



The transposition of the EU Non-Financial Reporting Directive in Germany

GRI's submission, 15 April 2016

GRI, the independent international organization that has pioneered corporate sustainability reporting since 1997, welcomed the adoption of the EU Directive on Non-Financial Information Disclosure (the Directive) in December 2014. GRI has been deeply involved in the process that leads to the adoption of the directive and is now closely following the transposition process into national legislations.

We commend the German Government on holding a public consultation in the transposition process to collect feedback from a broad range of stakeholders. GRI itself is built upon a unique multi-stakeholder principle which ensures the participation and expertise of diverse stakeholders in the development of its Sustainability Reporting Standards, and therefore we understand the value of such an approach.

With this submission, and considered the maturity of the German market and strength of its economy, GRI would like to propose the following considerations regarding the transposition of the Directive:

1. Expanding the scope of the directive.
2. Referring to the GRI Sustainability Reporting Standards as a key tool for compliance.
3. Refining the reference to GRI.
4. Additional information on consumer protection

These considerations are explained in more detail below.

1. Expanding the scope of the directive

The scope of applicability in the proposed transposition of the Directive is being kept at the necessary minimum for Germany. This is of course in line with the requirements, yet there are examples where national legislators actually are choosing to expand the scope of applicability to increase the number of companies that would be impacted by the Directive. Germany is a significant economic power and is continuously building a reputation of promoting sustainable business practices. As these responsible business practices are becoming more mainstream and investors are increasingly using non-financial data to inform their investment decisions, sustainability reporting is becoming more widespread. There are already 170 sustainability reports issued in the Germanys in 2015, which were registered in the GRI Database¹ alone. It is likely that the number of sustainability reporters from Germany will continue to increase and therefore expanding the scope of the directive during the transposition process could be considered a forward-looking step.

2. Referring to GRI Sustainability Reporting Standards as a key tool for compliance

When transposing the EU NFR Directive into the German legislation, it is important to provide a direction to companies to encourage the use of global sustainability standards, such as GRI Sustainability Reporting Standards. GRI Standards are aligned with the requirements of the EU Directive on Non-Financial Information Disclosure. The disclosures cover all of the Directive's aspects. More information can be found in the GRI linkage document: [*Making Headway in Europe - Linking GRI's G4 guidelines and the European Directive on non-financial and diversity disclosure.*](#)

¹ <http://database.globalreporting.org>

GRI Standards should ensure a high degree of transparency and comparability for non-financial reporting in the community. As in the financial reporting space, in a global economy there is a need for a globally accepted language and principles on non-financial reporting. Businesses, governments and capital markets have repeatedly called for global standards on non-financial reporting and for the convergence of existing sustainability frameworks.

Having global standards not only helps to bring more clarity and comparability to reports, it also helps companies to increase the credibility and trust of reports. An ever-growing movement of companies, decision makers and civil society is demanding non-financial information disclosure through the adoption and implementation of legislation. Non-financial reporting is a process that needs to become standardized and equated with financial reporting.

GRI Standards are the world's most widely used standards on non-financial reporting. Companies around the globe use GRI Standards to report, measure and manage their sustainability impacts both in their operations and their supply chains. In 2015, over 4,000 companies, government entities, non-profit organizations and others used GRI Standards to collect and disclose relevant environmental, social and corporate governance (ESG) information. GRI Standards are a hands-on and ready-to-use tool, available as a free public good in 16 languages, designed to be compatible with a range of different reporting formats.

The methodology within GRI Standards gives reporting organizations the option to choose from a wide range of sustainability topics to focus the report on the most significant impacts. This is done through a materiality assessment which allows companies to identify and address their most significant economic, environmental and social impacts.

The GRI Principles for defining report content and the set of aspects and indicators of the GRI Standards are an important starting point to ensure that robust sustainability metrics are included in corporate reports. Disclosures in different reports can be benchmarked, allowing individuals and organizations around the world to make use of sustainability data in a relevant and comparable way.

