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Public consultation: Fitness check on the EU framework for public reporting by companies

Fields marked with * are mandatory.

Introduction

This consultation is also available in German and French.

Public reporting by companies[1] is based on a number of EU Directives, Regulations and Recommendations that were adopted at different points in time over the last 40 years. The current body of EU law (the "acquis") comprises a range of requirements applying to listed and non-listed companies, sector specific requirements (banks and insurers), as well as additional disclosure requirements applicable to listed companies. The initial Directive on annual accounts aimed at harmonising financial information to capital providers and for creditor protection. More recently, public reporting requirements have been expanded to non-financial reporting for a much broader audience.

The Commission is now conducting a comprehensive check of the fitness of the EU framework on public reporting by companies. The objectives of this fitness check are:

1. to assess whether the EU public reporting framework is overall still relevant for meeting the intended objectives, adds value at the European level, is effective, internally consistent, coherent with other EU policies, efficient and not unnecessarily burdensome;
2. to review specific aspects of the existing legislation as required by EU law[2]; and
3. to assess whether the EU public reporting framework is fit for new challenges (such as sustainability and digitalisation).

Throughout this consultation, certain concepts should be understood as follows:

- **Effectiveness** – whether an intended objective is met;
- **Relevance** – whether a requirement is necessary and appropriate for the intended objectives;
- **Efficiency** – whether the costs associated with the intervention are proportionate to the benefits it has generated;
- **Coherence** – whether requirements are consistent across the board;
- **Added value** – whether the EU level adds more benefits than would have been the case if the requirements were only introduced at the national level.

The Commission published an action plan on financing sustainable growth that builds on the recommendations of the High Level Expert Group (HLEG) on sustainable finance. This fitness check on the EU framework for public reporting by companies is one of the actions announced in the Action plan. Several questions in this fitness check, in particular in the section on non-financial reporting, should be considered also in the context of the HLEG recommendations on sustainability.

The replies to this consultation will feed into a Staff Working Document on the fitness of the EU framework for public reporting by companies, to be published in 2019.

[1]For this consultation "companies" mean limited liability companies of the types listed in the accounting Directive, companies that have issued securities on an EU regulated market, and banks or insurance companies including cooperatives and mutual structures.

[2]According to legislation, a series of reviews will have to be performed by the Commission:

- A report on the implementation of Non-Financial Reporting Directive 2014/95/EU, addressing its scope, particularly as regards large non-listed undertakings, its effectiveness and the level of guidance and methods provided.
- A report on the situation of micro-undertakings having regard to the number of micro-companies and the reduction of administrative burdens resulting from the simplifications introduced in 2013.
- A report on the implementation and effectiveness of the Country-By-Country Reporting by extractive and logging industries, including examining the case for an extension of the Country-By-Country reporting to other sectors.
- A report on the 2013 Amendments to the Transparency Directive, considering the impact on small and medium-sized issuers and the application of sanctions.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-public-reporting-by-companies@ec.europa.eu.

More information:

- on this consultation
- on the protection of personal data regime for this consultation

1. Information about you

*Are you replying as:
- ○ a private individual
- ● an organisation or a company
- ○ a public authority or an international organisation

*Name of your organisation:

BDO

Contact email address:

The information you provide here is for administrative purposes only and will not be published

petya.stoycheva@bdo.global

*Is your organisation included in the Transparency Register?
(If your organisation is not registered, we invite you to register here, although it is not compulsory to be registered to reply to this consultation. Why a transparency register?)
- ● Yes
- ○ No

*If so, please indicate your Register ID number:

36576556470-62

*Type of organisation:
- ○ Academic institution
- ○ Company, SME, micro-enterprise, sole trader
- ● Consultancy, law firm
- ○ Consumer organisation
- ○ Industry association
- ○ Media
- ○ Non-governmental organisation
- ○ Think tank
- ○ Trade union
- ○ Other

* In what category do you classify your company? (if applicable)

- ○ Group with cross-border subsidiaries
- ○ Group without cross-border subsidiaries
- ○ An individual company
- ● Not applicable

* Where are you based and/or where do you carry out your activity?

Other country

* Please specify your country:

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* Field of activity or sector (*if applicable*):

at least 1 choice(s)

- ☐ Accommodation and food service activities
- ☑ Accounting
- ☐ Administrative and support service activities
- ☐ Agriculture, forestry and fishing
- ☐ Arts, entertainment and recreation
- ☑ Auditing
- ☐ Banking
- ☐ Construction
- ☐ Consumer protection
- ☐ Credit rating agencies
- ☐ Digital
- ☐ Electricity, gas, steam and air conditioning supply
- ☐ Human health and social work activities
- ☐ Information and communication
- ☐ Insurance
- ☐ Investment management (e.g. UCITS, hedge funds, private equity funds, venture capital funds, money market funds)
- ☐ Manufacturing
- ☐ Market infrastructure / operators (e.g. CCPs, CSDs, Stock exchanges)
- ☐ Mining and quarrying
- ☐ Pensions
- ☐ Professional, scientific and technical activities
- ☐ Real estate activities
- ☑ Service provider
- ☐ Transportation and storage
- ☐ Water supply, sewerage, waste management and remediation activities
- ☐ Wholesale and retail trade, repair of motor vehicles and motorcycles
- ☐ Other
- ☐ Not applicable

Important notice on the publication of responses

* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?
(see specific privacy statement)

- [x] Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- [ ] No, I do not want my response to be published

2. Your opinion

This consultation seeks stakeholder views on whether the EU framework for public reporting by companies is fit for purpose.

Considering the size of this public consultation please feel free to respond only to sections or questions of interest to you.

The questionnaire is structured as follows:

- Assessing the fitness of the EU public reporting framework overall (Section I; Questions 1-7)
- The EU financial reporting framework applicable to all companies (Accounting Directive: companies with cross border activities, SMEs, and content of the information) (Section II; Questions 8-18)
- The EU financial reporting framework for listed companies (IAS regulation, Transparency Directive) (Section III; Questions 19-29)
- The EU financial reporting framework for banks and insurance companies (Sectoral Accounting Directives) (Section IV; Questions 30-39)

I. Assessing the fitness of the EU public reporting framework overall

Depending on its type, activity or situation, a company has a number of public reporting obligations under EU law. The current EU level public reporting framework considered for this consultation consists of the following:

- **Publication of individual and consolidated financial statements in accordance with national GAAP (Generally Accepted Accounting Principles)** by any limited liability company established in the EU. By virtue of the Accounting Directive 2013/34/EU Member States must ensure that any company in their jurisdiction with a legal form that limits its liability must prepare financial statements and a management report. These shall be audited / checked by a statutory auditor and published in the relevant business register according to national law that is compliant with this Directive. For companies other than a public-interest entity (bank, insurance company or company with securities listed), EU requirements are proportionate to the company's size.
- **Publication of consolidated financial statements in accordance with the International Financial Reporting Standard (IFRS) adopted** by the EU and other specific items by any company established in the EU that has securities (e.g. shares, bonds) listed on an EU regulated market by virtue of the IAS Regulation (EC) No 1606/2002, the Transparency Directive 2004/109/EC and the Market Abuse Regulation (EU) No 596/2014. The use of IFRS makes company accounts comparable within the single market and globally. Companies established in third countries may use their national standards (e.g. US GAAP) if these are accepted on the basis of EU equivalence decisions. The Transparency Directive (2004/109/EC) makes the issuers' activities more transparent, thanks to regular publication of yearly and half-yearly financial reports, as well as

the publication of major changes in the holding of voting rights and ad hoc inside information which could affect the price of securities. Issuers have to file such information with the national Officially Appointed Mechanisms (OAMs).

- **Publication of individual and consolidated financial statements in accordance with sectoral layouts and principles** by any bank or insurance company in the EU by virtue of the Bank Accounting Directive (86/635/EEC) and the Insurance Accounting Directive (91/674/EEC). Unless they prepare IFRS financial statements, any bank or insurance company in the EU must publish financial statements in compliance with national accounting rules that are in line with these sectoral Accounting Directives. Specific sectoral rules provide for, inter alia, layouts (balance sheet and Profit and Loss Account) and accounting treatments for e.g. loans, repurchase agreements or technical provisions.

- **Publication of non-financial information by any public-interest entity (bank, insurance company or listed company) with more than 500 employees** by virtue of Directive 2014/95/EU. The information should be part of the management report, or published in a separate report. Non-binding guidance was issued in 2017 in order to assist companies – Commission Communication C /2017/4234.

- **Publication of country-by-country reports on payments to governments by any large company that is active in extraction or logging** by virtue of Chapter 10 of Accounting Directive 2013/34/EU and Article 6 of Transparency Directive 2004/109/EC. This fosters transparency on payments to governments, including third country governments, made in relation to these activities.

The table below provides an overview of the different objectives of the current EU framework mapped to individual legal instruments in the field of public reporting by companies:

MAIN OBJECTIVES	OPERATIONAL OBJECTIVES	EU LEGAL INSTRUMENTS*				
		AD	IAS	TD	BAD	IAD
Stakeholder protection	→ Shareholder protection	X	X	X		
	→ Creditor protection	X				
	→ Depositor protection				X	
	→ Policy holder protection					X
	Facilitate:					

Internal market	→ Cross border investments	X	X	X	X	X
	→ Cross border establishment	X			X	X
Integrated EU capital markets	**Market efficiency:**					
	→ Access to capital	X	X	X		
	→ Capital allocation		X	X		
	→ Integrated securities market		X	X		
Financial stability	→ Public confidence in company reporting	X	X	X		
	→ Trust in the resilience of specific sectors (banking and insurance)				X	X
Sustainability	→ Enhanced corporate responsibilities / accountability/ good corporate governance	X		X		
	→ Empower stakeholders	X		X		
	→ Foster globally sustainable activities	X				
	→ Foster long term investments	X				
	→ Fight corruption	X		X		

* Accounting Directive (AD); IAS regulation / IFRS (IAS); Transparency Directive (TD); Bank accounts Directive (BAD); Insurance Accounts Directives (IAD)

General questions

Question 1. Do you think that the EU public reporting requirements for companies, taken as a whole, have been **effective** in achieving the intended objectives?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion /

						not relevant
Ensuring stakeholder protection	○	○	○	●	○	○
Developing the internal market	○	○	○	●	○	○
Promoting integrated EU capital markets	○	○	○	●	○	○
Ensuring financial stability	○	○	●	○	○	○
Promoting sustainability	○	○	●	○	○	○

Please explain your response to question 1 and substantiate it with evidence or concrete examples:

Overall, we believe that the public reporting requirements for companies in the EU are robust and have largely been effective in achieving the objectives set out in this question. Consequently, we believe that it is not appropriate to make significant changes to existing requirements. However, there is a need to look more widely at corporate reporting (which includes financial statement, but also includes associated narrative reports and the reporting of non-financial information). A large number of organisations are currently involved in this area (such as the IIRC and GRI), and we also note the development of the ‘Core and More’ approach by Accountancy Europe. In the context of wider development in corporate reporting, we welcome the proposed introduction of a Corporate Reporting Lab at EU level as this has the potential to enable experimentation with new ideas and approaches.

