

Trends in Disclosing Non-Financial Information

by Antoni Gómez, Chairman of Auren & IFAC SMP Committee Member | May 17, 2019

Is financial information the most relevant information to stakeholders? Certainty not always.

Companies and other organizations disclose information to a wide range of stakeholders and, for many of them, non-financial information is of more interest than financial information.

Transparency is a global trend in society. Customers and the public are generally concerned about the behavior and operations of organizations. Matters such as human rights, sustainability, ethical conduct, anti-corruption and respect of laws and regulations are considered very important. The positive contribution of entities to welfare is also highly significant for society.

Disclosure of non-financial information has become compulsory for companies of certain sizes and jurisdictions and an extended practice in others. In Europe, under [Directive 2014/95/EU](#), large companies (more than 500 employees) must publish reports on the policies they implement in relation to: environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, and company board diversity (in terms of age, gender, educational and professional background).

In Spain, for example, non-profit organizations of all sizes are obligated to disclose specific “general interest” information including: criteria used to select beneficiaries of their activities, gender detail of users of their activities and information about how they have applied equal opportunities policies.

Compulsory disclosure of non-financial information could be the answer to the significant societal demand for greater transparency. In satisfying this demand, companies and other organizations, including those in the public sector, can increase the trust in and reputation of the entity; both of which are very valuable intangible drivers of value.

The [International Integrated Reporting Framework](#) developed by the [International Integrated Reporting Council](#) (IIRC) offers a six capitals model that can be used as a guide in considering a broader perspective of value creation while taking into account the range of capitals or resources (financial, manufactured, intellectual, human, social and relationship, and natural capital) that an organization depends on for its success.

Specifically, for small and medium-sized entities (SMEs), integrated reporting and integrated thinking (the active consideration by an organization of the relationships between its various operating and functional units and the ‘multiple capitals’ that the organization uses or affects) offer the chance to better understand the drivers of business value. Integrated reporting and thinking also presents the opportunity to disclose and manage essential elements that create value for the organization. Integrated reporting may not be fully applied by an SME, but the guidelines offer a

very useful tool. IFAC and IIRC developed a practical document to help SMEs, including non-profits adopt integrated reporting and realize its benefits '[Creating Value for SMEs through Integrated Thinking](#)'.

In Spain, entities that typically undertake the reporting on a voluntary basis are specifically those that in some way manage activities related to the community, such as hospitals, schools, elderly residences, and sport facilities. For these entities, nonfinancial information is more relevant for interested stakeholders than financial information. Even in terms of return on investments and financial solvency, sustainable success will depend more on social impact of entities and their activities than financial matters. For example, the [Barcelona Beta Brain Research Center](#).

Professional accountants have a significant role in this field. Helping entities to obtain, organize, analyze and present relevant information when appropriate while providing assurance on the disclosed information.

Society is demanding more transparency and information on the activities and operations of companies and organizations. Accountants and auditors shall serve the public interest by promoting and addressing this social demand.

The Global Knowledge Gateway has a number of useful articles and videos on both integrated reporting and integrated thinking:

- [The Use and Usefulness of Integrated Reporting](#)
- [Insights into Integrated Reporting](#)
- [How Can SMEs Implement Integrated Reporting? A Starter Kit](#)
- [Integrated Thinking: A Pillar for Integrated Reporting](#)
- [4 Key Steps for CFOs to Instill Integrated Thinking and Reporting](#)
- [Integrated Thinking & Reporting Requires Trusted Advisors: Guiding Your SME Clients](#)
- [Integrated Reporting <IR> Longs for Finance Professionals](#)
- [A Call to Action: Walk the Talk on Integrated Reporting](#)
- [The Case for SMEs to Consider Integrated Thinking and Reporting](#)



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