



UiO • Faculty of Law
University of Oslo

PhD seminar on Sustainability Law: Companies Markets
and Circular Economy

EU Company Law and Developments in Corporate Accounting and Reporting

11 October 2022



Jukka Mähönen

European accounting regime

- Traditionally, financial accounting serving not only the board, the management and the members of a firm but the society as a whole
 - Creditor protection, tax accounting
 - Prudence and historical cost
- Connection to birth of a legal person with limited liability (see presentation on law and economics 11 October)

From legal approach to economic approach

- As in company law, also in accounting this approach was seen too societal
- Pressure from neoclassical economics
 - Shareholder primacy
 - Fair value

From legal approach to economic approach

- U.S. GAAP → Financial Accounting Standards Board (FASB) (1973): Financial Accounting Standards (FAS)
- International Accounting Standards Committee (1973): International Accounting Standards (IASs)

Social and environmental matters

- Important but non-financial information
- Separate social and environmental accounting
- “Corporate social responsibility”

European accounting regime

- Fourth Directive 1978 (78/660/EEC)
 - Management report
- Seventh Directive 1983 (83/349/EEC)
- Based on German tradition

Need for capital

- German companies listed in New York in 1990s
 - German accounting not acceptable → FASB
- US accounting unacceptable →
- IAS Regulation 2002 ((EC) No 1606/2002)
- IASC → International Accounting Standards Board (IASB)
- IASs → International Financial Reporting Standards (IFRS)

Need for capital

- Reform of accounting directives (2003, 2006, 2013)
- Convergence of EU accounting regime with IFRS regime
- Accounting Directive 2013 (2013/34/EU)

EU Non-financial reporting

- Non-Financial Reporting Directive (2014) (2014/95/EU)
 - Separate non-financial statement
- Not assured
- Relaxation of assurance of management report

EU Sustainable finance

- EU Commission Sustainable Finance Action Plan (2018)
 - Interest to sustainability reporting
- IFRS reform unrealistic?
- Sustainability reporting reform
 - Proposal for Corporate Sustainability Reporting Directive (COM(2021) 189 final)
 - European Sustainability Reporting Standards
- Double materiality

EU Sustainable finance

- Due Diligence reporting
 - Corporate Sustainability Due Diligence Directive proposal 2022 (COM(2022) 71 final)
- Audit and assurance of sustainability reports

IFRS answer

- International Sustainability Standards Board:
IFRS Sustainability Disclosure Standards
(IFRS SDS)
 - Single materiality

Crucial question avoided

- What is the relationship between financial accounting proper
 - IFRS and Accounting Directive 2013
- and sustainability?
- Is the EU bound to IFRS for eternity?
- Is there hope for EU sustainable accounting, instead sustainability accounting?

Critical question avoided

- Is the EU accounting regime compatible with EU law?
 - Art 3(3)(1) TEU: The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.