Finally, GRI also offers a certified training program, an E-learning program, seminars, introductory workshops and other helpful tools and guidance to help companies to understand sustainability reporting and equip them for the reporting process.

3. Refining the reference to GRI

GRI would be delighted to help refine the reference to GRI in the German transposition. There are various ways in which GRI Standards can be used as a policy instrument on non-financial reporting. GRI Standards can be used as an automatic compliance tool for any government policy or stock exchange guidance on sustainability disclosure. This would mean that if a company has compiled a report in accordance with the GRI Standards it would automatically be in compliance with the mandated reporting requirements. In our view, this is the best practice option to be used by governments and regulators when adopting policies on sustainability reporting. Automatic compliance achieves the intended results of the policy as companies would be given a direction, but allowed the liberty to choose other reporting frameworks. This option also leaves some flexibility for the policy makers to test the policy and the use of GRI Standards. The Malaysian Stock Exchange has introduced sustainability reporting with the automatic compliance rule.

Governments and market regulators can also go further and mandate the use of GRI Standards. For example, the governments of Sweden and Iceland, as well as the Taiwan Stock Exchange have mandated the use of GRI Standards. For achieving the full benefits stemming from sustainability reporting, we recommend that policy-makers, especially in mature markets like Germany, adopt such an approach.

Regarding the GRI naming conventions, we would like to inform you that we no longer use the name “Global Reporting Initiative”, but simply “GRI”. Furthermore, in order to accommodate the different advancements on specific sustainability

issues in the future and maintain the quality and relevance expected of a global standard setter, the format and structure of the GRI G4 Guidelines is being updated to GRI Sustainability Reporting Standards. Going forward, this will enable the incorporation of emerging international consensus and best practices in all relevant issue areas that pertain to the measurement and disclosure of economic, environmental and social impacts of organizations in a timely fashion. In order to make sure this legislation will be aligned with the new naming conventions, we recommend you reference our reporting guidance as “GRI Sustainability Reporting Standards” going forward.

4. Additional information on consumer protection

GRI commends the suggestion of the Ministry to propose *consumer protection* as an additional topic to be included in non-financial information statement. GRI Sustainability Reporting Standards can be used as a tool for reporting on consumer protection. A sub-category of the specific standard disclosures of the GRI G4 Guidelines - *Product Responsibility*, concerns the products and services that directly affect stakeholders and customers in particular. Under this sub-category, the following aspects are covered: Customer Health and Safety; Product and Service Labeling; Marketing Communications; Customer Privacy; and Compliance. As such, companies that wish to disclose information on this topic in order to comply with the directive can use GRI Standards to do so.

About GRI Sustainability Reporting Standards

With thousands of reporters in over 90 countries, GRI provides the world's most trusted and widely used standards on sustainability reporting, enabling organizations and their stakeholders to make better decisions based on information that matters.

GRI Sustainability Reporting Standards (GRI Standards) offer Reporting Principles, Standard Disclosures and an Implementation Manual for the preparation of sustainability reports by organizations, regardless of their size, sector or location. GRI Standards also offer an international reference for all those interested in the disclosure of governance approach and of the environmental, social and economic performance and impacts of organizations. GRI Standards are useful in the preparation of any type of document which requires such disclosure.

GRI Standards are developed through a global, multi-stakeholder process involving representatives from business, labor, civil society, and financial markets, as well as auditors and experts in various fields; and in close dialogue with regulators and governmental agencies in several countries, as well as multi-lateral and international organizations. Alignment with internationally recognized reporting related documents is an important feature of GRI Standards, and such documents are referenced throughout GRI Standards.

GRI remains the most widely used global standard for non-financial reporting. Currently, 39 countries and regions refer to GRI Standards in their sustainability policies. According to the 2105 KPMG study², 90% of the largest 250 companies in the world produce sustainability reports and 74% of these use GRI Standards.

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² KPMG International Survey of Corporate Responsibility Reporting 2015