

**CALL FOR ACTION:****ENHANCE THE COORDINATION OF NON-FINANCIAL  
INFORMATION INITIATIVES AND FRAMEWORKS****THE ISSUES**

Accountancy Europe received constructive input from investors, preparers, standard setters, and other stakeholders on its 2015 Cogito paper *The Future of Corporate Reporting – creating the dynamics for change*<sup>1</sup>. This publication covered, among other topics, wider corporate reporting including both financial and non-financial information reporting. Accountancy Europe is eager to continue to stimulate and participate in this important and inspiring debate in Europe, and to contribute to further thought leadership around a more holistic and coherent corporate reporting model.

Non-financial information reporting is growing in both prominence and importance. It goes, in our opinion, well beyond environmental, social, and governance key performance indicators. Non-financial information also covers indicators of sustainable growth and long-term value creation, including operational performance metrics such as, the number of trademarks registered, talent development and retention, or customer loyalty. Some investors claim that non-financial information improves their investment analysis and decision-making, which has been confirmed by some academic research. Non-financial information might sometimes be more forward-looking, and as such can be very valuable. Nevertheless, we think that financial information continues to be an important part of corporate reporting, in particular because of its confirmatory value.

The European Commission issued the Directive 2014/95/EU on non-financial and diversity information disclosures to assist entities with disclosing environmental and social information. The related Guidelines of June 2017 gave an overview of the most important non-financial information reporting frameworks as of today, which is an extensive list. The World Business Council for Sustainable Development informed us that there are currently an estimated 2000 initiatives to report bits and pieces of non-financial information, an excessive number.

State of the art corporate reporting covering **interconnected financial and non-financial information would enable stakeholders to obtain a more comprehensive view of an entity's performance**. A holistic and coherent corporate reporting model would provide an opportunity to communicate more effectively with an increasingly demanding and widening stakeholder group.

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Accountancy Europe notes a significant proliferation of initiatives and frameworks around non-financial information reporting which makes it challenging to cope with this topic. Consequently, some investors<sup>2</sup> are publicly calling for a global reporting framework similar to IFRS Standards which successfully underpin financial reporting at an international level. We heard similar echoes when engaging with the preparer and wider user communities: **the overwhelming number of existing disconnected non-financial information reporting frameworks complicates coherent, consistent, and comparable wider corporate reporting, and steadily increases the reporting burden for companies**.

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<sup>1</sup> Accountancy Europe (previously FEE), (2015), *The Future of Corporate Reporting – creating the dynamics for change*, [https://www.accountancyeurope.eu/wp-content/uploads/FEECogitoPaper\\_-\\_TheFutureofCorporateReporting.pdf](https://www.accountancyeurope.eu/wp-content/uploads/FEECogitoPaper_-_TheFutureofCorporateReporting.pdf)

<sup>2</sup> Blackrock, (2016), *Exploring ESG: A Practitioner's Perspective*, <https://www.blackrock.com/corporate/en-gb/literature/whitepaper/viewpoint-exploring-esg-a-practitioners-perspective-june-2016.pdf>

In a first step to address this proliferation of non-financial information initiatives and frameworks, the Corporate Reporting Dialogue successfully brought together the different parties promulgating reporting frameworks to cooperate. We believe that, given its maturity level, it is now time to take next steps to bring non-financial information reporting to 'investment grade' level.

We think that as a next step, **the different standard setting bodies and initiatives should coordinate their efforts to streamline existing reporting frameworks addressing similar pieces of non-financial information, with support from the regulatory community.**

**The final step should aim at developing a single global framework for non-financial information reporting. In the longer run, one party should take firm ownership of the development of this much-needed framework.** We understand that this challenging journey will take time but think it is important to start as soon as possible.

**Accountancy Europe therefore calls for decisive leadership to achieve greater standardisation, and to develop a robust global principles-based reporting framework to ensure a high level of quality and discipline in non-financial information reporting.** The principles underpinning this non-financial information framework should be comparable to those currently existing regarding financial reporting, namely the IFRS Standards. Such a framework would also promote consistency among preparers and would provide investors comparable information across different reporting entities.

The IASB is a globally recognised standard setter which has credibility in capital markets around the globe resulting from high quality deliverables, strong governance, and a clear mandate. A more prominent role in broader corporate reporting would allow the IASB to stay at the forefront of corporate reporting developments and to maintain the relevance of its Standards. We therefore encourage the IASB to play a more active role in wider corporate reporting, as they are currently contemplating. A revision and update of the IFRS Practice Statement *Management Commentary*, reflecting recent evolutions, could in our view be a positive step in this direction.

The Integrated Reporting initiative has been a major catalyst over recent years to achieve global acceptance of the value driven reporting. The initiative makes use of interconnected financial and non-financial information, covering the six capitals, to communicate a clear, concise, and integrated story that could explain how an entity's resources are creating value.

Accountancy Europe would like to encourage the IIRC to pursue its valuable Integrated Reporting initiative. We believe it is of the utmost importance that the IIRC actively engages with the different involved stakeholders to learn, further develop, and fine-tune the Integrated Reporting initiative to contribute to a new, more holistic and coherent reporting framework.

**The removal of barriers to innovation and the coordinated efforts from all key stakeholders would form a robust foundation to foster innovation in the corporate reporting arena.** This includes policy makers and market regulators like the European Securities and Markets Authority and the International Organization of Securities Commissions. It would be valuable if regulators would express their support or would provide a mandate to the IASB, the Corporate Reporting Dialogue, or others to further develop a global corporate reporting framework. Improved coordination between the different parties could lead to the right balance between policies, regulation, and innovation.

We invite the different stakeholders, including standard setters, to actively think about their respective roles in a wider corporate reporting environment and to engage with the other involved parties.

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