

Responsible business community calls for stronger EU rules on sustainability reporting

According to a multi-stakeholder debate today, the new EU Corporate Sustainability Reporting Directive shows significant weaknesses. 99,8% of businesses are left out and standards are being developed by a financial body without sufficient input from sustainability stakeholders.

Brussels, 29 September 2021 | The proposed Corporate Sustainability Reporting Directive (CSRD) must become a powerful lever for driving sustainable transformation in Europe. However, the proposal which only requires large companies with more than 250 employees and listed SMEs to report on social and environmental impacts, is perceived insufficient. Today, the *Economy for the Common Good (ECG)*, a global grassroots movement advocating for a future-fit economic model, hosted the [first multi-stakeholder debate](#) on shortcomings in the legislative proposal and policy process. Business representatives and investors called for stronger disclosure rules and the unconditional implementation of ethical aspects. *"The EU Green Deal will fail if new EU corporate reporting rules only cover 0,2% of all businesses and are not linked to legal incentives rewarding sustainable behaviour and punishing externalization of costs"*, claimed Christian Felber, one of the initiators and author of the ECG.

2021 marks a tipping point in the omnipresent debate of sustainability. As political discussions show, it is now a given that our societies must transition today to a future-fit economy for the decades ahead to prevent further social and environmental crises. But our ways of measuring and reporting on economic success are unfit and new ways of disclosing companies' impact on people and planet are urgently needed. Therefore, the EU is currently working on what is promising to become one of the most effective political levers for systemic change in our economies: non-financial reporting obligations in the corporate sector.

As part of its Green Deal, the EU Commission has issued a new Corporate Sustainability Reporting Directive (CSRD) in April 2021 requiring "large" companies to disclose how sustainable they really are. To support the legislation, a new European-wide reporting standard for corporate sustainability performance will be developed.

According to the panellists at the event in Brussels, the proposal for the directive has significant weaknesses and is not creating the level playing field necessary for real change. *"It is extremely difficult in our economic system to be a sustainable company. You have to take great risks,"* said Antje von Dewitz, CEO of the sustainability pioneer VAUDE, one of the companies using the ECG Balance Sheet. *"An ethically informed sustainability reporting standard that is measurable and comparable is the leverage point to create incentives for responsible companies."*

Panellists argued that the CSRD should thus require all businesses, not just a small percentage, to create transparency by applying the same standard, so that sustainable companies can be rewarded for their more ambitious contributions whilst free riders meet higher hurdles than today. The political framework should enable policymakers to create an economic level-playing field for a just society where businesses compensate for externalities, for which incentives such as tax benefits, priority in public procurement or differentiated conditions for access to global markets are needed.

"Short-term approaches that focus on financial returns only create a situation where large corporations have a 'tunnel vision' in which long-term sustainability issues are brushed aside," argued co-host Oxfam's representative Caroline Avan. *"We need transparent information and strong sustainability standards to*

ensure that a level playing field emerges so that companies who are actually willing to engage in sustainability matters and those that refuse to do so."

The debate further showed that the reporting framework and matrix of the *Economy for the Common Good* already serve as a template for future mandatory reporting standards. Used by around 1,000 businesses, cities and educational institutions worldwide on a voluntary basis, it offers a practical toolkit for non-financial reporting.

The current plan of the Commission is to delegate the development of the reporting standards for detailed reporting to private entities. Panellists said it was crucial that the technical process takes the most used existing frameworks into account, including ECG, as a source of inspiration and best practice example. The founder of the movement, IASS Affiliate Scholar Christian Felber said, *"the most important feature of sustainability reporting, the linkage of positive and negative legal incentives for better or worse performances of businesses - from public procurement to tax rates to market access - has only now entered public debate on the CSRD. Ultimately, a Green Deal will only work and be worth its name if responsible and high-scoring companies receive better conditions than low-scorers in legally binding sustainability reporting."*

After it has been adopted at EU level, the EU Commission's legislative proposal for a CSRD must be implemented in national law by December 1, 2022 so that it becomes effective for companies. If properly amended and applied to all companies subject to financial reporting, it could have ground-breaking effects by helping investors and consumers to make a fair and objective comparison. Working in conjunction with the EU Taxonomy, Sustainable Corporate Governance Initiative and Action Plan on Sustainable Finance, the CSRD is a very important piece in the larger puzzle of a globally responsible and sustainable EU.

The *Economy for the Common Good* has issued a statement and press release with clear demands on the matter of the CSRD earlier this year:

- 2021 - April 21 | [Only one out of 500 companies will have to report on non-financial impact, under new EU rules](#)
- 2021 - May 2021 | [ECG Position Paper on the Corporate Sustainability Reporting Directive](#)

Today's event was hosted by the *Economy for the Common Good* and *Oxfam*, in cooperation with *Future-Fit Foundation*, *Frank Bold* and the *Alliance for Corporate Transparency* brought together top-level representatives of the European Parliament, EU Commission, the corporate sector, civil society and investment community.

About the Economy for the Common Good

The Economy for the Common Good (ECG) is a social movement advocating for a future-fit economic model which is beneficial to all stakeholders of an organization: employees, suppliers, customers, business partners, the local community and society at large, as well as the Planet and future generations. It is a model which puts the Common Good, meaning the well-being of the people and the respect for all life, as its primary goal and purpose. The ECG movement is constantly growing and gaining supporters across EU Member States. So far, 1,000 organizations, mainly companies, but also schools, universities, municipalities, and cities, have used our Common Good Balance sheet as a means to do their "non-financial" reporting, including to meet their obligations under the current Non-Financial Reporting Directive.

Further Information: ecogood.org

For questions about the Economy for the Common Good and the Non-Financial Reporting Directive or interview requests, please contact:

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