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Ref.: SG/PRJ/LFU/MBR/

Dear Ms. Arbex,

Re: First Public Comment Period for the development of G4 Sustainability Reporting Guidelines

FEE (the Federation of European Accountants) is pleased to provide you below with its feedback on the issues presented in the online survey of the first public comment period in the development process of the G4 Sustainability Reporting Guidelines.

Our response to this consultation is restricted to those areas of the online survey relevant for FEE. The detailed feedback on the online survey is included as an Appendix to this letter.

In summary:

We support the involvement of an external body (based on international, multi-stakeholder consultation) to guarantee the development of a common platform (framework) for defining the methodology which organisations should apply in deciding the subject matters (i.e. topics) which can be reported on.

The role of an external body could include defining a standard set of indicators supplemented by sector specific indicators. We believe that specific principles for the selection of indicators should be developed.

The reliability of the information should be an important consideration in the guidelines. Therefore, the provision of assurance should be considered taking into account stakeholders' needs. Assurance by professional accountants can take different forms. With a more advanced common and robust framework for reporting on which professional accountants base their opinion, assurance could be provided on the indicators but also on the reporting being fairly stated in accordance with the G4 reporting criteria, when these are sufficiently developed.

We welcome the recent European Commission Communication on Corporate Social Responsibility (CSR), as part of a package of measures on responsible business. This Communication highlights that there are a number of international frameworks for the disclosure of social and environmental information, including the Global Reporting Initiative, and that integrated financial and non-financial reporting represents an important goal for the medium and long-term. FEE will be following up on this Communication to contribute to the discussion with all relevant stakeholders and is committed to encouraging further the developments around CSR including sustainability reporting.

For further information on this letter, please contact Leyre Fuertes, Project Manager from the FEE Secretariat, on +32 2 285 40 76 or via email at leyre.fuertes@fee.be.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Philip Johnson', with a long, sweeping horizontal stroke extending to the right.

Philip Johnson
President

Our feedback below highlights only those areas of the online survey relevant for FEE to comment on. We have referenced for each relevant section in our feedback the question number of the online survey that our response relates to.

DRIVERS

What do we consider to be in general the primary reasons for sustainability reporting (ref. Q7 of the online survey)

Non-financial information helps put historical performance into context and portrays the risks, opportunities and prospects for future growth. Non-financial information, including sustainability information, plays an important role in mitigating short-termism that dominated financial analysis and valuation in the past.

FEE believes that responsible companies should provide an appropriate level of sustainability disclosures to ensure maximum transparency and accountability.

Sustainability reporting can help ensure that reporting provides the information set to facilitate stakeholders' assessment of:

- an entity's contribution (positive and negative) towards the achievement of a sustainable economy and society; and
- an entity's value now and in the future.

There is an overlap between these two different perspectives – if the economy and society are not sustainable into the future, many companies will also be unsustainable and their value will be negatively impacted.

The primary objective is to transition to a sustainable society. However, part of that transition has to be to enable economic actors to better price-in the risks and opportunities associated with sustainability trends through better and more comparable disclosure and reporting. The answer is not to add more data to the reporting regimes in existence, but to refocus on what matters to the target user group and how they use the information.

MINIMUM CONTENT OF SUSTAINABILITY REPORT

Should there be a minimum content (ref. Q10)

We agree that a minimum content of the sustainability report will help ensure that information is comparable.

CONTENT OF GUIDELINES, TOPICS, INDICATORS

How should the topics and indicators to be covered in a sustainability report be defined (ref. Q12 – Q19 of the online survey)

We support the involvement of an external body (such as GRI, based on international, multi-stakeholder consultation) to guarantee the development of a common platform (framework) for defining the methodology which organisations should apply in deciding the subject matters (i.e. topics) which can be reported on.

The role of an external body could include defining a standard set of indicators because this will help ensure that information can be comparable.

It would be helpful to have a core set of general key indicators that all organisations use. In our view, this core set should be supplemented by sector specific indicators with organisations explaining why the chosen indicators are relevant.