However, it is important to make a clear distinction between the reporting of aspects such as sustainability, long term value creation and other ESG matters, which are driven by corporate strategy, and the financial statements which need to give a high quality, transparent and unbiased picture of the financial position and performance which has resulted from that corporate strategy.

Ensuring stakeholder protection: 4 (mostly agree) – this links to the requirement for companies to prepare financial statements and have them audited

Developing the internal market: 4 (mostly agree)

Promoting integrated EU capital markets : 4 (mostly agree) – in particular, the requirement for entities listed in regulated markets in the EU to prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) has assisted in European capital markets becoming more integrated as well as encouraging investment.

Ensuring financial stability: 3 (partially disagree and partially agree)

Financial stability is dependent on decisions taken by management, which can be influenced by the legal or regulatory framework which is put in place. Public reporting requirements for companies can contribute to the ability for effective action to be taken, by providing high quality, transparent and unbiased information to stakeholders, including financial statements that are prepared in accordance with International Financial Reporting Standards which are designed to have those attributes.

Promoting sustainability

We believe that the development of the Non-Financial Information (NFI) Directive is helpful in promoting sustainability. However, this has only recently been introduced and so it is not yet possible to determine whether it has met its objective.

Question 2. Do you think that the EU public reporting requirements for companies, taken as a whole, are **relevant** (necessary and appropriate) for achieving the intended objectives?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Ensuring stakeholder protection	○	○	○	●	○	○
Developing the internal market	○	○	○	●	○	○
Promoting integrated EU capital markets	○	○	○	●	○	○
Ensuring financial stability	○	○	●	○	○	○
Promoting sustainability	○	○	●	○	○	○

Please explain your response to question 2 and substantiate it with evidence or concrete examples of any requirement that you think is not relevant:

We refer to our response to question 1. As noted in that response, we believe that the public reporting requirements for companies in the EU are robust and have largely been effective in achieving the objectives set out in this question.

However, we do not believe that the issues of financial stability and sustainability are primary objectives, and are instead linked to whether the reporting requirements result in the provision of high quality, transparent and unbiased information to stakeholders.

Question 3. Companies would normally maintain and prepare a level of information that is fit for their own purposes, in a "business as usual situation". Legislation and standards tend to frame this information up to a more demanding level.

With regards to the objectives pursued, do you think that the EU legislation and standards on public reporting are **efficient** (i.e. costs are proportionate to the benefits generated)?

- ◯ 1 - totally disagree
- ◯ 2 - mostly disagree
- ◯ 3 - partially disagree and partially agree
- ◯ 4 - mostly agree
- ◯ 5 - totally agree
- ◉ Don’t know / no opinion / not relevant

Please explain your response to question 3 and substantiate it with evidence or concrete examples of requirements that you consider most burdensome:

Question 4. If you are a preparer company, could you please indicate the **annual recurring costs** (in € and in relation to the total operational cost) incurred for the preparation, audit (if any) and publication of mandatory public reporting:

Total amount in Euros of annual recurring costs for mandatory public reporting:

Amount as a % of total operating costs of annual recurring costs for mandatory public reporting:

%

Coherence

Question 5. Do you agree that the intrinsic coherence of the EU public reporting framework is fine, having regard to each component of that reporting?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant
Financial statements (preparation, audit and publication)				X		
Management report (preparation, consistency check by a statutory auditor, publication)				X		
Non-financial information (preparation, auditor’s check and publication)				X		
Country-by-country reporting by extractive / logging industries (preparation, publication)				X		

Please explain your response to question 5 and substantiate it with evidence or concrete examples:

Although there is a relatively high level of intrinsic coherence in the EU public reporting framework, we note that there is not always full alignment of regulation or thresholds in each EU Member State. For example:

- For financial statements, the audit exemption thresholds differ, and although most have adopted International Standards on Auditing as the national auditing standards (wityh Germany having adopted them with effect from the start of 2018), a significant member state has not.
- The preparation of, and involvement of the auditor in reviewing or auditing, non-financial information differs, depending on how the Directive has been implemented by Member States

Question 6. Depending on circumstances, a company may have public reporting obligations on top of those being examined here. Such legislation may have been developed at the EU[3], national or regional level. Should you have views on the interplay of these additional reporting obligations with the policies examined in this consultation, please comment below and substantiate it with evidence or concrete examples.

[3] For example, under the Shareholders' Rights Directive 2007/36/EC, companies must publicly announce material transactions with related parties, establish remuneration policy and draw up a remuneration report for the attention of the shareholders, etc. Under the Directive on Capital Requirements for banks (2013/36/EU, Art. 96) banks must maintain a website explaining how they comply with corporate governance requirements, country by country reporting and remuneration requirements. The Solvency II Directive (2009/138/EC) requires Insurance and reinsurance undertakings to publish their Solvency and Financial Condition Report. A prospectus, regulated by the Prospectus Directive (2003/71/EC) and Regulation ((EU) 2017/1129) is a legal document that describes a company's main line of business, its finances and shareholding structure. As regards Market Abuse Directive and Regulation, see specific questions further down.

EU Added value

Question 7. Do you think that, for each respective objective, the EU is the right level to design policies in order to obtain **valuable results**, compared to unilateral and non-coordinated action by each Member State?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Ensuring stakeholder protection	○	○	○	○	●	○
Developing the internal market	○	○	○	○	●	○
Promoting integrated EU capital markets	○	○	○	○	●	○
Ensuring financial stability	○	○	○	○	●	○
Promoting sustainability	○	○	○	○	●	○

Please explain your response to question 7 and substantiate it with evidence or concrete examples:

Consistent policies across all Member States are important in enabling cross border activity, reducing compliance costs for entities that operate in multiple Member States, with the linked benefit of improving overall economic performance.

We also believe that, where possible, the EU should adopt global solutions. This has the potential to reduce barriers to cross border investment by multinational organisations, which have operations both within the EU and elsewhere. For example, the use of International Financial Reporting Standards as issued by the IASB (except for the 'carve out' for macro hedging, which affects only a very small number of entities) results in the application of an accounting language that is used and understood globally. This has the effect of removing a barrier to investment from outside Europe, and reducing the cost of capital for European issuers.

II. The financial reporting framework applicable to all EU companies

The financial reporting framework for any EU company is broadly shaped by the Accounting Directive. Member States' accounting laws, regulations and standards for the preparation of annual accounts (national GAAP) must incorporate the provisions of the Accounting Directive. The Accounting Directive includes financial statements (balance sheet, profit or loss statement, and notes to the accounts) as well as a management report, depending on the size of the company. Several Member States allow or require the use of IFRS instead of national GAAP for the preparation of annual financial statements. But even when a company prepares financial statements using IFRS, many requirements from the Accounting Directive still apply such as the management report, statutory audit or publication (for further details, see the guidance on Interaction between IFRS reporting and other EU accounting rules).

Companies operating cross-border

Companies often structure their cross-border business activities within the EU by establishing local entities in a host Member State controlled by a parent established in the home Member State. Together they form a group of controlled entities. Even though a group usually acts and is seen as a single economic entity, EU law does not recognise the legal personality of a group. Nevertheless, EU law addresses certain specific group situations, for instance, by requiring the preparation of consolidated financial statements as if the group were a single entity (Accounting Directive 2013/34/EU, IAS Regulation (EC) No 1606/2002), structuring bankruptcy (Regulation (EU) 2015/848 on insolvency proceedings) or implementing sectoral regulatory supervision (Capital Requirement Directive and Capital Requirement Regulation (banks), Solvency Directive (Insurance).).

When doing cross border business, a group usually faces a variety of business, tax and legal environments. These differences tend to hinder the application of consistent policies and procedures within a group and weaken the comparability of financial statements for users.

Some of these differences arise from options or lacunas in the Accounting Directive or the way in which Member States have complemented the minimum European accounting requirements. For example, the Accounting Directive does not address some economically important transactions such as lease contracts, foreign currency transactions, government grants, cash flows statements, income recognition or deferred taxes. These lacunas are addressed by each Member States in their own way.

More recently the Commission has proposed to harmonise the basis for the taxation of corporate profits for certain groups by ways of a proposal for a Directive on a Common Corporate Tax Base (CCTB) (COM (2016)685 final). It also seeks to organise the free flow of non-personal data by ways of a proposal for a Regulation on a framework for the free flow of non-personal data in the European Union (COM(2017)495), which would legally enable centralised storage and processing of the group's non-personal data by removing unjustified data localisation restrictions within the EU.

Question 8. In your view, to what extent do the addition of, and differences in, national reporting rules hinder the ability of companies to do cross border business within the EU single market?

- [ ] Differences seriously hinder the ability to do business within the EU
- [x] Differences hinder to some extent
- [ ] Differences do not hinder the ability to do business within the EU / are not significant
- [ ] Don't know / no opinion / not relevant

Please explain your response to question 8 and substantiate it with evidence or concrete examples:

> We assume that the question relates to entities that are not listed on a public market, and that are therefore typically required to prepare financial statements in accordance with a Member State's national GAAP.
>
> If the question is intended to deal with listed entities, then our answer would change to: Differences seriously hinder the ability to do business within the EU, because listed entities operate and raise capital on a global basis, and not on a national basis.
>
> In our experience, we do not see differences in national GAAP as being a significant hindrance to cross border activities for smaller unlisted entities. In practice, those entities tend not to raise capital on a cross border basis, instead raising funds in their own jurisdiction.
>
> The principal barriers for those entities are differences in language, company legislation (including the requirements for payment of dividends and insolvency) and tax.

