

European Sustainability Reporting Association

Report by the FEE

FEE (Fédération des Experts Comptables Européens – Federation of European Accountants) represents 43 professional Institutes of accountants and auditors from 32 European countries, including all of the 27 EU Member States.

With a combined membership of more than 500.000 professional accountants, FEE works in the public interest to contribute to a more efficient, transparent, and sustainable European economy.

Background

The critical and urgent nature of the challenge of sustainability is becoming widely recognised in many countries and at many levels. Professional organisations from all disciplines are generally committed to the importance of sustainable development. The accountancy profession, given its public interest role, has a clear contribution to make to the creation of a sustainable environment in the world of today. Consequently, sustainability¹ is on the agenda of FEE, representing the accountancy profession in Europe, and composed of qualified accountants in practice as well as qualified accountants in business. The profession needs to recognise the wider impact of sustainability which touches on many areas of its competence not only to financial reporting and assurance, but also corporate governance, management accounting, systems and controls. Hereto the accountants operate in a multistakeholder environment, and reach all and cooperate with other relevant professions.

The profession builds on years of experience of managing the finance function and in giving advice regarding preparation of reliable information, management of risks and the assurance on reporting. Stakeholders of organisations, including financial markets, are demanding reliable non-financial information including sustainability information from organisations. This new dimension makes it essential for FEE to undertake a proactive role. In order to achieve this, at the end of 2006, FEE created a new structure on sustainability activities within FEE. However it is worthwhile to note that FEE has been active in the sustainability and environmental domain for over 15 years. The new structure has three elements:

- Sustainability Advisory Panel: An external body of very high-level individuals, outside the profession, with the objective to advise on FEE's work in the

¹ Sustainability is defined by the [Brundtland Commission](#), as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs".

sustainability area at a strategic level. The aim is to add credibility to FEE's work and to raise FEE's profile in the sustainability area;

- Sustainability Policy Group: A policy strategic group with the objective to determine the direction of the FEE sustainability work and to develop the FEE sustainability work programme and action plan;
- Sustainability Working Party: Undertaking the actual projects, developing papers and FEE positions.

Assurance

FEE prepared a series of discussion papers² on sustainability assurance, the last one being the Discussion Paper "Key Issues in Sustainability Assurance – An overview" issued in June 2006 followed by a successful roundtable discussion in November 2006.

In this Discussion Paper the Swedish, French, Dutch and German standards for assurance on sustainability reports are analysed. Through a comparative examination of current standards, FEE has analysed the differing practices in this area. FEE believes that the growth in sustainability reporting by the world's most influential corporations has been such that, at this time, there is a clear public interest case for a specific standard on assurance on sustainability reporting. The truth of this is evidenced by the fact that national standard setters in the EU have already sought to meet this need.

To the extent that requirements in ISAs and ISREs are relevant to assurance on sustainability reports, FEE believes that a specific standard is necessary to require that they be applied. Where such application 'by analogy' is not sufficient, and for other requirements necessary to safeguard the quality of assurance work in areas not addressed by ISAs and ISREs, FEE believes that a specific standard for assurance on sustainability reports is needed. Practitioners have reported in compliance with ISAE 3000 but, because that standard is generic, it has to be relevant to the smallest and most simple assurance engagement. It does not contain, therefore, the specific requirements that are necessary to adequately safeguard the quality of assurance work in a complex engagement.

FEE therefore concludes that the international generic material for assurance is not itself sufficient in the area of sustainability reporting, primarily because of the complexity of the subject matter. Nevertheless, it provides an appropriate starting point for more-specific standards. FEE encourages IFAC to move towards issuing a specific international standard for assurance on sustainability reports. FEE sees the IAASB project on assurance on carbon emission information as a useful first step, but continues to call on the IAASB to take the lead on a specific sustainability assurance standard.

² - Key Issues in Sustainability Assurance, An Overview (2006) Assurance for a Sustainable Supply Chain (2005);

- Alert on Emissions Trading (2005);
- Call for Action – Assurance for Sustainability (2004);
- Benefits of Sustainability Assurance (2003);
- Greenhouse Gases and the Accountancy Profession (2002);
- Providing Assurance on Sustainability Reports (2002).

Markets, stakeholders and the accountancy profession are in need for a standard within the IAASB International Framework for Assurance Engagements and ISAE 3000. FEE is pleased to offer its expertise and resources in the area of assurance on sustainability information to assist the IAASB in progressing towards a global standard.

The accountancy firms are advising their clients and provide assurance, also based on reporting frameworks and assurance frameworks developed by bodies other than the accountancy profession. FEE welcomes the effort undertaken by AccountAbility to improve alignment of the future AA1000 AS with the IAASB Framework and ISAE 3000. Looking ahead, FEE can foresee circumstances where the public interest will dictate that standards for assurance on comprehensive sustainability reports are at least as extensive as are current ISAs. For the nearer future, FEE suggests that the IAASB should engage with stakeholders to identify the degree of public interest in assurance on sustainability reports. This will determine the appetite for specific requirements and guidance which will assist in determining an appropriate structure for the issue of a standard (or standards).

More than Assurance

The profession has also a task in stimulating companies to report on sustainability matters both in a regulated and in an unregulated context and to inform them about the related risks and costs.

In addition to sustainability assurance FEE sustainability activities may cover other key areas including:

- *Accounting for sustainability*: treatment of sustainability issues within all aspects of the accounting process including reporting, business decision making, systems and controls. The reporting element covers costs, liabilities and assets, and may include the consideration of externalities.
- *Sustainability³ reporting*: reporting on sustainability issues including non-financial information (e.g. performance reporting) that goes beyond current financial reporting. This covers reporting on policy, systems and performance and would require further specialised knowledge of sustainability techniques.
- *Risk management, internal control and corporate governance*: beyond the fact that risk management is a core component of internal control and thus fundamental to good governance, it is also recognised as an important instrument in achieving sustainability objectives. This would include code of conduct, corporate responsibility, management system embedding sustainability in the organisation.
- *Other sustainability related issues*: including narrative reporting; sustainable investments; the business case and its limitation; education; sustainability/CSR policy at the EU level; public sector impact, emission trading, climate change and ecotaxes.

³ Referred also as CSR