



ICGN

International Corporate Governance Network

European Commission

By email to:

Didier.Millerot@ec.europa.eu

Jeroen.Hooijer@ec.europa.eu

Dated: 25th April 2013

Dear Mr Miller and Mr Hooijer,

We are writing on behalf of the International Corporate Governance Network (ICGN) and its Integrated Business Reporting Committee. The ICGN is a global membership organisation of over 550 institutional and private investors, corporations and advisors from 50 countries. Our investor members are responsible for global assets of US\$12 trillion and our mission is to promote corporate governance best practices worldwide, (www.icgn.org).

The ICGN Integrated Business Reporting Committee's aim is to advance the quality of reporting by integrating environmental, social and governance factors with general financial disclosures by companies, in order to arrive at a more comprehensive picture of company strategy and performance. This will be conducive to better investment decision making and capital allocation by investors in the interest of a more sustainable global economy. The ICGN is an active supporter of the International Integrated Reporting Committee (IIRC) that seeks to develop an integrated reporting framework.

The ICGN welcomes the proposed update to the 4th and 7th Accounting Directives by the European Commission in order to increase transparency and performance on social and environmental matters. The obligation for companies to either report on policies, risks and performance related to social and environmental issues, or to explain why they don't, will in our view support the dialogue between companies, their shareholders, and other stakeholders.

Improving corporate reporting has been one of the ICGN's focus areas for some time. In 2008 it published its Guidelines on non-financial reporting. The Chair of the ICGN's Integrated Business Reporting Committee, Claudia Kruse, has been part of the EC's Expert Advisory Group on ESG Disclosure, and we are glad to see that the consultation has come to fruition.

In order to report effectively companies will have to ensure that their internal reporting systems also capture relevant social and environmental information. Where such systems are in place, management is able to base its decisions on a broader set of information, beyond just the financials, which in our view is beneficial to long-term success. At a minimum, this stimulates strategic discussions at the board level about governance and sustainability and provides investors with information needed in determining their capital allocation.

There is evidence that more diverse boards perform better. We welcome the fact that the proposed directive takes a broad view of diversity encapsulating educational and professional background, gender, age and geography. An encouragement to review this aspect can help build stronger boards and ultimately better companies.

While the EC does not explicitly endorse Integrated Reporting we expect that better disclosure on social and environmental matters will lead to a more comprehensive account of how companies create and sustain value. For example, we expect more companies to disclose in their annual report the connection between a company's approach to human capital and its ability to run its business. We also encourage our own community of investors (responsible for assets under management in excess of US\$18 trillion) to integrate environmental, social and governance factors in the investment decision making process – this initiative has been successfully implemented in partnership with the EC.

If you would like to discuss any of the above points, please do not hesitate to contact Kerrie Waring, ICGN's Acting Head of Secretariat, by phone at +44 207 612 7079 or by email at kerrie.waring@icgn.org. We look forward to your response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C. Kruse', is positioned above the typed name.

Claudia Kruse
Chairman, ICGN Integrated Business Reporting Committee