Question 9. To what extent to you think that the following differences, because they affect public reporting by companies, are significant impediments to cross-border establishment in the EU?

Areas covered by EU requirements

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Differences and lacunas in accounting standards or principles	○	●	○	○	○	○
Differences in corporate governance standards	○	●	○	○	○	○

Differences and overlaps arising from the presentation of the financial statements (balance sheet, etc.)	○	◉	○	○	○	○
Differences arising from publication rules / filing with business registers (publication deadlines, publication channels, specifications)	○	◉	○	○	○	○
Differences arising from audit requirements	○	○	◉	○	○	○
Differences arising from dividends distribution rules or capital maintenance rules	○	○	○	◉	○	○

Areas not covered by EU requirements

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant
Differences arising from specific bookkeeping requirements such as charts of accounts, audit trail requirements, data storage and accessibility	○	◉	○	○	○	○
Differences arising from language requirements (Bookkeeping documentation, publication of financial statements)	○	○	○	◉	○	○
Differences arising from the determination of taxable profit	○	○	○	◉	○	○

Differences arising from digital filing requirements (for instance taxonomies used)	○	○	○	●	○	○
Differences arising from software specifications	○	○	○	○	○	●
Other differences (please rate here and specify below)	○	○	○	●	○	○

Please specify what other differences are significant impediments to cross-border establishment in the EU:

Again, our responses above assume that the question relates to entities that are not listed on a public market, and that are therefore typically required to prepare financial statements in accordance with a Member State's national GAAP.

Differences in company and insolvency law also act as a disincentive. At present, there are different and detailed company law requirements among Member States. Insolvency proceedings also differ. A more unified set of requirements would lower barriers to entities moving across borders, and would enable viable companies that in financial difficulty to restructure and continue, rather than fail and cease trading.

Please explain your response to question 9 and substantiate it with evidence or concrete examples:

Again, our responses above assume that the question relates to entities that are not listed on a public market, and that are therefore typically required to prepare financial statements in accordance with a Member State's national GAAP.

Areas covered by EU requirements
As noted in our response to question 8, we do not believe that differences in accounting requirements are a significant hindrance to cross border activities for smaller unlisted entities. Areas which do start to cause difficulties are different audit requirements, due to the need to monitor small entities in different countries using different parameters. Differences in dividend distribution rules and/or capital maintenance rules are more significant, as they directly affect the ability of a cross border investor to distribute profits and a breach of the requirements can have significant consequences for company directors and the recipients of those distributions.

Areas not covered by EU requirements
Differences in language requirements can act as a significant impediment. For example, an investor might wish to locate a manager at a newly acquired entity, but if there are language barriers it can be much more

difficult to find a suitable individual meaning that it can act as a deterrent to cross border investment.

Differences in tax regimes can also act as a significant discincentive, with the tax requirements in different member states often requiring investors to obtain specialist advice. This goes beyond the question of determining taxable profit, because a wide range of tax issues arise when setting up a 'permanent establishment' in another Member State.

Question 10. How do you evaluate the impact of any hindrances to cross border business on costs relating to public reporting by companies?

- ( ) The impact of hindrances on costs are negligible or not significant
- ( ) The impact of hindrances on costs are somehow significant
- ( ) The impact of hindrances on costs are very significant
- (x) Don't know / no opinion / not relevant

Please explain your response to question 10 and substantiate it with evidence or concrete examples:

Question 11. On top of differences in national accounting rules, national tax laws will usually require the submission of a tax return in compliance with self-standing national tax rules, adding another layer of reporting standard.

Once a Common Corporate Tax Base is adopted at the EU level, would you consider that the profit before tax reported in the Profit or Loss statement and the determination of the taxable profit should be further aligned across EU Member States?

- ( ) 1 - totally disagree
- (x) 2 - mostly disagree
- ( ) 3 - partially disagree and partially agree
- ( ) 4 - mostly agree
- ( ) 5 - totally agree
- ( ) Don't know / no opinion / not relevant

Please explain your response to question 11 and substantiate it with evidence or concrete examples:

We have interpreted this question as asking whether there should be greater convergence between financial reporting and amounts required for the purposes of taxation.

Financial reporting and tax reporting have different requirements and objectives and so, in principle, convergence is not possible (or desirable). A primary aim of financial reporting is transparency of information about changes in an entity's financial performance and position, which needs to be reported in a neutral and unbiased way. This can include both realised and unrealised gains and losses. In contrast, taxable profit is typically calculated on a different basis.

Question 12. As regards the **preparation of consolidated and individual financial statements** how do you assess the ability of the following approaches to reduce barriers to doing business cross-borders?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
The EU should reduce the variability of standards from one Member State to another through more converged national GAAPs, possibly by removing options currently available in the EU accounting legislation	○	○	●	○	○	○
The EU should reduce the variability of standards from one Member State to another by converging national GAAPs on the basis of a European Conceptual Framework	●	○	○	○	○	○
The EU should reduce the variability of standards from one Member State to another by converging national GAAPs and in addition by addressing current lacunas in the	○	○	●	○	○	○

Accounting Directive (leases, deferred taxes, etc.)						
The EU should reduce the variability of standards from one Member State to another by establishing a "pan-EU GAAP" available to any company that belongs to a group. Such "pan-EU GAAP" may be the IFRS, IFRS for SMEs, or another standard commonly agreed at the EU level.	○	○	○	●	○	○
Do nothing (status quo)	○	●	○	○	○	○
Other approaches (please rate here and specify below)	○	○	○	○	○	○

Please explain your response to question 12 and substantiate it with evidence or concrete examples:

As noted in our responses to questions 9 and 10, we do not believe that differences in accounting requirements are a significant barrier to cross border trading for smaller unlisted entities, with other factors (such as language, taxation, legal and regulatory requirements) having greater effects. However, if accounting options currently available under EU legislation were to be removed, other related issues would need to be addressed including linkage between accounting profit or loss, taxable profit or loss and capital maintenance/dividend rules.

We strongly disagree with the development of a European Conceptual Framework. This has the potential to result in an ultimate move to European accounting standards for all entities, instead of Europe continuing to follow (and potentially expand the use of) global accounting requirements. As noted elsewhere, if a Conceptual Framework is to be adopted in Europe, this should be the Conceptual Framework developed and issued by the International Accounting Standards Board (IASB). Careful consideration would, however, be required of such a move because the IFRS Conceptual Framework is primarily designed to be used by the IASB when developing new accounting requirements.

If a pan EU GAAP is to be implemented for use by any company that belongs to a group, we are strongly of the view that this should be IFRS. While the IFRS for SMEs might be considered due to its relative simplicity, this is now on a significant time lag in the adoption of new (and superior) accounting requirements that are already in full IFRS, such as the improved requirements for financial instrument accounting in IFRS 9, revenue recognition in IFRS 15 and leases in IFRS 16. Consequently, the adoption of the IFRS for SMEs would result in poorer quality financial information being produced, significant differences in accounting requirements between listed and unlisted entities, and potentially significant additional costs. However, full IFRS brings a significant range of disclosure requirements which may not be necessary for subsidiaries of a group where the parent prepares consolidated financial statements. Consequently, we would favour an approach similar to that taken by the UK and Australia, which is full IFRS measurement with reduced disclosure requirements.

Question 13. As regards the publication of individual financial statements, the Accounting Directive (Article 37) allows any Member State to exempt the subsidiaries of a group from the **publication of their individual financial statements** if certain conditions are met (inter alia, the parent must declare that it guarantees the commitments of the subsidiary). Would you see a need for the extension of such exemption from a Member State option to an EU wide company option?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not relevant

Please explain your response to question 13 and substantiate it with evidence or concrete examples:

We believe that it would be inappropriate to permit this exemption. Although a requirement for a parent to guarantee the commitments of the subsidiary might provide some comfort to suppliers and other users of financial statements of subsidiaries, there would be a significant loss of transparency and potentially an impediment to trade. For example, suppliers would have to obtain copies of the financial statements of the parent entity and consider the extent to which it would be capable of fulfilling its obligation under the guarantee. This could be difficult where a parent has multiple subsidiaries in different jurisdictions.

SMEs

Since 2016, EU law requires small companies to prepare and publish **only** a balance sheet, a profit or loss statement and a few notes, thanks to the harmonisation agreed at the EU level. Each Member State may fine-tune this regime as regards the level of detail in the balance sheet or profit and loss, and as regards the need for an audit or for a management report. In addition Member State can simplify even further the regime of micro companies and bring it down to only a super simplified balance sheet, a super simplified profit or loss statement and lightweight publication regime. The Member States have used these possibilities to varying extents. The Commission has commissioned a consortium led by the Centre for European Policy Studies (CEPS) to conduct a study on the accounting regime of micro companies with limited liability (FISMA/2017/046/B)). These simplifications are not available to banks, insurance companies or listed companies which are considered as public-interest entities.

Question 14. Do you agree that the EU approach is striking the right balance between preparers’ costs and users’ needs, considering the following types of companies?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant
Medium-sized	○	○	○	●	○	○
Small	○	○	○	●	○	○
Micro	○	○	●	○	○	○

Please explain your response to question 14 and substantiate it with evidence or concrete examples:

We believe that the requirements for small and medium sized entities strike an appropriate balance between the need to provide financial information, and their size and likely complexity.

The requirements for micro entities might be viewed as being overly simplified, resulting in insufficient information being provided to users of the financial statements.

Question 15. EU laws usually define size categories of companies (micro, small, medium-sized or large) according to financial thresholds. Yet definitions may vary across EU pieces of legislation. For instance, the metrics of size-criteria for a micro-company in the Accounting Directive (for the financial statements) differ from those in the Commission Recommendation 2003/361/EC (Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (for the support by certain EU business-support programmes). For instance, the turnover may not exceed €700,000 for micro-companies in the Directive whereas it may not exceed €2,000,000 in the Recommendation).

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
In general, should the EU strive to use a single definition and unified metrics to identify SMEs across all the EU policy areas?	○	○	◉	○	○	○
In particular, should the EU strive to align the SME definition metrics in the Accounting Directive with those in Recommendation 2003/361/EC?	○	◉	○	○	○	○

Please explain your response to question 15 and substantiate it with evidence or concrete examples:

In general, should the EU strive to use a single definition and unified metrics to identify SMEs across all the EU policy areas?

