

JOINT PRESS RELEASE ECIIA-ecoDa-ACCA

Non-Financial Reporting: The impact on the relationship between Boards and Auditors

-EU stakeholders discussed the interaction of non-financial reporting obligations on corporate governance at joint ECIIA, ecoDa and ACCA conference-

EU Member States are due to transpose the so-called Non-Financial Reporting (NFR) Directive, which aims to increase EU companies' transparency in respect of environment and social matters by December 2016. The European Commission is currently consulting on non-binding guidelines to provide companies with a methodology to facilitate the disclosure of this type of information.

In order to raise further awareness on this issue and to better understand the interaction of the NFR initiative on corporate governance, ECIIA, ecoDa and ACCA recently organised an event called "Non-Financial Reporting: The impact on the relationship between Boards and Auditors". The well attended conference provided an opportunity for stakeholders to discuss the key success factors for accurate and effective non-financial reporting, and how boards, internal and statutory auditors can better cooperate for an efficient implementation of the NFR directive.

Turid Elisabeth Solvang, ecoDa's Chair said: *The number of compliance tasks asked of the board of directors is on a steady increase. However, due to the financial crisis and recent corporate scandals, the interests of society, shareholders and other stakeholders take priority. Business is society and society is business and today neither can survive without the other.*

If companies compromise the trust of society, customers and shareholders will migrate elsewhere. As volatility increases, the value of that trust will multiply. Businesses need to value their reputation and stakeholders' trust as core assets and treat them as such. For this reason the content of non-financial reporting is going to be so important going forward. Companies should avoid treating this as a comply-or-explain exercise and instead respond to the intention of the regulation".

The debate revealed that the overarching goal of the NFR directive - and its pending guidelines- is to have better companies that will last. It is a move that is necessary because it is beneficial for companies and for our economy but it is not prescriptive. It is not the intention of the European Commission to tell companies how they should manage themselves.

Richard Howitt MEP said: *"The Non-Financial Reporting Directive is an enabling piece of legislation designed to work out all environmental, social and governance aspects that have an impact on the company, how they are managed and how they affect business strategy. It is about reforming company reporting to include non-financial information; it is not about adding administrative burden. It will make the European*

businesses better. Environment, social aspects and human rights have an impact on finances in the long term. This directive is very much about long-term value creation. We call it non-financial but at the end it is all about finances.

We cannot think about this in a bubble. There are many other initiatives and work being done around this issue. We haven't invented our own European framework with the NFRD – we have adopted international frameworks. It is up to us to make sure that European companies are globally competitive.”

For many speakers, the implementation of the NFR Directive should be seen an opportunity, providing we connect disclosures to strategy and decision making process at board level. It was stressed that investors should challenge companies on relevance, completeness and the presentation of their annual reports to enhance quality. Several speakers also stressed that it was important to develop integrated thinking to enhance board thinking.

Henrik Stein, Group Audit Director DZ Bank and President of ECIIA said: *“The new reporting requirements will increase the transparency of the business operations but the way they are implemented will be key to avoiding extra burden with no-added value for the business. The governance model applied for the new reporting is very important: the information must be relevant, exhaustive and accurate.*

Regardless of the model developed, the Board will have more work in order to assure that the non-financial reports are purposeful, reliable and credible. Internal audit can contribute to assuring the Board and can partner with other assurance providers in order to give one language, one voice, and one view to the Board”.

Jo Iwasaki, Head of Corporate Governance at ACCA, who moderated the panel session concluded: *“We are grateful that the speakers and the audience shared with us insights that come from their real life experience. While legislation may set out high level objectives, good practice will only evolve when people learn from each other what works and what doesn't. And of course, put what they learned into practice. ”*

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ABOUT THE ORGANISERS:

ecoDa: European Confederation of Directors' Associations <http://www.ecoda.org/>

ECIIA: European Confederation of Institutes of Internal Auditing <http://www.eciia.eu/>

ACCA: The Association of Chartered Certified Accountants

<http://www.accaglobal.com/gb/en.html>

About ECIIA

The European Confederation of Institutes of Internal Auditing (ECIIA) is a confederation of national associations representing the internal audit profession across Europe and the Mediterranean basin. We cover 36 countries and have a combined membership of 40,000 individual and corporate members. Our primary goal is to further the development of corporate governance and internal audit through knowledge-sharing, and building strong relationships with other professional bodies, policy makers and regulators.

More information on www.eciia.eu

About ecoDa

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The European Confederation of Directors' Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Its objective is to represent the views of company directors from EU member states to corporate governance policy-makers at EU level. ecoDa, the European Confederation of Directors' Associations, is a not-for-profit association acting as the "European voice of board directors".

Through its 16 national institutes of directors, ecoDa represents around sixty-five thousand board members from across the EU, ensuring that their views on Corporate Governance are clearly communicated to policymakers in the EU institutions. ecoDa's member organisations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted.

www.ecoda.org

About ACCA

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ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. It offers business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its **178,000** members and **455,000** students in **181** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of **95** offices and centres and more than **7,110** Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. It believes that accountants bring value to economies in all stages of development and seek to develop capacity in the profession and encourage the

adoption of global standards. ACCA's core values are aligned to the needs of employers in all sectors and it ensures that through its range of qualifications, it prepares accountants for business. ACCA seeks to open up the profession to people of all backgrounds and remove artificial barriers, innovating its qualifications and delivery to meet the diverse needs of trainee professionals and their employers. More information is here: www.accaglobal.com