

These notes have been compiled from my participation in the meeting at the offices of DG FISMA related to the necessity of assurance for Non-Financial Information (NFI) issued by European companies.

- ✓ The Directive is from 2017 and it is under revision at this moment and a draft will be issued in 2020.
- ✓ The European Green Deal will be important for the Directive related to Non-Financial Information, as the need for NFI.
- ✓ NFI is now compulsory only for big companies inside the management report or as annex to it in a separate report.
- ✓ Auditors only checks the existence of that information in its audit report.
- ✓ Verification is only compulsory by National Law.
- ✓ The more common problems are related to reliability and lac of relevant information or comparability with other companies.

The participants issued the next conclusions on the topic.

Accountancy Europe (AE) – Professional body

- ✓ Big companies issue NFI since long time ago because capital markets.
- ✓ Verifiers usually use ISAE3000 and typically are auditors, not only experts in NFI..
- ✓ The standards more commonly used are GRI
- ✓ Auditors accomplish the independence standard as in financial audits.
- ✓ Very few observations (qualifications) are included in the reports of NFI.
- ✓ It has to be settled the link between Financial Statements (FS) and NFI.
- ✓ The condition for being a verifier of NFI must be put in place.
- ✓ The skills and standards necessary to review NFI must be decided.
- ✓ Verifiers in Big4 tend to be separate teams within the organization, not financial auditors.

Banca Intesa San Paolo – Preparer

- ✓ Their verification of NFI is carried out voluntarily and with limited assurance.
- ✓ The verifier is the auditor as it is easier for them deal with only one team.
- ✓ They prepare FS and NFI in separate set of documents with different reports.
- ✓ The necessity of mentioning the NFI in the audit report delays the issuing of the FS until NFI is closed.
- ✓ Strategically, they use NFI from customers in order to accurate the financing conditions.

SLOVAK CHAMBER OF AUDITORS – Professional body

- ✓ In Slovakia, the subsidiaries of European companies tend to include NFI although they are exempted because they issue NFI in their Groups.

BASF - Preparer

- ✓ GRI are globally used by companies, so no new standards at EU level are necessary.
- ✓ Verification is considered necessary in order to publish the NFI in the Management Report (MR).
- ✓ Internal Control & Informations Systems must be adjusted to obtain the NFI.

- ✓ Their auditors' firm are the verifiers as they have a close relation to the financial auditors.
- ✓ Financial auditors should have skills and knowledge related to NFI in order to assess financial risks.
- ✓ Verification of NFI is not compulsory by the moment.
- ✓ Qualitative information is very difficult to be verified.

#### KPMG – Verifiers

- ✓ KPI's in human resources are very important in Spain because the Law.
- ✓ Companies argue with sensitive information in order to avoid transparency.
- ✓ Being the auditor and the verifier by the same firm is easier for the work.
- ✓ Materiality is difficult to assess a local and global levels as it can be different.

#### ICAC – Oversight body for accountancy and auditing in Spain

- ✓ They are preparing guidance for assurance when reporting NFI.
- ✓ Limited assurance will be permitted in Spain.
- ✓ Auditors and Verifiers in big companies tend to be different in order to establish more independence.
- ✓ Assurance of the NFI is compulsory in Spain.
- ✓ In order to verify NFI, auditors need new skills.
- ✓ It is needed a common EU framework for NFI assurance and standards

#### MINISTERE DE LA JUSTICE FRANCE

- ✓ NFI is carried out by professionals included in a register, no matter if they are auditors or not, if they accomplish the conditions.
- ✓ The verification is mainly formal for the auditor in FS report.
- ✓ The verification is according to the limited assurance model.
- ✓ Costs for verification must be had in account.

#### GERMAN STANDARDS SETTER

- ✓ It is difficult for the auditors reviewing the management report for the section of the audit report on FS.
- ✓ No independence issues have arisen when the auditor and the verifier is the same firm.
- ✓ ISAE3000 is the most common standard for verification of NFI.

#### FRANCE STANDARD SETTER

- ✓ In the audit, the auditors review the Management Report when compulsory for the accuracy of the information.

#### DUTCH AUDIT OVERSIGHT BODY

- ✓ 45% of companies present NFI verified by a professional in some way.
- ✓ GRI is the more common standard used for prepare NFI.
- ✓ Comparability is an issue.
- ✓ A new standard for verify must be issued as ISAE3000 is not created for NFI.

#### ITALY OVERSIGHT BODY

- ✓ A different assurance work is needed for NFI than for the audit report.
- ✓ No reporting standard is compulsory in Italy.

- ✓ At EU level, harmonised standards should be issued for preparing and assure.
- ✓ Only auditors are allowed to do de verification because the knowledge on assurance standards.

#### MAZARS – Verifiers

- ✓ No statutory framework in in force now, there are only guidance.
- ✓ Materiality is very important but very difficult to be settled.
- ✓ Cherry-picking of issues to be verified is a risk for assurance.
- ✓ Qualitative information is difficult to be verified.
- ✓ The assurance report on NFI should give useful information, not only qualifications.

#### OTHER REMARKS

- ✓ Banks are including NFI as information needed for financing companies.
- ✓ Big companies need NFI from the supply chain in order to comply with their NFI.
- ✓ There are guidance for applying GRI in SME that should be publicised by EU and Member States.
- ✓ The statutory auditor is in the best place to carry out the verification of NFI.
- ✓ When the verifier is different from the statutory auditor, some work is duplicated for the management report and the assurance report on NFI.