

ACCOUNTANCY EUROPE COMMENTS ON A ROADMAP: OBLIGATION FOR CERTAIN COMPANIES TO PUBLISH NON-FINANCIAL INFORMATION

To achieve a truly sustainable economy, the entire investment chain has to build sustainable practices, underpinned with appropriate reporting thereon. It is important to ensure that reporting obligations within the EU Taxonomy Regulation are coherent and aligned with related non-financial reporting initiatives and other data requirements at EU level.

We support the EC in requiring the participants of the ‘real economy’ to provide targeted information as per the upcoming delegated act. Having relevant information will allow banks and other financial institutions to direct capital to sustainable projects and businesses.

It will take companies some efforts to provide the required information under the EU Taxonomy Regulation. Even though the methodology is yet to be designed, companies will still have to devote high efforts and resources to define whether parts of turnover can be defined as environmentally sustainable. The same applies for OpEx and CapEx, in particular where it relates to products involving complex supply chains. We should not disregard the challenges regarding allocation for general costs (i.e. overhead). Also, companies will have to establish (or strengthen) the systems, processes and controls to ensure reporting consistency against regulatory requirements.

It is thus crucial to thoroughly design the methodology, also considering any options that could result in misleading data. The interest in such (financial) products and services will increase and it might put pressure to present the information only in a positive way. This may result in misleading information (or sustainability-related fraud). Comprehensiveness is a key element of reporting. A future non-financial reporting standard could base its environmental matters on the EU Taxonomy’s environmental objectives and should support the application of the technical screening criteria. Non-financial metrics should be consistent with the EU Taxonomy.

It should be noted that banks and insurance undertakings have different business models and play a different role in the investment chain than the non-financial companies. It is thus appropriate to define different criteria for such undertakings.

Accountancy Europe supports the EC’s efforts to promote the sustainable transition amongst the smaller businesses. We agree that SMEs may face indirect data demands from markets (from banks when applying for funding, from larger supply chain partners etc.). To help SMEs deal with these demands, a voluntary and adapted NFI framework for SMEs would be an appropriate first step. Professional accountants will play an instrumental role in guiding SMEs through the sustainability transition. Accountancy Europe stands ready to help the EC’s work.

Companies’ transition to a sustainable economy is and should remain the primary goal of the EU policies. ‘Green’ and ‘brown’ companies can both present many investment opportunities (i.e. innovation to change business models/transition to different operating models). Turning threats into opportunities can also help ensure that ‘brown’ companies are not excluded from finance which can result in losses, bankruptcies etc which would then result in negative economic impacts.

Finally, we would like to emphasise that information needs to be comparable and consistent in terms of quality, reliability and relevance. Given the importance of such information, assurance is necessary to enhance the information's credibility. Even if companies will need time to establish data collection systems and processes, the Commission should consider any future expectations about independent assurance requirements on the reporting resulting from the delegated now. Otherwise, lack of clarity may confuse markets and reduce trust in both the reporting entities and the auditors, as well as the legislation.

ABOUT ACCOUNTANCY EUROPE

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