Although it might appear desirable to have a single definition and unified metrics, it is also the case that different Member States have implemented thresholds in the context of their own national economies and the size of companies in their jurisdiction. Consequently, before any potential change might be made, it would be appropriate to carry out an overall impact assessment.

In particular, should the EU strive to align the SME definition metrics in the Accounting Directive with those in Recommendation 2003/361/EC?

In principle we believe that the current definition metrics in the Accounting Directive are appropriate. Consequently we do not believe that it is necessary to align the Accounting Directive with Recommendation 2003/361/EC.

However, we suggest that the approach that is taken to determining the type of company is kept under review, particularly in the context of digitalisation and business models.

Relevance of the content of financial reporting

A company's financial statement, together with the management report and related documents (corporate governance report, non-financial information) aim to provide a reliable picture of a company's performance and financial position at the reporting date. However, certain users argue that financial statements give only an image of the (recent) past and lack forward-looking information (see for instance Conference Shaping the future of corporate reporting, panel 5 – Matching expectations with propositions, investors' views). The financial statements may also fail to provide a complete picture of the long term value creation, business model, cash flows (non-IFRS financial statements) and internally generated intangible assets (See for instance expert group's report on Intellectual Property Valuation, 2013). There is also only scarce information required at the EU level on dividend distribution policies and risks (see for instance the UK FRC Lab). The search for other sources of information to remedy this situation may increase costs for users and undermine the level playing field.

Question 16. How do you think that the current EU framework as regards the content of financial reporting is relevant (necessary and appropriate), having regards to the following information:

			3			Don't know /

	1 (totally disagree)	2 (mostly disagree)	(partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	no opinion / not relevant
A company's or group's **strategy, business model, value creation**	○	○	●	○	○	○
A company's or group's **intangible assets**, including goodwill, irrespective of whether these appear on the balance sheet or not	○	●	○	○	○	○
A company's or group's **policies and risks on dividends**, including amounts available for distribution	○	○	●	○	○	○
A company's or group's **cash flows**	○	●	○	○	○	○

Please explain your response to question 24 and substantiate it with evidence or concrete examples:

Strategy, business model, value creation
We believe that a better understanding of these three features (which form part of wider corporate reporting) would assist users in their understanding of the financial statements (which communicate the financial results that arise from these three features). There are various initiatives that currently exist, which are intended to assist with this including Accountancy Europe's proposal for a 'Core & More' approach.

Intangible assets
A significant and growing proportion of many entities' total enterprise value is typically made up from internally generated and other intangible assets that do not meet the criteria for recognition in financial statements. We do not believe that the threshold for the recognition of these items in financial statements should be changed, but consider that enhanced disclosures about their existence and nature may be desirable.

Policies and risks on dividends
As noted elsewhere, the requirements for dividend payments vary among Member States. However, enhanced disclosures around dividend policies and, potentially, the amount of reserves available for distribution, would be appropriate.

Cash flows
On the assumption that this question is not about financial statements prepared in accordance with IFRS, where a statement of cash flows is a required item, we believe that this area could be improved as, in many

cases, financial statements prepared in accordance with national GAAPs are not required to provide information about cash flows.

Please explain, including if in your view additional financial information should be provided:

Question 17. Is there any other information that you would find useful but which is not currently published by companies?

- ( ) Yes
- (•) No
- ( ) Don't know / no opinion / not relevant

Question 18. Financial statements often contain alternative performance measures such as the EBITDA. (An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.)

Do you think that the EU framework should define and require the disclosure of the most commonly used alternative performance measures?

- (•) 1 - totally disagree
- ( ) 2 - mostly disagree
- ( ) 3 - partially disagree and partially agree
- ( ) 4 - mostly agree
- ( ) 5 - totally agree
- ( ) Don't know / no opinion / not relevant

Please explain your response to question 18 and substantiate it with evidence or concrete examples:

We believe that alternative performance measures should be dealt with by the accounting standard setters and securities regulators, and not by the European Commission.

We note that, for entities listed on regulated markets and those other entities that are required or choose to prepare financial statements in accordance with IFRS, that the IASB is currently engaged in a research project for Primary Financial Statements, with a Discussion Paper expected to be issued in the first half of 2019. This will include consideration of the use of additional subtotals, and the presentation of additional performance measures. We encourage the Commission to monitor the progress of this project and actively to contribute through the IASB's due process.

We also note that ESMA, the International Organisation of Securities Commissions (IOSCO) and a number of national regulators have issued guidance for alternative performance measures.

III. The EU financial reporting framework for listed companies

The IAS Regulation and International Financial Reporting Standards (IFRS)

The IAS Regulation adopted in 2005 made the use of IFRS mandatory for the consolidated accounts of listed companies. The Commission Evaluation of the IAS Regulation in 2015 found that the use of IFRS had led to greater transparency and comparability of financial reporting within the single market, but that complexity had increased. It also concluded that the use of IFRS in the EU has significantly increased the credibility of IFRS and its use worldwide.

However, the current level of commitment to IFRS by third country jurisdictions differs significantly. Very few of the major capital markets and large jurisdictions have made the use of IFRS as issued by the IASB mandatory[4]. As a result, the level of global convergence achieved is sub-optimal compared to the initial objective on global use.

Before becoming EU law IFRSs have to be endorsed to ensure that they meet certain technical criteria, are not contrary to the true and fair view principle, and are conducive to the European public good[5]. The current endorsement process prevents the Union from modifying the content of the standards issued by the IASB. Some stakeholders, as mentioned in the final report of the High-Level Expert Group (HLEG), are concerned that this lack of flexibility would prevent the EU from reacting if these standards were to pose an obstacle to broader EU policy goals such as long-term investments and sustainability.

The IASB is addressing the complexity of the standards and the volume of disclosure requirements as part of its Better Communication" project. In addition, the Commission will continue to monitor progress on IASB commitment to improve disclosure, usability and accessibility of IFRS (see the Communication on the Mid-Term Review of the Capital markets Union Action Plan). This initiative is one of the actions set in motion by the Commission in order to make it easier for companies to enter and raise capital on public markets, notably on SME Growth Markets.

[4] As per the Pocket guide to IFRS standards 2017 published by the IFRS Foundation: Very few of the major capital markets and large jurisdictions require the use of IFRS as issued by the IASB. Some allow the use of IFRS by any listed company, or restrict the option to third country issuers. Many others have transposed IFRS into national GAAP which then become "substantially converged" with IFRS issued by the IASB. Several jurisdictions require IFRS as issued by the IASB albeit often relabelled as national GAAP.

[5] The IAS Regulation does not define the criterion "European public good". As a result the Commission has so far followed a pragmatic approach that allows identification of key matters of concern on a case by case basis.

Question 19. Given the different levels of commitment to require IFRS as issued by the IASB around the globe, is it still appropriate that the IAS Regulation prevents the Commission from modifying the content of IFRS?

- (x) Yes
- ( ) No, due to the risk of uneven level playing field for EU companies vis-à-vis companies established in third countries that do not require the use of IFRS as issued by the IASB.
- ( ) No, due to the risk that specific EU needs may not properly be addressed during the IASB standard setting process.
- ( ) No, due to other reasons.
- ( ) Don’t know / no opinion / not relevant

Question 20. Since the adoption of IFRS by the EU in 2005, topics such as sustainability and long-term investment have come to the forefront of the regulatory agenda. Is the EU endorsement process appropriate to ensure that IFRS do not pose an obstacle to broader EU policy objectives such as sustainability and long-term investments?

- (x) Yes
- ( ) No
- ( ) Don’t know / no opinion / not relevant

Question 21. How could the EU ensure that IFRS do not pose an obstacle to sustainability and long-term investments:

- ( ) By retaining the power to modify the IFRS standards in well-defined circumstances;
- ( ) By making explicit in the EU regulatory framework that in order to endorse IFRS that are conducive to the European public good, sustainability and long term investment must be considered;
- (x) Other
- ( ) Don’t know / no opinion / not relevant

Please specify in what other ways could the EU ensure that IFRS do not pose an obstacle to sustainability and long-term investments:

The text of the question implies that it is considered that IFRS does pose an obstacle to sustainability and long term investment. We are sceptical that this is the case (and have seen no evidence to support an assertion that IFRS does pose an obstacle in this way), and believe that other factors such as regulatory requirements are more relevant.

While we agree that sustainability and long term investment are important, those aspects of an entity’s business model are best covered through wider corporate reporting. The financial results of the approach taken by an entity to sustainability and long term investment are then reported in its financial statements where it is of primary importance that information is reported in a clear, transparent and unbiased way.

Endorsement criteria

We do not support changing the existing endorsement process. As noted above, we believe that financial reporting (as a component of wider corporate reporting) needs to be clear, transparent and unbiased. The introduction of a requirement to consider sustainability and long-term investment objectives would have the effect of having the potential to introduce bias to financial reporting; we disagree with this.

However, there are elements of financial reporting which link to longer term aspects, including environmental and societal effects. This includes improvements in the presentation of financial statements and the associated disclosures, and the way in which intangible assets are reported including both those which are included in financial statements prepared in accordance with IFRS and those which are not (which can constitute a significant proportion of a company's net worth). We believe that improvements in these areas could assist in providing investors with information that assists them with investment decisions that take sustainability and long term factors into account.

Question 22. The True and Fair view principle should be understood in the light of the general accounting principles set out in the Accounting Directive . By requiring that, in order to be endorsed, any IFRS should not to be contrary to the true and fair view principle, a link has been established between IFRS and the Accounting Directive. However, the principle of true and fair view is not laid down in great detail in the Accounting Directive, nor is it underpinned by e.g. a European Conceptual Framework that would translate these principles into more concrete accounting concepts such as recognition and measurement, measurement of performance, prudence, etc. Do you think that an EU conceptual framework should underpin the IFRS endorsement process?

- ○ Yes
- ◉ No
- ○ Don't know / no opinion / not relevant

If you answered no to question 22, please explain your position:

We do not believe that an EU Conceptual Framework should be developed, which underpins the IFRS endorsement process. Instead, we believe that the EU should look to global solutions, which links to the global nature of the world's capital markets. This approach would assist in enabling European companies to operate on a multinational basis both within and outside the EU, and in making the European capital markets attractive to foreign companies and investors due to the use of a global accounting language.

Consequently, we believe that the EU should endorse the IFRS Conceptual Framework (please see our response to question 23).

