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Non Financial Information: key for entities sustainability

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Why Non Financial Information



- Financial information not enough to look on future sustainability
- Stakeholders and investors interested on future value and its sustainability
- Value of companies lays on intangibles: multiple capitals and NFI.
- Social demand for ethics: demand of transparency on companies and other entities behavior.
- Non financial information as Key performance indicators to manage entities.

Lot of movement on sustainability reporting

- World economic Forum
- G20 see link https://www.g20-insights.org/policy_briefs/turning-sustainable-finance-into-mainstream-finance/
- IOSCO
- European Union
- IFRS consultation
- Concern on ESG matters USA. (see article link) <https://www.journalofaccountancy.com/news/2020/jul/auditors-role-in-environmental-social-governance-information-assurance.html>

European Union, one of the key promoters

- **Non-financial reporting**
- EU rules require large companies to publish regular reports on the social and environmental impacts of their activities.
- [Directive 2014/95/EU](#) – also called the non-financial reporting directive (NFRD) – lays down the rules on disclosure of non-financial and diversity information by large companies. This directive amends the accounting directive 2013/34/EU. Companies are required to include non-financial statements in their annual reports from 2018 onwards.
- on 20 February 2020 the Commission launched a [public consultation on the review of the NFRD](#).

Content of Non financial information reporting

Large companies have to publish reports on the policies they implement in relation to: More than 500 employees (Spain rule for 250 employees)

- environmental protection
- social responsibility and treatment of employees
- respect for human rights
- anti-corruption and bribery
- diversity on company boards (in terms of age, gender, educational and professional background) Some countries wider explanation of impact on society.

Content: environment



Cuestiones
medioambientales



- **Gestión ambiental:** efectos, actuales y previsibles, de las actividades de la empresa en el medio ambiente, salud y seguridad; evaluación y/o certificación ambiental y riesgos ambientales.
- **Contaminación:** atmosférica, acústica y lumínica.
- **Economía circular,** prevención y gestión de residuos y acciones para combatir el desperdicio de alimentos.
- **Recursos básicos:** uso sostenible del agua, eficiencia en el uso de materias primas, eficiencia energética y uso de energías renovables.
- **Cambio climático:** reducción emisiones efecto invernadero.
- **Biodiversidad:** protección.

Content: social and personal



Cuestiones sociales y
relativas al personal



- **Empleo:** empleados (nº total y distribución por sexo, edad, país y categoría); contratos (total y modalidades); despidos; remuneraciones medias; brecha salarial; discapacidad; políticas de conciliación...
- **Organización del trabajo:** organización del tiempo de trabajo, absentismo, medidas de conciliación...
- **Salud y seguridad:** condiciones en el trabajo, accidentes y enfermedades profesionales, desagregado por sexo.
- **Relaciones sociales:** diálogo social, sistemas de información, consulta y negociación con el personal; empleados sujetos a convenio colectivo...
- **Formación:** políticas implementadas; horas de formación por categorías.
- **Accesibilidad** universal de las personas con discapacidad.
- **Integración e igualdad de género;** prevención acoso sexual; integración pcd; políticas antidiscriminación; diversidad.

Basis for presentation



- Board responsibility
- Following international standards (frequently GRI)
- Countries decide on verification: Spain, do it, frequent applied standard: ISA 3000 (R)
- Experience France and Spain, more than 80% verifications done by registered auditors.
- Auditor must verify that NFIR is formalized

- IFAC, the global voice of the accounting profession, applauds the IFRS Foundation Trustees in issuing their [Consultation Paper on Sustainability Reporting](#). This marks a critical step on the path towards a *global* solution to sustainability reporting, called for earlier this month by IFAC in its [Enhancing Corporate Reporting: The Way Forward](#) roadmap.

Big opportunity for professionals



- To continue being relevant to attend public interest on new needs.
- Auditors and accountants best placed to work on non financial indicators
 - Same ERP and internal control systems
 - Able to understand what reality is beyond figures.
 - Understanding consistency and adequacy of figures.
 - Need of SME and NGO.
 - Connection with present and future reports.
- Specific complementary training linked with our basic capabilities.

In conclusion



- International consensus around importance of reporting on ESG

- <https://www.ifac.org/system/files/publications/files/IFAC-World-Economic-Forum-Consultation-Response-ESG-Value-Creation.pdf>

- <https://www.ifac.org/what-we-do/speak-out-global-voice/points-view/enhancing-corporate-reporting>

- Rationalization efforts must work toward a global system. IFAC strongly supports a global approach to ESG metrics and disclosures.
- Timeliness is key. Alignment, harmonization, and convergence must take place before regional or jurisdiction-specific initiatives become standard practice.
- Take a modular approach. Build upon existing high-quality metrics and disclosures.
- There is a role for both standards and frameworks. For example, the Integrated Reporting Framework.
- Assurance is needed to deliver confidence in corporate reporting. Assurance is most effective when applied against metrics and disclosures that follow clear best practices or standards.
- The accounting profession must remain engaged in the conversation. The profession is critical to evidence-based decision making, reliable information gathering, and consistent, comparable corporate reporting—be it ESG-focused or otherwise.

Thank you

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