

# THE WAY TO BETTER *Corporate Reporting*

Non-financial information (NFI) helps companies report on global issues, including their environmental footprint. But there are no globally accepted NFI standards. The thought leadership paper ‘Interconnected standard setting for corporate reporting’ sets out a vision for a global corporate reporting structure, which harmonises NFI reporting standards and connects NFI to financial reporting. The reporting community supported these ideas and provided feedback as summarised in a follow-up paper.



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Global risks, such as climate change, depletion of raw materials, biodiversity loss, human rights and social concerns are increasingly core issues for companies.

The Green Deal from the European Commission has built momentum for greening the financial system. Business reputation is in the spotlight and the public expects companies to play a greater role in moving towards a sustainable and inclusive economy.

The coronavirus crisis has brought NFI issues to the fore, testing business resilience and highlighting business’ impact on society.

Firms understand that they need to create a positive impact. As a result, they are providing broader NFI disclosures. However, lack of global standards to report NFI impairs comparability and trust in these disclosures.

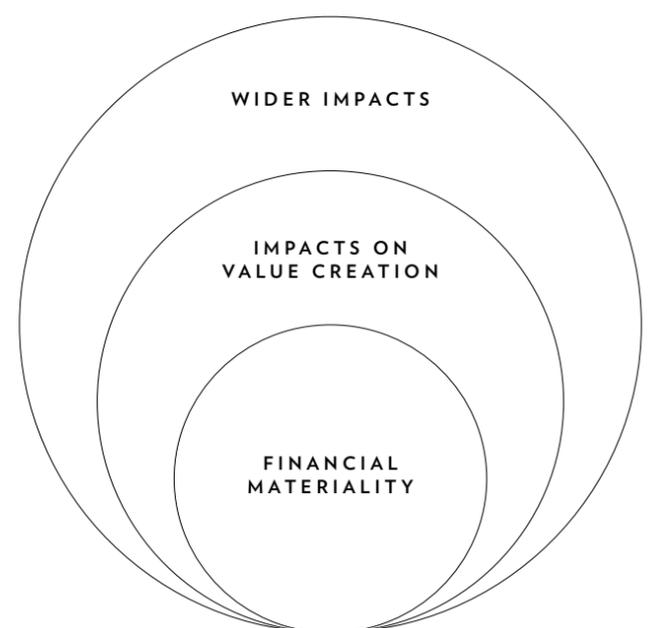
There is wide-ranging consensus for a system change: NFI and financial information should be connected and there should be a core set of global metrics for NFI. This would enable a better understanding of companies’ performance, impacts and dependencies.

We evaluated several approaches to interconnected standard setting based on nine criteria including urgency, due process and technology. An important criterion of the evaluation considers expanding the materiality lens to include issues that affect long-term value creation (see figure).

## REFERENCE LIST

- Accountancy Europe (2019). Interconnected standard setting for corporate reporting, see: [bit.ly/3jST98R](https://bit.ly/3jST98R)
- Accountancy Europe (2020). Follow-up paper: Interconnected standard setting for corporate reporting, see: [bit.ly/3gZZsWs](https://bit.ly/3gZZsWs)

## MATERIALITY LENS



Based on this evaluation, a global corporate reporting structure is seen as the ultimate vision for interconnected standard setting. This concept would transform the IFRS structures to accommodate an international NFI standard board to set NFI standards.

NFI standards could be built from the best of existing initiatives: the work of the Global Reporting Initiative, the Sustainability Accounting Standards Board, the Climate Disclosure Standards Board and CDP. These organisations have committed to work together towards a globally harmonised system.

In addition, the IFRS Foundation would evolve to the corporate reporting foundation overseeing financial and NFI standard setters and enabling connectivity through a conceptual framework for connected reporting. This framework could be built from the IASB’s Management Commentary and the <IR> Framework.

Finally, the monitoring body should be enhanced for broader representation of public authorities, multilateral agencies and other international bodies.

This structure:

- addresses urgent global issues
- strengthens governance through a collaboration of the public and private sector
- transforms existing structures to address broader stakeholders’ needs
- connects financial information and NFI to create long-term value
- incorporates technology from the start

The corporate reporting community welcomed these ideas, additionally proposing a ‘building blocks’ approach. A core set of global metrics for NFI reporting would ensure comparability and address global challenges. Further blocks could be added to reflect jurisdictional priorities or to address sector-specific topics.

The European Commission has shown leadership and steps such as European NFI standards may be necessary. Nonetheless, global integration should be the ultimate goal.