Question 23. The EU has not endorsed the IASB Conceptual Framework for Financial Reporting. The conceptual framework is a set of concepts used to develop IFRSs but can also be helpful in interpreting how IFRS standards have to be understood and applied in specific circumstances. This could enhance a common application of IFRSs within the EU.

Should the EU endorse the IASB Conceptual Framework for Financial Reporting?

- 1 - totally disagree
- 2 - mostly disagree
- 3 - partially disagree and partially agree
- 4 - mostly agree
- (x) 5 - totally agree
- Don’t know / no opinion / not relevant

Please explain your response to question 23 and substantiate it with evidence or concrete examples:

Consistent with our view that the EU should adopt global solutions, to assist the European economy in a worldwide context, we support the endorsement of the IFRS Conceptual Framework. This would result in the EU adoption of the framework that underpins the development of new and amended accounting requirements by the IASB, which are then adopted into EU-endorsed IFRS.

We also note that certain IFRSs make direct reference to the IFRS Conceptual Framework, including the hierarchy in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in which preparers are directed to the IFRS Conceptual Framework when a transaction or event falls outside the scope of specific IFRSs.

If endorsed by the EU, it would be important that the IFRS Conceptual Framework was used in the same way as it is used by the IASB and other parties. That is, the principles and requirements in individual IFRS Standards and Interpretations would take priority over the general principles set out in the IFRS Conceptual Framework. This is particularly important in the context of circumstances in which there is a conflict between the IFRS Conceptual Framework and individual Standards and Interpretations; we note that this is more likely to arise following the introduction of the IASB’s revised Conceptual Framework for Financial Reporting, which contains certain concepts that may not be entirely consistent with the requirements of certain existing IFRSs which were developed some time ago.

Question 24. Contrary to the Accounting Directives the EU endorsed IFRSs do not require companies to present financial information using a prescribed (minimum) lay-out for the balance sheet and income statement. Mandatory use of minimum layouts could enhance comparability of human readable financial statements (Electronic structured data reporting based on the IFRS taxonomy have an implicit layout as relationships between elements for which amounts shall be presented are defined).

Do you agree that prescribed (minimum) layouts enhance comparability of financial statements for users and should therefore be introduced for companies using IFRS.

- 1 - totally disagree
- (x) 2 - mostly disagree
- 3 - partially disagree and partially agree
- 4 - mostly agree
- 5 - totally agree
- Don’t know / no opinion / not relevant

Please explain your response to question 24 and substantiate it with evidence or concrete examples:

We have assumed that the question is asking whether there should be a prescribed (minimum) layout that goes beyond the minimum requirements for line items that are set out in IAS 1 Presentation of Financial Statements.

We believe that there should be flexibility in the structure and content of financial statements, subject to the requirements of IAS 1. We note that for the primary statements, IAS 1.85 requires additional line items and sub totals to be presented in the statement of comprehensive income when this is relevant an understanding of the reporting entity's financial performance. This allows (and requires) entities to focus on what is important to their own circumstances and omit information that is immaterial, which would not be the case if there was a prescribed (minimum) layout.

We note that the IASB currently has a project for Primary Financial Statements, and suggest that it would be appropriate for the EU to have input to that project. We also note that there is currently significant debate around the overall future of corporate reporting in general, which we believe is a debate that needs to take place at global level.

Transparency Directive

The Transparency Directive requires issuers of securities traded on regulated markets within the EU to ensure appropriate transparency through a regular flow of information to the markets. The Transparency Directive was last amended in 2013 in order:

- To reduce the administrative burden on smaller issuers and promote long-term investment by abolishing the requirement to publish quarterly financial reports and,
- To strengthen investor protection by improving the efficiency of the disclosure regime of major holdings of voting rights, particularly regarding voting rights held through derivatives.

Question 25. Do you agree that the Transparency Directive requirements are **effective** in meeting the following objectives, notably in light of increased integration of EU securities markets?

	1 (totally disagree)	2 (mostly disagree)	3	4 (mostly agree)	5 (totally agree)	Don't know / no opinion /

			(partially disagree and partially agree)			not relevant
Protect investors				X		
Contribute to integrated EU capital markets				X		
Facilitate cross border investments				X		

Please explain your response to question 25 and substantiate it with evidence or concrete examples:

Question 26. Do you agree that abolishing the quarterly reporting requirement in 2013 by issuers contributed to the following?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Reducing administrative burden, notably for SMEs				X		
Promoting long-term investment (i.e. discouraging the culture of short-termism on financial markets).		X				
Promoting long-term and sustainable value creation and corporate strategies		X				

Maintaining an adequate level of transparency in the market and investors' protection	○	○	●	○	○	○

Please explain your response to question 26 and substantiate it with evidence or concrete examples:

Reducing administrative burden
We agree that eliminating quarterly reports has achieved this.

Promoting long term investment, long term and sustainable value creation, and corporate strategies
We are sceptical that the removal of quarterly reporting has, by itself, led to progress in these areas. Studies carried out (for example, by the CFA Institute) have concluded that there is little evidence that the removal of quarterly reporting has encouraged a long, rather than short, term approach.

Maintaining an adequate level of transparency in the market and investors' protection
We are sceptical that the removal of quarterly reporting has, by itself, led to changes in these areas. Investors receive a wide range of information, of which quarterly reports formed only part. More importantly, investors use annual and interim financial reports to provide confirmatory evidence of whether the information that they have received from other sources is consistent with historical financial information, and this assists in ensuring an appropriate level of transparency.

Question 27. Do you consider that the notifications of major holdings of voting rights in their current form is **effective** in achieving the following?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Strengthening investor protection	○	○	○	○	○	●
Preventing possible market abuse situations	○	○	○	○	○	●

Please explain your response to question 27 and substantiate it with evidence or concrete examples:

Question 28. Do you agree that the disclosure and notification regime of major holdings of voting rights in the Transparency Directive is overall **coherent** with the following EU legislation?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Coherent with EU company law	○	○	○	○	○	●
Coherent with the shareholders' rights directive	○	○	○	○	○	●
Coherent with the obligation to disclose managers' transactions under Article 19 of the Market Abuse Regulation (Article 19(3) of MAR sets out the following disclosure obligations: The issuer (…) shall ensure that the information [on transactions carried out by managers or persons closely associated to the managers] is made public promptly and no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis)	○	○	○	○	○	●
Coherent with other EU legislation	○	○	○	○	○	●

Please explain your response to question 28 and substantiate it with evidence or concrete examples:

Question 29. As regards the following areas, did you identify a lack of coherence of legislation from one Member State to another that could jeopardise to some extent the objectives of investor protection, integrated capital markets and cross-border investment?

- [ ] Yearly and half-yearly financial information
- [ ] On-going information on major holdings of voting rights
- [ ] Ad hoc information disclosed pursuant to the Market Abuse Directive
- [ ] Administrative sanctions and measures in case of breaches of the Transparency Directive requirements
- [x] Don’t know / no opinion / not relevant

Please explain your response to question 29 and substantiate it with evidence or concrete examples:

Question 30. Should anything be done to improve public reporting by listed companies (documents, information, frequency, access, harmonisation, simplification)?

Better corporate reporting

Presenting corporate reports in a better way

In recent years, corporate reports have become increasingly lengthy with a combination of additional non-financial information and increased disclosure requirements in financial statements. There is a need for users to be provided with a mixture of financial and non-financial information, while at the same time making those reports more accessible, and for the key information more easily to be understood. In this context, we note the development by Accountancy Europe of its ‘Core and More’ concept, which seeks to summarise key parts of different information and to connect them in a cohesive way.

Coordinate initiatives

There is a very wide range of initiatives for the reporting of non-financial information, which are being undertaken by many different organisations. The various different bodies should be encouraged to work together and collaborate on similar types of reporting, to avoid duplication of effort and the issue of proposals for entities to publish similar (but slightly different) information about their activities. Ultimately, we believe that one single organisation should take responsibility for overall corporate reporting by listed companies; this is consistent with our view that for listed companies, the primary focus is on global capital markets and not regional or national markets.

Audit of non-financial information

The increase in the scope and volume of non-financial information by companies brings a need for assurance that it is complete, reliable and transparent, in order to promote trust and confidence in capital markets. While this brings its challenges, we note that this would be supported by investors (see a 2018 CFA Institute member survey on Audit Value, Quality and Priorities at: https://www.cfainstitute.org/en/research/survey-reports/audit-value-quality-priorities-survey-report

IV. The EU financial reporting framework for banks and insurance companies

Bank Accounts Directive (BAD)

All banks (credit institutions) and groups of banks established in the EU - irrespective of their legal form - have to prepare and publish annual financial statements in order to achieve comparability of financial statements. Member State accounting laws, regulations and standards for the preparation of banks' financial statements must incorporate EU law on bank accounting: the Bank Accounts Directive (BAD) adopted in 1986.

Following the endorsement of IFRS by the EU in 2002 all large banks, accounting for more than 65% of total European banking assets, are obliged to use EU endorsed IFRS for their consolidated financial statements. In addition to the mandatory use of IFRS for the consolidated accounts by listed banks, 15 Member States currently require IFRS for the consolidated accounts of non-listed banks and 12 Member States *require* IFRS for the individual accounts of non-listed banks instead of national GAAP (See for more details the table on page 64 of the Staff Working Document on the evaluation on the IAS Regulation) .

The use of IFRS has reduced the relevance of the Bank Accounts Directive for achieving harmonised financial statements. The BAD has also lost relevance over time as it has not been updated to include more recent accounting treatments, for example on expected credit losses, (operational) leases or revenues from digital business models.

Harmonising banks' financial statements is not only important for the comparability of banks' financial statements. Bank prudential requirements and capital ratios are based on accounting values. Differences between national GAAPs or between national GAAPs and IFRS lead to different prudential outcomes, which hamper the comparability of capital ratios.

Question 31. Do you agree with the following statements:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
The BAD is still sufficiently **effective** to meet the objective of comparability	●	○	○	○	○	○
The BAD is still sufficiently **relevant** (necessary and appropriate) to meet the objective of comparability	●	○	○	○	○	○
The costs associated with the BAD are still **proportionate** to the benefits it has generated	○	○	○	○	○	●
The current EU legislative public reporting framework for banks is sufficiently **coherent**	○	○	●	○	○	○

Please explain your response to question 31 and substantiate it with evidence or concrete examples:

We believe that the BAD has become less effective and relevant, with the most banks in some Member States preparing financial statements in accordance with IFRS. We also note that the BAD has not been updated since 1986 for more recent accounting developments.

