BIAC Thought Starter

Key Business Considerations on Environmental Reporting

Many companies have long been active in the area of environmental and sustainability reporting. By providing transparent and comparable information, businesses are responding to consumers’ concerns and demonstrating their commitment to sustainable development. Business considers that transparent and fact-based communication, stakeholder engagement and on-going dialogue are essential for building a more sustainable world. Increasingly business investors, shareholders and key stakeholders are also interested in environmental information. It is therefore important to fully understand the opportunities, and also the challenges environmental reporting presents and to consider how it relates to a holistic sustainability reporting framework.

I. Key Business considerations

Some of the latest legislative developments that set reporting requirements for business and the expansion of global environmental regulatory frameworks are intended to provide the public with information and tools to assess the state of the environment and to motivate companies to reduce their environmental footprint. Nonetheless, it is also important to bear in mind that such scope of reporting requirements and the information provided to the public can present considerable challenges. In this regard, the following key business considerations should be taken into account:

- While companies have been active in the area of environmental reporting for a long time, business reporting is only one out of several sources of information provided to the public. Bearing in mind the complexity of reporting, a key question to be addressed up-front is **what purposes the information will be used for and how it relates to information provided through other channels.**

- Business often incurs significant costs in relation to certain reporting requirements. While international tools for environmental reporting are important, **their implementation often calls for a large investment of time and resources.** It is therefore important to give companies the flexibility to report details, such as global emissions data, depending upon which is most appropriate in their individual case.
Due consideration should also be given to differences and specificities between sectors. Reporting comparisons among different sectors will not be helpful; on the other hand, comparison within sectors may encourage positive competition and innovation. Given the interdependence of supply chains and the global economy, no sector should be classified as “green” or “brown”.

The growing trend towards legislated reporting requirements by governments may result in incompatible and possible conflicting national or regional requirements, leading to greater confusion for business, investors and stakeholders. It is important to take into account not only the local goals, but also the international interests and comparison across jurisdictions. In addition, legislated reporting requirements that are prescriptive and do not encourage companies to report on the most material environmental information may result in less useful information for stakeholders, including investors and non-governmental organisations, as companies will focus on the legally required information due to the fact that the information then has legal implications.

Governments should clearly and explicitly recognise that proprietary information, including certain regulatory data and other confidential business information, should be shielded from disclosure at national and international levels.

For SMEs, rigid and detailed reporting requirements can be particularly burdensome. It is likely that there would be a burden in terms of costs and administration which could outweigh the benefits. Corporate disclosure of environmental and social information will only remain a benefit to businesses, if the different size, nature and challenges faced by individual companies are taken into account.

Business-led and market-based voluntary actions should be recognised as an effective policy option when seeking environmental improvements. In this respect, business supports voluntary reporting of environmental information. There are numerous templates for voluntary reporting, many of which extend beyond environmental reporting alone. It is important to acknowledge the efforts of those already reporting. Imposition of any additional requirements will not automatically serve businesses or the public. On the other hand, voluntary tools will allow companies wishing to go beyond regulatory requirements to do so.

Experiences so far in voluntary reporting on environmental performance have shown that companies address these issues in a variety of different ways, reflecting the great diversity that exists within business. At the same time, excessive proliferation of too many different voluntary frameworks can also lead to increased complexity. Business cautions against the unnecessary proliferation of standards. The goal should therefore be to encourage environmental reporting that will be performed on a “user friendly” basis, which is consistent with local and international environmental reporting requirement.
II. The Role of the OECD

On-going discussions among policy makers often call for an increase in environmental reporting requirements. Business fully recognizes that environmental reporting is important, and has invested considerable resources. At the same time, the additional costs for companies connected with complex reporting requirements should be carefully considered and weighed against the benefits of providing additional information and the confidence it engenders. The OECD should help shed further light on how to best balance these two considerations and which particular aspects of environmental reporting are desirable and which are not.

Environmental reporting also contributes to the broader objective of reporting on sustainable development and green growth. In this respect, BIAC continues to follow with great interest related work in the OECD, including the evolving joint green growth indicator framework. It is ultimately important to consider the exact aims of reporting as well as how the information will be used and by whom. The OECD is an appropriate platform from which to address these questions.