

Transparency International EU

The global coalition against corruption

The EU must make corporations transparent about the sustainability of their activities

Alessandro · Thursday, June 11th, 2020

To promote sustainability across the EU, it's crucial that large corporations are transparent about their social and environmental impacts. This is especially true in the era of COVID-19: European governments need to be able ensure that companies that benefit from bailouts are doing their best to operate sustainably and ethically.

The Non-Financial Reporting Directive (NFRD) was adopted in 2014, and requires large companies operating in the EU to annually disclose information on environmental, social, human rights and anti-corruption matters, necessary for understanding the company's impacts. And although many companies disclose information, it is too often of poor quality.

Companies with over 500 employees are required to publish this information and most do in the form of reports, however research by the [Alliance for Corporate Transparency](#) found that these reports were typically vague, incomplete and impossible to compare. Often it was difficult to tell how corporations planned to make themselves more sustainable and ethical.

For example, whilst the majority of the companies included in the aforementioned research describe anti-corruption policies in their reports (88.1%), only 19.7% disclose key issues and objective. Even fewer (6.7%) disclose evidence of effective management of cases and incidents.

In addition to vague information, corporations report in different ways and different formats, with no standard Key Performance Indicators (KPIs), which makes comparisons between entities impossible. This is challenging for civil society organisations fighting for social or environmental justice, and makes it harder for conscientious investors to know where they can most ethically put their money.

Fortunately, there is an opportunity to improve this. The European Commission has just held a public [consultation](#) on updating the rules of the NFRD.

Transparency International EU has responded to the consultation, urging the Commission to strengthen these rules.

Corporations, we argue, should be required to report information that is relevant and in a format which can easily compare to existing frameworks (such as the [UN Guiding Principles on Business and Human Rights](#) or [Transparency International's Business Principles against Bribery](#)). Likewise, creating KPIs around the environment, human rights, social issues, and corruption would help assess and compare the impact of companies.

They must also be clear about how they are attempting to tackle corruption. For instance, by disclosing conflicts of interest, supply chain issues, whistleblowing policies, political contributions, lobbying policies and revolving door policies.

Furthermore, in order to combat the perception that these reports are less important than their financial counterparts, we suggest that the two should be jointly published. We are also asking the European Commission to extend the scope of the legislation and include all large companies, both listed and established in the EU, using the same definition of a 'large undertaking' that is included in the EU's Accounting Directive. This would mean more companies would be required to publish reports.

With relatively simple changes to the policy, the EU could promote corporate transparency and make businesses more accountable for their social and environmental impacts.

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