Question 32. Do you agree with the following statement:

The BAD could be suppressed and replaced by a requirement for all EU banks to use IFRS 1.

- [ ] 1 - totally disagree
- [ ] 2 - mostly disagree
- [x] 3 - partially disagree and partially agree
- [ ] 4 - mostly agree
- [ ] 5 - totally agree
- [ ] Don’t know / no opinion / not relevant

Please explain your response to question 32 and substantiate it with evidence or concrete examples:

> We believe that it would be appropriate for all banks to have the following reporting framework:
>
> • Listed entities: mandatory application of IFRS for the consolidated financial statements of the group, and for the separate financial statements of the parent entity. Listed banks which do not have subsidiaries should also be required to prepare their financial statements in accordance with IFRS.
> • Unlisted entities: separate options for both the consolidated and the separate financial statements of those entities to prepare their financial statements in accordance with IFRS
>
> Although there are many benefits from the adoption of IFRS by banks, we acknowledge that there are concerns around the volume of disclosures that are required. Consistent with our response to question 12, it may be appropriate for consideration to be given to permission to be given for some entities to follow a reduced disclosure requirement regime.

Question 33. Do you think that the objective of comparability of financial statements of banks using national GAAP could be improved by including accounting treatments in the BAD for:

	Yes	No	Don’t know / no opinion / not relevant
Expected Credit risk provisioning	●	○	○
Leases	●	○	○
Intangible assets	●	○	○
Derivatives	●	○	○
Other	●	○	○

Please specify for what other elements the inclusion of accounting treatments in the BAD could improve the objective of comparability of financial statements of banks using national GAAP:

We have assumed that 'by including accounting treatments in the BAD' that this means the introduction of required accounting approaches. We would support this approach, provided that any accounting requirements that were introduced were (as far as possible) consistent with those in IFRS. We do not support the introduction of some form of 'modified IFRS' into the BAD.

Guidance for the following areas would also be useful:

- Classification and measurement of financial instruments
- Classification of financial instruments as debt or equity

Please explain your response to question 33 and substantiate it with evidence or concrete examples:

Question 34. Do you agree with the following statement:

The current **number of options** in the BAD may hamper the comparability of financial statements and prudential ratios 1.

- 1 - totally disagree
- 2 - mostly disagree
- 3 - partially disagree and partially agree
- 4 - mostly agree
- 5 - totally agree
- Don't know / no opinion / not relevant

Please explain your response to question 34 and substantiate it with evidence or concrete examples:

Question 35. Do you agree with the following statements:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Mandatory use of national GAAPs for the preparation of individual financial statements of bank subsidiaries reduces the efficiency of preparing consolidated financial statements					X	
Allowing the use of IFRS for the preparation of individual financial statements by (cross border) banking subsidiaries, subject to consolidated supervision, would increase efficiency					X	

Please explain your response to question 35 and substantiate it with evidence or concrete examples:

We agree that permitting bank subsidiaries to prepare their separate (and, if applicable, sub-consolidation) financial statements in accordance with IFRS would be appropriate, due to the efficiencies and other benefits that this would bring (please also see our response to question 32).

Question 36. Do you agree with the following statement:

Cross border bank subsidiaries of an EU parent should be allowed not to publish individual financial statements subject to

1. being included in the consolidated financial statements of the group,
2. consolidated supervision and
3. the parent guaranteeing all liabilities and commitments of the cross border subsidiary?

- (selected) 1 - totally disagree
- 2 - mostly disagree
- 3 - partially disagree and partially agree
- 4 - mostly agree
- 5 - totally agree
- Don’t know / no opinion / not relevant

Please explain your response to question 36 and substantiate it with evidence or concrete examples:

> We believe that all banks, including but not limited to cross border subsidiaries of an EU parent, need to be required to prepare and publish financial statements. This is particularly important because of their status as Public Interest Entities and being part of a regulated industry. Please also see our response to question 13.

Insurance Accounting Directive (IAD)

The Directive on the annual and consolidated accounts of insurance undertakings was adopted in 1991 in order to set a common European Framework consistent with the Accounting Directive. Where applicable, its scope includes the statutory accounts, which implies a strong interplay with National Legal Frameworks pertaining to insurance contract obligations, dividend distribution, taxation and prudential requirements applicable to small entities outside the scope of the Solvency II Directive.

Unlike in the banking sector where prudential requirements and ratios are based on accounting values, the Solvency II Directive applicable from 2016 includes dedicated measurement principles and public disclosure requirements independent from accounting standards.

IFRS 17 "insurance contracts" was issued by the IASB in May 2017 and should apply from 2021 onwards to the consolidated financial statements of listed companies (and to other companies depending on Member States options). In the context of the European endorsement process of IFRS 17, consultations have highlighted concerns that some provisions of IFRS 17 might contradict the Insurance Accounting Directive and that the interaction between IFRS 17 and Solvency II public disclosure requirements may duplicate information.

Overall depending on Member States’ use of options, the European accounting and prudential framework requires listed insurance groups to prepare multiple sets of financial statements (Statutory accounts as per National GAAPs, Solvency and Financial Condition Report under the Solvency II Directive and IFRS financial statements for consolidation purpose). This possibility of overlaps between the various pieces of legislation potentially affects their relevance, efficiency and consistency.

Question 37. Do you agree with the following statements:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant
The Insurance Accounting Directive meets the objective of comparable financial statements within the European insurance industry (the Insurance Accounting Directive is **effective**)		X				
The Insurance Accounting Directive is still sufficiently **relevant** (necessary and appropriate) to meet the objective of comparable financial statements		X				
The costs associated with the Insurance Accounting Directive are still proportionate to the benefits it has generated (the Insurance Accounting Directive is **efficient**)						X

Please explain your response to question 37 and substantiate it with evidence or concrete examples:

Question 38. Do you agree with the following statements:

			3			Don’t know /

	1 (totally disagree)	2 (mostly disagree)	(partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	no opinion / not relevant
There are contradicting requirements between the IAD and IFRS 17 which prevent Member States from electing IFRS 17 for statutory and consolidated accounts	○	○	●	○	○	○
The Insurance Accounting Directive should be harmonized with the Solvency II Framework	○	●	○	○	○	○
The Insurance Accounting Directive should be harmonized with the IFRS 17 Standard	○	○	○	○	○	●
Preparers should be allowed to elect for a European-wide option to apply Solvency II valuation principles in their financial statements	●	○	○	○	○	○

Please explain your response to question 38 and substantiate it with evidence or concrete examples:

Question 39. Do you think that the current prudential public disclosure requirements and general public disclosure requirements applicable to insurance and reinsurance undertakings are **consistent** with each other?

			3			Don't know /

	1 (totally disagree)	2 (mostly disagree)	(partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	no opinion / not relevant
For European insurance and reinsurance companies under the scope of the mandatory application of IFRS according to the IAS regulation				X		
For European insurance and reinsurance companies required to apply IFRS according to Member States options			X			
For European insurance and reinsurance companies not required to apply the IFRS Standards			X			

Please explain your response to question 39 and substantiate it with evidence or concrete examples:

V. Non-financial reporting framework

Non-Financial Reporting Directive

Directive 2014/95/EU on disclosure of non-financial Information and diversity information (the NFI Directive) requires around 6.000 large companies with more than 500 employees listed on EU regulated markets or operating in the banking or insurance sectors to disclose relevant environmental and social information in their management report. The directive also requires the large listed companies to make a statement about their diversity policy in relation to the composition of their boards. The first reports have to be published in 2018 regarding financial year 2017. In addition to the NFI Directive, the Commission adopted guidelines in June 2017 to help companies disclose relevant non-financial information in a consistent and more comparable manner. The Commission is required to submit a review report on the effectiveness of the Directive by December 2018.

Question 40. The impact assessment for the NFI Directive identified the quality and quantity of non-financial information disclosed by companies as relevant issues, and pointed at the insufficient diversity of boards leading to insufficient challenging of senior management decisions. Do you think that these issues are still **relevant**?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
The quality and quantity of non-financial information disclosed by companies remain relevant issues.	○	○	○	●	○	○
The diversity of boards, and boards' willingness and ability to challenge to senior management decisions, remain relevant issues.	○	○	○	●	○	○

Please explain your response to question 40 and substantiate it with evidence or concrete examples:

At the moment we believe that it is too early to assess the impact of the EU NFI Directive since little time has passed since its entry into force and since the first mandatory reporting cycle has taken place (financial year 2017). We endorse the EU NFI Directive as a significant driver on reporting non-financial and sustainability information by EU larger companies.
The issue of quality and comparability of non-financial information disclosures including outlining relevance /materiality as identified by the NFI Directive will continue to grow in importance. Issues disclosed will vary to some extend due to different business models, markets and industry practices. We support the guidance given by the NFI Directive that central themes including workforce diversity, operational climate risk, human rights practices across the supply chain and percentage of women represented in senior positions are to be adequately addressed by reporters.
We endorse any recommendation which leads to greater ESG expertise to be deployed both at board and management team level reflecting the increased information needs of organisational stakeholders including regulators, investors, employees, communities and wider civil society.

Question 41. Do you think that the NFI Directive's disclosure framework is **effective** in achieving the following objectives?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Enhancing companies' performance through better assessment and greater integration of non-financial risks and opportunities into their business strategies and operations.	○	○	●	○	○	○
Enhancing companies' accountability, for example with respect to the social and environmental impact of their operations.	○	○	●	○	○	○
Enhancing the efficiency of capital markets by helping investors to integrate material non-financial information into their investment decisions.	○	○	●	○	○	○
Increasing diversity on companies' boards and countering insufficient challenge to senior management decisions	○	○	●	○	○	○
Improving the gender balance of company boards	○	○	●	○	○	○

Please explain your response to question 41 and substantiate it with evidence or concrete examples:

We have only experienced one reporting cycle of the EU NFI Directive and in that regard it is difficult to provide a good view on its impact.
On the whole the NFI Directive has the ability to enhance companies' performance through better assessment and greater integration of non-financial risks and opportunities into their business strategies and

operations.
Investors are increasingly using ESG data to arrive at company valuations and risk profiles and in that regard the EU NFI Directive will enhance this trend.
A big challenge for the effectiveness of the EU NFI Directive will remain the quality and comparability of the reported information.
The NFI Directive is helping to raise awareness on the important issues of gender balance of company boards.

