

# Policy Statement

*Standing for trust and integrity*

July 2009



## Sustainability

### Embedding Sustainability into Corporate Governance

FEE (Fédération des Experts comptables Européens – Federation of European Accountants) wishes to share its strategy on sustainability in the form of a series of policy statements <sup>(1)</sup> on core issues in relation to sustainability and the accountancy profession. FEE acknowledges that the urgent nature of the challenge of sustainability is becoming widely recognised. At the level of the organisation, accountants, whether in business, the public sector or within the world of professional practice, must rise to the challenge of sustainability which touches on many areas of traditional competencies.

#### About FEE

FEE represents 43 professional institutes of accountants and auditors from 32 European countries, including all of the 27 EU Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 500.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent, and sustainable European economy.

The importance of good corporate governance has been emphasised in light of significant corporate scandals and subsequent crises of confidence. A well developed model for corporate governance, based on the guidance and values outlined in corporate governance codes, should be a building block for confidence in the capital markets. Now sustainable business development drills deeper into organisations, the linkages between corporate governance and sustainability are becoming more pronounced. Sustainability plays an increasing role restoring and maintaining confidence notably through its longer term focus and nature.

FEE believes that corporate governance mechanisms will need to evolve to respond to the changing dynamics that this presents, specifically addressing the stewardship of sustainability issues impacting the organisation's business goals and other activities. Organisations need to rise to the strategic challenge of long-term sustainable development and through their governance structures embed sustainability into the stewardship, strategy development, decision making and reporting processes.

**FEE believes that sustainability is a core responsibility of the Board and the relevant Board Committees.**

Boards and Board committees (notably remuneration and reputation committees) need to embed sustainability in their considerations and decisions incorporating a longer term focus. The tone at the top is important for the attitude and culture in the organisation as a whole. Furthermore, there are various ways to establish roles and responsibilities to ensure, through a structural and tailored governance response to the relevant sustainability issues, that sustainability is integrated into normal business activity. It is important to ensure that sustainability opportunities and risks are integrated into an organisation's way of governing overall risk management. The participation of different parts of the organisation in this process needs to be facilitated.

There is a need for greater transparency, and better information is critical in facilitating well informed decision-making that takes account of risk and other factors. Increasingly investors are demanding more developed and sophisticated reporting on non-financial issues. Non-financial information helps putting 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 until recently dominated financial analysis and valuation.

FEE believes that sustainability is a core responsibility of the Board and the relevant Board Committees. FEE believes that accountants have an important role to play in supporting the adoption of a strategic approach to sustainability, ensuring that sustainable development is a part of strategic discussions, objectives, goals and targets and is fully integrated within governance, accountability arrangements, reporting and the organisation's way of governing overall risk management. ■

**Notes:**

- <sup>(1)</sup> Other Policy Statements issued in the Sustainability domain:
- The Contribution of the Accountancy Profession, January 2009
  - Cost Internalisation, January 2009
  - Non-Financial Information, January 2009
  - Multiple-Stakeholders: The Essence of Multidisciplinary Teams, January 2009
  - Towards a Sustainable Economy: the Contribution of Assurance, July 2009
  - Carbon emissions information, July 2009
  - Shaping a Sustainable Economy, July 2009

In addition, FEE has issued a series of policy statements on the Financial Crisis and on Auditing and Assurance.



## THE MEMBERS OF FEE

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FEE is a Regional Organisation of IFAC, the International Federation of Accountants