different formats and to a different degree of detail for the various stakeholder groups.

- Reference to or acknowledgement of international frameworks would be useful.

Many of the companies acting in the area of disclosure of non-financial information do so in a global context, not just at EU level, using the guidelines and principles of the many CSR frameworks that exist at international level. It is important not to add an extra layer of reporting requirements at EU level.

- Member states should retain the current possibility to exempt SMEs from the rules.

For SMEs, the benefits of disclosing social and environmental information in a prescribed or specific form are less obvious and it is likely that there would be a heavy burden in terms of costs and administration which would outweigh the benefits. Also, SMEs are often very active in society, but do not necessarily have the resources to disclose social and environmental information. This provision should therefore be retained.