Question 42. Do you think that the NFI Directive's current disclosure framework is **effective** in providing non-financial information that is:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Material				X		
Balanced				X		
Accurate				X		
Timely			X			
Comparable between companies			X			
Comparable over time			X			

Please explain your response to question 42 and substantiate it with evidence or concrete examples:

It is difficult to assess the impact of the NFI Directive since little time has passed from its entry into force. The NFI Directive provides a solid basis for reporting of NFI disclosures by EU companies. The quality, comparability, accuracy and consistency of the reported information are important issues that need to be assessed over time in order to better judge the effectiveness of the Directive. These issues need to be the focus when reviewing the impact of the legislation.

Question 43. Do you agree with the following statement:

The current EU non-financial reporting framework is sufficiently **coherent** (consistent across the different EU and national requirements)?

- 1 - totally disagree
- 2 - mostly disagree
- 3 - partially disagree and partially agree
- 4 - mostly agree
- 5 - totally agree
- (selected) Don’t know / no opinion / not relevant

Please explain your response to question 43 and substantiate it with evidence or concrete examples:

Regarding implementation of the EU NFI Directive, a recent study carried out by Accountancy Europe, CSR Europe and GRI show that the transposition of the EU NFI Directive by the EU Member States is relatively coherent. It is too early to be able to assess the coherence of the EU NFI Directive across the EU when it comes to its actual application at a company level.

Question 44. Do you agree with the following statement:

The costs of disclosure under the NFI Directive disclosure framework are proportionate to the benefits it generates.

- 1 - totally disagree
- 2 - mostly disagree
- 3 - partially disagree and partially agree
- (selected) 4 - mostly agree
- 5 - totally agree
- Don’t know / no opinion / not relevant

Please explain your response to question 44 and substantiate it with evidence or concrete examples:

Considering that most of the reporting entities affected by the NFI Directive (e.g. financial service providers and banks) are already reporting on material sustainability and corporate responsibility issues it is fair to assume that the additional costs incurred are reasonable.

Question 45. Do you agree with the following statement:

The scope of application of the NFI Directive (i.e. limited to large public interest entities) is appropriate

("Public-interest entities" means listed companies, banks, insurance companies and companies designated by Member States as public-interest entities).

- 1 - far too narrow
- 2 - too narrow
- (selected) 3 - about right
- 4 - too broad
- 5 - way too broad
- Don’t know / no opinion / not relevant

Please explain your response to question 45 and substantiate it with evidence or concrete examples:

> The current scope of application of the Directive is about right since it focuses on larger PIEs with significant impact on the economy and society. We agree that other organisations may also benefit from reporting on ESG matters but such reporting should remain voluntary. We believe that increasing the scope of the Directive would be premature at the moment and may pose significant administrative burden on smaller entities (beyond the benefits of reporting). There need to be more tools and guidance in place to support SMEs reporting on a voluntary basis.

Question 46. It has been argued that the NFI Directive could indirectly increase the reporting burden for SMEs, as a result of larger companies requiring additional non-financial information from their suppliers.

Do you agree that SMEs are required to collect and report substantially more data to larger companies as a result of the NFI directive?

- 1 - totally disagree
- 2 - mostly disagree
- 3 - partially disagree and partially agree
- 4 - mostly agree
- 5 - totally agree
- (selected) Don’t know / no opinion / not relevant

Please explain your response to question 46 and substantiate it with evidence or concrete examples:

> It is too early for solid evidence to emerge for or against the claim that SMEs reporting burden is increased when supplying a large company and/or PIE affected by the NFI Directive.

Question 47. Do you agree with the following statement?

The non-binding Guidelines on Non-Financial Reporting issued by the Commission in 2017 help to improve the quality of disclosure.

- ( ) 1 - totally disagree
- ( ) 2 - mostly disagree
- (x) 3 - partially disagree and partially agree
- ( ) 4 - mostly agree
- ( ) 5 - totally agree
- ( ) Don't know / no opinion / not relevant

Please explain your response to question 47 and substantiate it with evidence or concrete examples:

> We believe that binding guidelines on NFI based on thorough consultation with key stakeholders and extensive research into the potential impacts would have been a better option to provide reporters with certainty of methodology and scope as well as demonstrating EU leadership on material NFI matters including diversity.

Question 48. The Commission action plan on financing sustainable growth includes an action to revise the 2017 Guidelines on Non-Financial Reporting to provide further guidance to companies on the disclosure of climate related information, building on the FSB TCFD recommendations. The action plan also states that the guidelines will be further amended regarding disclosures on other sustainability factors. Which other sustainability factors should be considered for amended guidance as a priority?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Environment (in addition to climate change already included in the Action Plan)	( )	( )	( )	( )	(x)	( )
Social and Employee matters	( )	( )	( )	( )	(x)	( )
Respect for human rights	( )	( )	( )	( )	(x)	( )

Anti-corruption and bribery	○	○	○	○	●	○

Question 49. If you are a preparer company, could you please estimate the **increased cost** of compliance with national laws on non-financial disclosure that were adopted or amended following the adoption of the NFI Directive in 2014, compared to annual non-financial disclosure costs incurred before the adoption of the NFI Directive?

Increased amount in Euros of cost of compliance with national laws - **one-off costs of reporting for the first time**:

Increased amount as a % of total operating cost of compliance with national laws - **one-off costs of reporting for the first time**:

%

Increased amount in Euros of cost of compliance with national laws - **estimated recurring costs**:

Increased amount as a % of total operating cost of compliance with national laws - **estimated recurring costs**:

%

Question 50. How would you assess, overall, the impact of the NFI Directive disclosure framework on the competitiveness of the reporting EU companies compared to companies in other countries and regions of the world?

- ○ Very positive impact on competitiveness
- ● Somewhat positive impact on competitiveness
- ○ No significant impact on competitiveness
- ○ Somewhat negative impact on competitiveness
- ○ Very negative impact on competitiveness
- ○ Don’t know / no opinion / not relevant

Please explain your response to question 50 and substantiate it with evidence or concrete examples:

It is too early for solid evidence to emerge demonstrating an increase or decrease of competitiveness of reporting EU companies to companies in other countries and regions of the world. However, we would expect that in the long terms the EU NFI Directive reporting requirements will increase the competitiveness of EU companies.

Country-by-country reporting by extractive and logging industries

Since 2017, companies that are active in the extractive industry or in the logging of primary forests have to be more transparent on the payments they make to governments. Through amendments made in 2013 to the Accounting and Transparency directives, such companies established in the European Union should publish each year a so-called "country-by-country report" summarising payments to governments. These reporting requirements were introduced to help governments of resource-rich countries manage their resources as well as to enable civil society to better hold governments and business into account. This should also help governments of resources-rich countries to implement the Extractive Industries Transparency Initiative (EITI) principles.

Question 51. Do you think that the public reporting requirements on payments to governments ("country-by-country reporting") by extractive and logging industries are:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
effective (successful in achieving its objectives)	○	○	○	○	○	●
efficient (costs are proportionate to the benefits it has generated)	○	○	○	○	○	●
relevant (necessary and appropriate)	○	○	○	○	○	●
coherent (with other EU requirements)	○	○	○	○	○	●
designed at the appropriate level (EU level) in order to add the highest value (as compared to	○	○	○	○	○	●

actions at Member State level)						

Please explain your response to question 51 and substantiate it with evidence or concrete examples:

Question 52. As a preparer company, could you please indicate the annual recurring costs (in € and in relation to total operating costs) incurred for the preparation, audit (if any) and publication of the “country-by-country report”:

Total amount in Euros of **one-off costs of reporting** for the first time for the “country-by-country report”:

Amount as a % of total operating costs of **one-off costs of reporting for the first time** for the “country-by-country report”:

%

Total amount in Euros of annual recurring costs for the “country-by-country report” - **estimated recurring costs**:

Amount as a % of total operating costs of annual recurring costs for the “country-by-country report” - **estimated recurring costs**:

%

Question 53. How would you assess, overall, the impact of country-by-country reporting on the competitiveness of the reporting EU companies?

- Very positive impact on competitiveness
- Somewhat positive impact on competitiveness
- No significant impact on competitiveness
- Somewhat negative impact on competitiveness

- ◯ Very negative impact on competitiveness
- ◯ Don't know / no opinion / not relevant

Please explain your response to question 53 and substantiate it with evidence or concrete examples:

Integrated reporting

In addition to a demand to broaden the range of information to be included in corporate reports, there is an ongoing debate on whether and how to integrate financial, non-financial, and other related reports in a meaningful way.

Question 54. Do you agree that integrated reporting can deliver the following **benefits**?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
More efficient allocation of capital, through improved quality of information to capital providers	◯	◯	◯	◯	◉	◯
Improved decision-making and better risk management in companies as a result of integrated thinking and better understanding of the value-creation process	◯	◯	◯	◯	◉	◯
Costs savings for preparers	◯	◯	◯	◯	◉	◯

Cost savings for users	○	○	○	○	●	○
Other differences (please rate here and specify below)	○	○	○	○	●	○

Please specify what other benefit(s) can integrated reporting deliver:

Please explain your response to question 54 and substantiate it with evidence or concrete examples:

The coalition of over 1000 organisations forming the International Integrated Reporting Council (IIRC) including investors, reporters, professional bodies including BDO and others have demonstrated the benefits of applying integrated reporting (<IR>) through multiple global research reports and case studies available on http://integratedreporting.org/resources/. The IIRC's established a business network of organisations committed to the adoption of integrated reporting. These organisations have over the past 5 years embraced <IR> and published results, benefits and learnings on the IIRC website encouraging scrutiny and comments. Benefits realised by the organisations include more efficient allocation of capital, better communication with investors around future risks and opportunities, improved internal decision making and communication and cost savings moving to an integrated reporting model. Clearly more evidence is needed to quantify the benefits of adopting <IR> across the entire industry spectrum but large integrated reporters, especially those based in the EU including Novo Nordisk (DK), SAP (GER), DSM (NL) and Umicore (BEL), have demonstrated encouraging and innovative results from moving their previously separate financial and non-financial disclosures to a single annual integrated report.