Sector specific guidance is essential and needs to recognise the various forms of organisations. Public service organisations make up a large part of the economy. Member-based organisations (including mutuals, co-operatives and some forms of social enterprise, voluntary and community organisations) are a distinct organisational form and also need to be recognised and included in the sector specific guidance.

Specific principles for the selection of indicators should be developed. Moreover, it would be important to ensure that indicators are calculated and disclosed following the indicator protocols, so that the information provided can be comparable.

To assist organisations report based on their specific circumstances, the sector specific guidance developed should be made available on a timely basis to allow a wide spectrum of guidance and in order to enhance or at least to maintain organisational accountability.

Moreover, developing and integrating indicators for governance related matters should be considered as part of the enhancement of disclosure. This also applies to the disclosure of targets, which to the degree possible, should be quantified and linked to the key indicators. However, the outcome must not result solely in more reporting, more rules and increased information overload. There should be more meaningful measures of performance as opposed to less relevant “profile” type of information.

The following issues should be given careful consideration:

Defining materiality and who are organisations reporting to based on their specific circumstances

It is important to strike the right balance between comparability and materiality of the reported information. In our view, it would be appropriate to define materiality at the level of the framework.

For this reason, it would be helpful for the external body involved in developing the framework to provide guidance specifying what is material. Organisations would then be able to apply this common guidance on materiality to ensure that the reported information is comparable while remaining based on their specific circumstances.

Assurance

Ensuring a common platform for reporting (including the methodology which organisations should apply in deciding the subject matters to report on, further guidance on materiality, as well as guidance to help identify relevant indicators) will be key for the purpose of providing assurance that is to be helpful to the users of the reported information.

To achieve this, this common platform needs to be sufficiently robust (for instance, that there is a common understanding of the process/principles that organisations need to follow to determine what is relevant) so that it can be subject to external verification.

As a result, assurance could be provided on the indicators but also on the reporting being fairly stated in accordance with the G4 reporting criteria when these are sufficiently developed.

In this respect, we note the following considerations:

Assurance by professional accountants can take different forms ranging from a reasonable assurance engagement (i.e. whereby the professional accountant issues a positively worded opinion) to a limited assurance engagement (i.e. whereby the professional accountant issues a negatively worded opinion).

The preparation, reporting and presentation of the information provided are the entity's responsibility. Therefore, the professional accountant's responsibility is the provision of assurance services in respect of the information reported. Professional accountants' involvement with non-financial disclosures will not supersede the responsibilities assumed by the entity.

The reliability of the information should be an important consideration in the guidelines and therefore, the provision of assurance should take into account stakeholders' needs.

As noted above, there is a need for a more advanced common framework for reporting on which professional accountants base their opinion. Such frameworks are yet to be developed and agreed by the stakeholders involved and preferably should be robust, subject matter specific, consistent and harmonised on a European or international level.

In the debate about the role auditors can play in sustainability reporting and more in general non-financial information, we refer for example to a paper of NIVRA, the Royal Dutch Institute of Registered Accountants. This publication “Counting more than only Euros” contains a definition of non-financial information, a picture of the development phases of non-financial information and the role the auditor can play in each development phase from creating awareness towards the professional accountants providing assurance¹.

Should GRI’s Guidelines offer guidance on how the sustainability reporting process or sustainability report content can be used to produce an Integrated Report (ref. Q20 of the online survey)

Yes, it would be useful. As noted below, sustainability reporting should be part of the basis for Integrated Reporting.

Most relevant sustainability reporting formats today and in the future (ref. Q9 of the online survey)

Sustainability reporting can inform Integrated Reporting. In our view, the development of Integrated Reporting is not inconsistent with the further development of separate sustainability reporting, which will continue to be needed – either to form part of the basis for Integrated Reporting or as it may be targeted at different stakeholders groups.

¹ The discussion paper is available at:
<http://www.nivra.nl/NivraSite/Zoeken/Search.aspx?SearchString=counting%20euros>