



From Non-Financial Disclosure to Sustainability Reporting: New Challenges for Financial Analysts and Auditors

Prof. Maria NICULESCU,
Ph. D., Romania

Prof. Emeritus Alain BURLAUD,
France

To cite this article:

Niculescu, M., Burlaud, A. (2023), From Non-Financial Disclosure to Sustainability Reporting: New Challenge for Financial Analysts and Auditors, *Audit Financiar*, vol. XXI, no. 4(172)/2023, pp. 685-714, DOI: 10.20869/AUDITF/2023/172/022

To link this article:

<http://dx.doi.org/10.20869/AUDITF/2023/172/022>
Received: 7.06.2023
Revised: 1.08.2023
Accepted: 31.10.2023

Abstract

In the context of recurrent ecological and societal crises, the European institutions are committed to fostering sustainable development that meets the needs of present and future generations, while providing new opportunities for employment, investment and economic growth. These commitments are the guiding principle of European policies and strategies in terms of financing sustainable growth, green transition, and building an economy at the service of citizens. They have been gradually transposed into a large number of European regulations, including those related to sustainability disclosure by certain categories of economic and financial actors. The significance of the paradigm shift fuels the reflection on the relationship between these new regulations and the social reality, in which and upon which they must act. The new regulations referring to are especially: Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services; Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Taxonomy Regulation); Directive (EU) 2022/2464 of the European Parliament and of the Council amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

As part of the European and international sustainability concerns, this article is a reflection paper on the developments, notably conceptual, axiological and substantive, generated by the Directive (EU) 2022/2464, and their translation into legal and practical innovations. Based on an extensive review of the relevant literature and European legislation, as well as on content analysis and secondary analysis of numerous scientific studies in the field, authors' contribution focuses on the meaning and implications of the switch from 'non-financial information' to 'sustainability information', as well as on the new relationship between the law and the social reality created by Directive (EU) 2022/2464.

The authors assume that such clarifications are a prerequisite for the successful transformation of certain professions significantly affected by this Directive, including those of financial analysts and auditors. This requires, at the same time, upstream changes of

university curricula and continuing education in this area, as well as in research programs.

Key Words: non-financial information; sustainability reporting; double materiality; value chain; performativity;

JEL Classification: M41, M42, Q52.

1. Theoretical Framework

The Intergovernmental Panel on Climate Change (IPCC) defines 'sustainable development' as: "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs"¹.

Sustainability is defined as "A dynamic process that guarantees the persistence of natural and human systems in an equitable manner"². These definitions did not arise ex nihilo, but are the fruit of a long process of awareness that lasted almost two centuries. In order to understand the maturation of these ideas, which generated much controversy, inspired a diversity of theories and gradually gave rise to new legislation, it is necessary to retrace their genesis and evolution.

1.1. Avant-garde theories

Before the term 'sustainable development' became an official concept, the idea of the impossibility of unlimited growth had already been theorized by Thomas Malthus in 1798. He opposed population growth, doubling every 25 years, to the natural limitation of land available to feed this population, aggravated by diminishing returns and the fact that the best land was already exploited. Therefore, the only possible remedy was birth control³, especially among the poorest⁴. But the Industrial Revolution invalidated Malthus' theory of diminishing returns.

The idea of an imbalance between needs and available resources has gained ground. Thus, Theodore Roosevelt, American statesman, declared in his speech at the 1908 Wildlife Conservation Conference in Washington: "We

have a duty to nature, and we must be accountable for how we pay it off every day." In 1909, in a statement to the U.S. Senate, he defended ideas of sustainability and responsibility, even though the syntagma 'sustainable development' was not used: "With the steady growth in population and the still more rapid increase in consumption our people will hereafter make greater and not less demands per capita upon all the natural resources (...). If we of this generation destroy the resources from which our children would otherwise derive their livelihood, we reduce the capacity of our land to support a population, and so either degrade the standard of living or deprive the coming generations of their right to life on this continent."

In 1972, the Club of Rome, a think tank close to the Organization for Economic Co-operation and Development (OECD) that brought together scientists, economists, government officials and business leaders from 52 countries, published the *Limits to Growth Report*, also known as the *Meadows Report*, after its two principal authors. The introduction begins with a quote from Maha Thray Sithu U Thant, the United Nations (UN) Secretary-General at the time, who stated in 1969: "I do not wish to seem overdramatic, but I can only conclude from the information that is available to me as Secretary-General, that the Members of the United Nations have perhaps ten years left in which to subordinate their ancient quarrels and launch a global partnership to curb the arms race, to improve the human environment, to defuse the population explosion, and to supply the required momentum to development efforts. If such a global partnership is not forged within the next decade, then I very much fear that the problems I have mentioned will have reached such staggering proportions that they will be beyond our capacity to control."⁵

This fear of exponential population growth, underlying Malthus' predictions, is illustrated by the metaphor of the water lily. "A water lily on a pond doubles its surface area every day. Knowing that it takes 30 days to cover the entire pond, thus suffocating all aquatic life, the question arises: is the time it covers half of the

¹ Intergovernmental Panel on Climate Change (IPCC) (2014), Fifth Assessment Report (AR5) Glossary. (https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_annex-i.pdf), p. 133.

² *Ibid.*

³ Malthus, T. R. (1992), *Essai sur le principe de population*, Paris, Flammarion. First edition in English: 1798.

⁴ Malthus was a pastor who only envisaged abstinence to limit births. He demanded much of humanity...

⁵ Meadows, D.H., Meadows, D.L., Randers, J., Behrens, W. W. III (1972), *The limits to growth: a report for the club of Rome's project on the predicament of mankind*, New York, Universe Books, p. 17 (https://collections.dartmouth.edu/teitexts/meadows/diplomatic/meadows_ltg-diplomatic.html#pg-17).