Question 55. Do you agree with the following statement?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
A move towards more integrated reporting in the EU should be encouraged	○	○	○	○	●	○

The costs of a more integrated reporting would be proportionate to the benefits it generates (would be efficient)	○	○	○	○	●	○

Please explain your response to question 55 and substantiate it with evidence or concrete examples:

We would strongly encourage a move towards voluntary <IR> disclosures in the EU. We suggest using pilot programmes for a representative sample of listed companies, private companies and public sector organisations across all sizes and reporting maturity to gather evidence on the benefits, costs and impacts uniform annual <IR> disclosures will have. The IIRC's business network of reporting organisations has over the last 5 years generated a significant list of benefits which in many cases more than justified the cost associated with integrated disclosures. We are encouraged by these findings but believe more evidence is needed about benefits and impacts before considering a future mandatory approach to EU organisational reporting.

Question 56. Is the existing EU framework on public reporting by companies an obstacle to allowing companies to move freely towards more integrated reporting?

- ○ Yes
- ● No
- ○ Don't know / no opinion / not relevant

Please explain your response to question 56 and substantiate it with evidence or concrete examples:

VI. The digitalisation challenge

In the area of public reporting by companies technology is changing 1) the way companies prepare and disseminate corporate reports and 2) the way investors and the public access and analyse company information. On 6 October 2017, the 'eGovernment Declaration' was signed in Tallin in the framework of the eGovernement Ministerial Conference. It marked a clear political commitment at EU level towards ensuring high quality, user-centric digital public services for citizens and seamless cross-border public services for businesses.

Digitalisation is soon to become reality for issuers with securities listed on European regulated markets ("listed companies"). These companies must file their Annual Financial Reports with the relevant Officially Appointed Mechanisms (OAMs). An Annual Financial Report mainly contains the audited financial statements, the management report and some other statements. In 2013, the Transparency Directive was amended to introduce as from 1 January 2020 a structured electronic reporting for Annual Financial Reports based on a so-called "European Single Electronic Format" (ESEF). It also established a single European Electronic Access Point (EEAP) in order to interconnect the different national OAMs. The objectives were to facilitate the filing of information by listed companies, and facilitate access to and use of company information by users on a pan-EU basis, thus reducing operational costs for both parties.

Beyond listed companies, the Commission is currently working, as announced in the 2017 Commission Work Programme, on an EU Company Law package making the best of digital solutions and providing efficient rules for cross-border operations whilst respecting national social and labour law prerogatives, which is not subject to this public consultation.

Question 57. Do you consider the existing EU legislation to be an obstacle to the development and free use by companies of digital technologies in the field of public reporting?

- ( ) Yes
- (•) No
- ( ) Don't know / no opinion / not relevant

Question 58. Do you consider that increased digitalisation taking place in the field diminishes the relevance of the EU laws on public reporting by companies (for instance, by making paper based formats or certain provisions contained in the law irrelevant)?

- ( ) Yes
- (•) No
- ( ) Don't know / no opinion / not relevant

The impact of electronic structured reporting

Question 59. Do you think that, as regards public reporting by listed companies, the use of electronic structured reporting based on a defined taxonomy (ESEF) and a single access point (EEAP) will meet the following intended objectives:

	1	2	3 (partially disagree	4	5	Don't know / no opinion /

	(totally disagree)	(mostly disagree)	and partially agree)	(mostly agree)	(totally agree)	not relevant
improve transparency for investors and the public	○	○	◉	○	○	○
improve the relevance of company reporting	○	○	◉	○	○	○
reduce preparation and filing costs for companies	○	○	○	○	○	◉
reduce costs of access for investors and the public	○	○	○	○	○	◉
reduce other reporting costs through the re-use of companies' public reporting of electronic structured data for other reporting purposes (e.g. tax authorities, national statistics, other public authorities)	○	○	○	○	○	◉

Please provide an estimated order of magnitude or qualitative comments for such cost reductions (e.g. % of preparation costs or % of costs of accessing and analysing data...):

Question 60. In your opinion, on top of the financial statements, do you think that the following documents prepared by listed companies should contain electronic structured data?

Financial reporting

			3			Don't know /

	1 (totally disagree)	2 (mostly disagree)	(partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	no opinion / not relevant
Half-yearly interim financial statements	○	○	○	○	◉	○
Management report	○	◉	○	○	○	○
Corporate governance statement	○	◉	○	○	○	○
Other disclosure or statements requirements under the Transparency Directive such as information about major holdings	○	◉	○	○	○	○

Non-financial reporting and other reports

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Non-financial information	○	○	●	○	○	○
Country-by-country report on payments to governments	○	○	○	●	○	○
Other documents (please rate here and specify below)	○	○	○	○	○	○

Question 61. Once the ESEF is fully developed and in place for listed companies, would this EU language add value as a basis to structure the financial statements, management reports etc. published by any limited liability company in the EU?

- ○ Yes
- ● No
- ○ Don't know / no opinion / not relevant

Please explain your response to question 61 and substantiate it with evidence or concrete examples:

Question 62. As regards the non-financial information that listed companies, banks and insurance companies must publish, do you think that digitalisation of this information could bring about the following benefits?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Facilitate access to information by users	○	○	○	○	●	○
Increase the granularity of information disclosed	○	○	○	○	●	○
Reduce the reporting costs of preparers	○	○	○	○	○	●

Please explain your response to question 62 and substantiate it with evidence or concrete examples:

Question 63. Digitalisation facilitates the widespread dissemination and circulation of information. Besides, the same corporate reporting information may be available from different sources, such as a company's web site, an OAM, a business register, a data aggregator or other sources. In a digitalised economy, do you consider that electronic reporting should be secured by the reporting company with electronic signatures, electronic seals and/or other trust services?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not relevant

Please explain your response to question 63 and substantiate it with evidence or concrete examples:

Data storage mechanisms – data repositories

Today, the self-standing national databases maintained by each Officially Appointed Mechanisms (OAMs) are not interconnected to each other, or to a central platform.

The European Financial Transparency Gateway (EFTG) is a pilot project funded by the European Parliament that aims to virtually connect the databases using the distributed ledger technology in order to provide a single European point of access to investors searching for investment opportunities on a pan-EU basis. The European Financial Transparency Gateway could be used as a basis for achieving a single European Electronic Access Point (EEAP).

Question 64. Considering the modern technologies at hand to interconnect databases on information filed by listed companies with the OAMs, do you agree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant
A pan-EU digital access to databases based on modern technologies would improve investor protection	◯	◯	◯	◯	◉	◯
A pan-EU digital access to databases based on modern technologies would promote cross border investments and efficient capital markets	◯	◯	◯	◯	◉	◯
The EU should take advantage of a pan-EU digital access to make information available for free to any user	◯	◯	◯	◯	◉	◯

Question 65. Public reporting data in the form of structured electronic data submitted by listed companies could potentially be re-used for different purposes by different authorities. For instance, by filing a report once with an OAMs and re-using it for filing purposes with a business register. In your opinion, should the EU foster the re-use of data and the “file only once” principle?

- ◉ Yes
- ◯ No
- ◯ Don’t know / no opinion / not relevant

Please explain your response to question 65 and substantiate it with evidence or concrete examples:

Coherence with other Commission initiatives in the field of digitalisation

On 1 December 2017, the Commission launched a Fitness Check on the supervisory reporting frameworks. In parallel, the financial data standardisation (FDS) project, launched in 2016, aims for a 'common financial data language' across the board for supervisory purposes. The Commission will report by summer 2019 (for more details, see Commission report on the follow up to the call for evidence - EU regulatory framework for financial services, December 2017 section 3.3).

Question 66. Should the EU strive to ensure that labels and concepts contained in public reporting by companies are standardised and aligned with those used for supervisory purposes?

- ○ 1 - totally disagree
- ○ 2 - mostly disagree
- ● 3 - partially disagree and partially agree
- ○ 4 - mostly agree
- ○ 5 - totally agree
- ○ Don't know / no opinion / not relevant

Other comments

Question 67. Do you have any other comments or suggestions?

Acronyms and Abbreviations

AD
: Accounting Directive

BAD
: Bank Accounts Directive

CEP
: Centre for European Studies

CBCR
: Country by Country Reporting

CLD
: Company Law Directive

CMD
: Capital Maintenance Directive

CMU
: Capital Markets Union

CRD
: Capital Requirements Directive

CRR
: Capital Requirements Regulation

DG FISMA
: Directorate General Financial Stability, Financial Services and Capital Markets Union

DLT& API
: Distributed Ledger Technology & Application Programme Interface

EC
: European Commission

EFRAG
: European Financial Reporting Advisory Group

EFTG
: European Financial Transparency Gateway

EITI
: Extractive Industries Transparency Initiative

ESG
: Environmental, Social & Governance factors

ESMA
: European Securities and Markets Authority

ESRB
: European Systemic Risk Board

FSB
: Financial Stability Board

GAAPs
: General Accepted Accounting Principles

HLEG
: High-Level Expert Group

IAD
: Insurance Accounts Directive

IAS
: International Accounting Standards

IASB
: International Accounting Standards Board

IFRS
: International Financial Reporting Standards

IFRS 4
: International Financial Reporting Standards on Insurance contracts

IFRS 9
: International Financial Reporting Standards on Financial Instruments

IFRS 17
: will replace IFRS 4 as of 1 January 2021

IIRC
: International Integrated Reporting Council

KPIs
: Key Performance Indicators

NFR
: Non-Financial Reporting Directive (also called NFI for Non-Financial Information)

NGOs
: Non-governmental Organisation

OAMs
: Officially Appointed Mechanisms

OECD
: Organization for Economic Co-operation and Development

PIE
: Public Interest Entities

P&L
: Profit and Loss account

SMEs
: Small and Medium Enterprises

SRB
: Single Resolution Board

SSM
: Single Supervisory Mechanism

TCFD
: Task Force on Climate-related Financial Disclosures

TD
: Transparency Directive

3. Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

Useful links

[Consultation details (http://ec.europa.eu/info/consultations/finance-2018-companies-public-reporting_en)](http://ec.europa.eu/info/consultations/finance-2018-companies-public-reporting_en)

[Specific privacy statement (http://ec.europa.eu/info/files/2018-companies-public-reporting-consultation-document_en)](http://ec.europa.eu/info/files/2018-companies-public-reporting-consultation-document_en)

[More on the Transparency register (http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

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