



Vice-President of European Commission
Antonio Tajani
European Commissioner for Enterprise
and Industry

Commissioner Michel Barnier
European Commissioner for Internal Market
and Services

Commissioner László Andor
European Commissioner for Employment,
Social Affairs and Inclusion

European Commission
B-1049 Brussels
Belgium

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Dear Commissioner,

Re: European Commission Communication renewed EU strategy 2011-14 for Corporate Social Responsibility

- (1) FEE welcomes the European Commission Communication on Corporate Social Responsibility (CSR) as part of a package of measures on responsible business. FEE has contributed to key elements of the package, namely on the EC Consultation on Country-by Country Reporting (CBCR) as well as the revision of the Transparency Directive and the Accounting Directives.
- (2) We support the Commission in its important role to facilitate and encourage a holistic approach and commend the advancements in this area. FEE sees this Communication as a positive initiative in further progressing with CSR on the European agenda. As the voice of the accountancy profession in Europe, FEE is committed to contributing to a more efficient, transparent and sustainable European economy.
- (3) The agenda for action 2011 – 2014 put forward in the Communication is an important milestone reflecting the need for better integration of CSR into core business strategy and to contribute to the long-term success of enterprises.
- (4) The accountancy profession has an important role to play in areas identified as being of key relevance such as contributing to enhancing trust, the reliability of reported information as well as education, training and research. Given its expertise, the accountancy profession is well equipped to inform CSR policy initiatives on these areas and help translating principles into measures that enhance corporate accountability in the public interest.

Improving and tracking levels of trust in business

- (5) Improving and tracking levels of trust in business has been identified as an important area to which the accountancy profession could contribute. In tackling this element of the agenda it would be important to consider the relevance of social, environmental and governance issues in the loss of trust as well as their role to help regaining it.

Improving company disclosure of social and environmental information

- (6) Improving company disclosure of social and environmental information is an important objective to which the accountancy profession makes an instrumental contribution. FEE is particularly committed to this objective. There is a close connection between “Improving and tracking levels of trust in business” and “Improving company disclosure of social and environmental information”.
- (7) Transparency through appropriate disclosures influences behaviour. The value that such disclosures have for stakeholders largely depends on their credibility, accuracy and reliability. In this respect, assurance provided by independent professionals is essential to enhance trust. Where and on what independent professional assurance will add value needs to be carefully considered.

Environmental, Social and Governance (ESG) disclosures

- (8) FEE has long been working to enhance Environmental, Social and Governance (ESG) disclosures. It contributed to the international debate and the Commission past workshops leading to this part of the Communication. In the FEE Position on ESG Disclosure issued in 2010, FEE presented a series of recommendations including the following:
- encouraging exploring the case for a combined approach to corporate reporting as one of the leverages to embed sustainability in corporate strategy and management practices;
 - supporting a debate over the advantages and disadvantages of moving towards more mandatory regulatory approach to ESG reporting at the European level for large and listed companies;
 - considering that there is no ESG reporting framework presently fully meeting the needs of capital markets players (namely companies and investors);
 - acknowledging the fact that the time has come to unite the efforts of the scattered European initiatives on ESG disclosure and reporting, taking into account a global context; and
 - urging the Commission to contribute to the global debate and initiatives in this area and ensure that any European requirements or guidance are compatible with these international developments.
- (9) We commend the Commission for the progress already made and encourage its further efforts in this direction.

- (10) The Commission highlights that integrating financial and non-financial reporting represents an important goal for the medium and long-term and that it will present a legislative proposal on the transparency of the social and environmental information provided by companies in all sectors. We support the Commission in its ongoing efforts to engage with all stakeholders and look forward to the impact assessment of possible options for this proposal that it is currently undergoing. As all impact assessments, it should be robust, comprehensive and independent.
- (11) We also welcome the Commission's commitment to follow with interest the work of the International Integrated Reporting Council (IIRC). In the Communication, it is also noted that there are a number of international frameworks for the disclosure of social and environmental information, including the Global Reporting Initiative (GRI). FEE is closely monitoring and contributing to the current development process of the GRI G4 Sustainability Reporting Guidelines.
- (12) Further thought will need to be given as to whether any type of mandatory reporting should be introduced. In this reflection, the following elements should be considered:
- who is the disclosure useful for;
 - what is the rationale for introducing mandatory reporting;
 - what decisions is it going to facilitate (e.g. disclosure is one of the ways to enhance CSR);
 - will it facilitate behavioural change?;
 - research about the value of mandatory reporting should be conducted.

Further integrating CSR into education, training and research

- (13) The provision of further financial support for education and training projects on CSR is an important means to achieve better integration of CSR. In the accounting profession too, we support raising the awareness of professional accountants in practice and in business on the relevance of CSR in business overall performance. This action could also mean ensuring that there is a minimum understanding of CSR matters as part of the education syllabus.

Small and Medium-sized Entities (SMEs)

- (14) We commend the Commission's intention to take account at all times the particular characteristics of SMEs especially their limited resources, and avoid creating unnecessary administrative burdens.
- (15) The Commission acknowledges that many SMEs conduct and report on CSR initiatives on a voluntary basis. This is also our experience in practice. The nature of many SMEs is that they are an embedded part of their local communities with whom they develop and sustain key relationships. As business owners do not always have the time and/or resources to research, for example, the tax consequences of incurring costs in supporting local community activities, they may be deterred from undertaking or reporting on such activities. Professional accountants as the trusted business advisor of SMEs are well placed to contribute to this end.
- (16) FEE welcomes the Commission's encouragement to make smart use of EU structural funds to support the development of CSR, especially amongst SMEs. Maintaining and increasing SMEs contribution in this field will require appropriate local government policies and incentives. The Commission has an important leadership and communication role to play in this field.

Enhancing market reward for CSR

Investment

- (17) In the context of supporting capacity-building for investors on how to integrate non-financial information into investment decisions, the Commission encourages enterprises to disclose information related to the implementation of good tax governance standards. Professional accountants add credibility to disclosures relating to policies in place as well as to compliance with them. The Commission should clarify its understanding of “good tax governance standards”.

FEE is following with interest the work of the EC in the area of CSR and will be looking more in depth into various aspects of the EC Agenda for action 2011-2014. We are making the EC Communication on CSR part of the FEE work program. We are looking forward to the development process and would be delighted both to contribute and to participate in this important agenda for action.

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,



Philip Johnson
President