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UK government succeeds in weakening EU corporate transparency reform

- **EU governments agree new rules but significant gaps remain**

The UK and other governments have succeeded in watering down new European rules designed to boost corporate transparency, by blocking plans that would have required large private companies to report on their environmental and social impacts, alongside firms listed on stock exchanges.

However, MEPs brought forward and defended some important improvements to the initial proposal, such as a requirement for companies to report on the most significant risks to people and planet posed by their suppliers. The reform will cover all listed companies and large public interest entities in the EU.

Marilyn Croser, Coordinator of the CORE Coalition commented:

“As part of its commitment to implement the UN Guiding Principles on Business and Human Rights, the UK government should have played a leading role in pushing for improved corporate transparency in Europe, rather than working to ensure that the reform was hollowed out as far as possible.”

“While requiring listed companies to report on their social and environmental impacts is a step in the right direction for Europe, loopholes remain that mean tens of thousands of large private firms won’t have to reveal how their operations affect people and the environment.”

“Transparency is a vital part of identifying and addressing the risks that corporate activity can pose to wider society. This weak reform is a massive missed opportunity to make large companies more accountable.”

ENDS

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Notes to editors:

1. The new non-financial reporting reform is an amendment to the Accountancy Directive. http://ec.europa.eu/internal_market/accounting/non-financial_reporting/

2. Companies and high-profile business figures **urged EU decision makers not to weaken the legislation**, including:

    - **Unilever CEO Paul Polman and IKEA Head of Sustainability Steve Howard** expressed their support for amendments to help companies establish due diligence systems to improve transparency throughout their supply chains (letters from IKEA/Unilever sent to Secretary Vince Cable and other key EU decision makers 30 January 2014).

    - **Former UN Special Representative on Business and Human Rights, Prof. John Ruggie**, who created the UN Guiding Principles on Business and Human Rights, said in a letter to Vince Cable that to be truly effective and avoid a split playing-field, the EU rules must apply to all companies, not just listed ones.

3. As only 6% of large EU companies report information about social and environmental impacts on an annual basis, the current voluntary approach is not working.

4. The amendments were supported in the UK by a broad alliance of NGOs and unions as well as investors, consumer groups and NGOs and others in France, Italy, Germany and China, as well as tens of thousands of their supporters, who see the transparency legislation as a crucial first step towards preventing human rights abuses and environmental problems in production.

5. More than 12,000 people have signed a petition asking Business Minister Vince Cable to stand up to business-as-usual lobbyists and ensure the UK backs strong corporate transparency legislation, as part of Friends of the Earth's Make It Better campaign for products produced in ways that protect people and the environment. www.foe.co.uk/makeitbetter/petition . A further 50,000 CAFOD supporters also backed calls for tough transparency legislation.