

For the accredited verification of Corporate Sustainability Information

On the thirtieth of June, the European Parliament reached a preliminary agreement on a new European Directive on Corporate Sustainability Reporting (CSRD), which will amend the Non-Financial Reporting Directive (NFRD) currently in force. From 2023, all companies required to do so will have to report in accordance with these new requisites. In light of such circumstances, as members of the Accredited Certification and Verification Bodies collective, we wish to highlight, both to legislators and society at large, one of the key aspects which must be envisaged in the subsequent developments or transpositions of the future directive.

Credibility and transparency in non-financial information: an essential objective for sustainability

In Spain, with the 2018 publication of the Law 11/2018 of the 28th of December (transposition of the NFRD), organisations which meet certain requisites in regard to capital, turnover and/or number of employees, must include a sustainability report or Non-Financial Information Statement in their accountability reporting, which records aspects of environmental and social management and governance.

The aim of the current legislation and the regulation currently under development is to ensure private business activity in Europe is assessed not only based on financial results, but also in relation to its sustainability achievements: environmental and social results and its governance model.

To that end, companies are required to disclose all interest groups (from shareholders or staff to users or customers), their impact and results in social and environmental spheres, as well as in terms of governance. Furthermore, the fact this is carried out in standardised fashion allows for comparisons to be drawn and, consequently, decisions to be made as regards the valuation, investment and purchase of assets in said business area. This uniformity indicates a need for the reporting model and verification process to be standardised.

Ensuring that the published information is truthful, relevant and reliable is essential to the correct functioning of the system, and to meeting the desired objectives. As such, the existing legislation establishes that this report should be included as part of the annual accounts which must be reviewed by the accounting auditor, who among their duties, must confirm that the data in the published non-financial information have been duly verified by an independent body.

This is the only way to truly lift the shadow of greenwashing which looms large over much of the development currently underway in regard to sustainability.

Verifier of Non-Financial Information

The huge uncertainty which abounded in business spheres in light of this new requirement to deliver a duly verified Non-Financial Information Statement, was due to the regulation's failure to specify the qualifications which the person or organism charged with performing said verification should hold. This left the doors open to the possibility of any market agent undertaking the task of verification without any kind of supervision.

While the new directive does include the requirement to include a sustainability report (the Non-Financial Information Statement) with the accounts filed by the organisation, and the mandatory nature of having said report verified, it leaves it up to the individual Member States to determine the nature of the independent verifiers and the process they are obliged to follow in carrying out such verification with sufficient guarantees. They do however draw attention to the desirability of relying on the accredited verification institutions, in the interests of encouraging respect for the necessary independence, competence and market freedom.

Accredited Conformity Assessment, an international tool that works

In the opinion of the signatories of this document, the European legislator could have displayed greater clarity in resolving this uncertainty by using the Quality Infrastructure tools, the international and universally accepted framework which legislators devised in order to instil confidence in interested parties with regard to the features of products, services, processes, inspections and information declarations. At the European level, the operational framework of conformity assessment activities is based on the European Regulation 765 of 2008, and in complying with said Regulation, the National Accreditation Bodies, such as ENAC in Spain, ensure competence, impartiality

and functioning of organisations which carry out conformity assessments and, in particular, labours of validation and verification.

The International Standard ISO 17029 on validation and verification, approved by the International Organisation for Standardisation (ISO) and used by the International Accreditation Forum (IAF), is the regulatory accreditation document for validation and verification bodies and contains the requisites and general principles regarding the competence, impartiality and functioning of the organisations which carry out validation and verification such as conformity assessment activities in any sector, area or field of activity.

International standards and conformity assessment tools, in particular rigorous accreditation processes, have demonstrated their efficacy and are the framework which the European legislator has assigned to ensure the quality of conformity assessments. As such, it appears this would be the logical and most effective route towards achieving reliable, competent and independent verification, all while guaranteeing a standardised service offering and dispelling any doubts which may exist over a solution which puts market freedom at risk.

We are concerned by the fact verifications may come to be carried out by non-accredited bodies, or indeed that certain formulas which differ from those in place as part of the current accreditation system may be developed to demonstrate competence and independence, despite said system having proven its efficacy in verifying the characteristics of products, services, organisations and non-financial information, all intrinsically different to financial information.

Accredited Conformity Assessment, a common tool used to support Public Administrations

Today, and for decades past, the Public Administration has relied on the infrastructure provided by Accredited Conformity Assessment bodies as a way of offering the sufficient confidence required for its decision-making. Some examples of this include:

- » Verification of Greenhouse Gasses within the European emissions trading system.
- » Verification for the EMAS Regulation (relating to organisations' voluntary participation in an EU environmental management and auditing system).
- » Validation and verification of the Do No Significant Harm to the environment principle (DNSH).
- » Verification of the Carbon Footprint.

Furthermore, nowadays there are a range of accredited certification and verification schemes that deal with a broad scope of elements related to the environmental, social and governance matters which must be reflected in the Non-Financial Information Statement.

Besides those mentioned above, these could also include:

- » Penal compliance management system.
- » Risk Management system.
- » Anti-bribery management system.
- » Occupational health and safety management system.

In light of the foregoing, the signatories of this document call on those responsible for transposing the future Directive on Corporate Sustainability Reporting (CSRD) to take into account:

- » That the structures required to guarantee the standardisation, reliability and transparency as regards matters of non-financial information already exist, and are provided for in the European Regulation 765/2008.
- » The role accredited conformity assessment bodies have long been performing to the benefit of Public Administrations in verifying non-financial information.
- » That the participation of the accredited conformity assessment bodies provides the necessary trust in the independence and freedom of market.

Signed:
Committee of Certification and Verification Bodies of the AEC
September, 14 2022