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:

Koninklijke Nederlandse Beroepsorganisatie van Accountants

Contact email address:

The information you provide here is for administrative purposes only and will not be published

p.hurks@nba.nl

*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

*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?

The Netherlands

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

at least 1 choice(s)

- [ ] Accommodation and food service activities
- [x] Accounting
- [x] Administrative and support service activities
- [ ] Agriculture, forestry and fishing
- [ ] Arts, entertainment and recreation
- [x] Auditing
- [ ] Banking
- [ ] Construction
- [ ] Consumer protection
- [ ] Credit rating agencies
- [ ] Digital
- [ ] Electricity, gas, steam and air conditioning supply
- [ ] Human health and social work activities
- [x] 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)

- ● 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:

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
Internal market	**Facilitate:**					
	→ 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				X		
Developing the internal market				X		
Promoting integrated EU capital markets				X		
Ensuring financial stability			X			
Promoting sustainability						X

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

Ensuring stakeholder protection: the requirement for preparation and audit of financial statements contributes to stakeholder protection.

Developing the internal market/Promoting integrated EU capital markets: IFRS, as one reporting language under the IAS Regulation, has helped in promoting integrated EU capital markets.

Ensuring financial stability: the EU can help to stabilize the financial system by providing structure, but the ultimate result lies in the decisions taken by the stakeholders. EU can help shape those decisions. EU public reporting requirements need to be transparent so that stakeholders are well informed.

Promoting sustainability: Commission's development of the Non-Financial Information (NFI) Directive and Non-Binding Guidelines are a good first step to promote sustainability. However, these are recent additions to the EU regulatory landscape, and it is too early to gauge their effectiveness.
The action plan on Sustainable Finance will also be a catalyst for ensuring that sustainable and inclusive long-term growth are achieved.

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:

NBA does not express an opinion on this. To answer this question adequately, we recommend to perform a thorough and separate evaluation. In general he objectives are served when better information and transparency are provided by companies.

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:

It is difficult to express an evidence-based view, hence our above response.

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:

We consider the overall intrinsic coherence of the EU public reporting framework to be high. However, it is not always possible or desirable to fully align every piece of regulation or threshold in the Member State transposition, mainly caused by EU Member State options in the respective EU Directives (area examples: audit exemption thresholds, ISA-adoption, preparation, publication and auditors' involvement of management reports, preparation and assurance on non-financial information).
It is also observed that there is a level of inconsistency in the overall EU approach over all these area examples combined (example: lack of integration in the approach for preparation and reporting of financial and non-financial information).

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.

NBA does not have specific examples.

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:

EU is the right level for abovementioned policies, but NBA wishes to emphasize that primary focus is an approach on global level, in which the EU can assume a 'thought leadership' role.
Consistency across Europe, and at a global level, can significantly enhance a level playing field and help ensuring investor and consumer protection which could favorably impact the economy.
Moreover, we believe the EU level is right for major steps forward such as introducing IFRS and non-financial information, and their integration, as well as to address major changes in the level of use of IT technology in reporting.

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
- ◉ 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:

Cross border business within the EU could also be hindered by other factors, such as tax regulations, company law, insolvency law , language barriers and the availability of logistic infrastructures. Differences in financial reporting standards and audit requirements could also be a hinderance, but only to a limited extent.

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			X			
Differences in corporate governance standards			X			
Differences and overlaps arising from the presentation of the financial statements (balance sheet, etc.)			X			
Differences arising from publication rules / filing with business registers			X			

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

The question refers to identifying which impediments are significant to cross-border establishment in the EU. Companies successfully perform cross-border activities even if there are some impediments. Therefore, we do not consider that any of the above will prevent a company from establishing cross border in the EU. Please also note our examples in Question 8.

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:

As a representative of the accountancy profession, NBA does not have evidence on the impact of hindrances to cross border business on costs relating to public reporting by companies.

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:

Financial reporting and tax reporting have different objectives so complete convergence between the two is neither possible nor desirable – not least because financial reporting is based around the recognition of both realised and unrealised gains and losses whereas tax reporting is primarily based around realised gains and losses.The specific tax reporting rules vary considerably across the EU. Such variances add to the administrative burden of setting up a permanent establishment in other Member States but the tax regime of a Member State (including incentives) has more influence on the place of establishment than tax reporting requirements.

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.			X			
Do nothing (status quo)	X					
Other approaches (please rate here and specify below)			X			

Please specify what other approaches could reduce barriers to doing business cross-borders:

For the longer-term, we favor harmonization of accounting principles and thus reduction of options currently available in the EU accounting legislation.

We do not agree with converging national GAAPs on the basis of a European Conceptual Framework. Such a framework would create fragmentation, gradually leading to the overall abolishment of global standards in Europe.

In case the Commission proposes a "pan-EU GAAP" then this should be based on the IFRSs and IFRS for SMEs as a starting point, as these are currently used at a global level. We see a Commissions's role in working together with the IASB in which the EU can assume a ‘thought leadership’ role.

The global character of IFRS improves the quality, comparability and reliability of financial information. These benefits are crucial for the EU in remaining competitive and attracting foreign investment and for retaining (global) confidence in the European financial markets. Global harmonization can be improved by requiring or facilitating IFRS application on a larger scale (e.g. individual financial statements for listed entities that do not have consolidated financial statements and options for non-listed entities).

For non-listed companies, we recommend to consider introducing a set of “IFRS light” reporting standards, that follow the recognition and measurement criteria of IFRS but inherits only a limited part of the disclosure requirements. The IFRS light option is in our view only feasable under the primacy if the IASB.

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

As mentioned in questions 8-9, differences in reporting rules may hinder cross-border business, but only to a limited extent - hence our ranking of 3 in the relevant boxes.

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?

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

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

NBA prefers the member state option.

However, we are not in favour of exempting subsidiaries which are themselves public interest entities (PIEs) from publication, as a PIE is a company which is held to higher transparency requirements.

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 companies need to prepare a certain minimum of information to manage their business: this does not necessarily mean full accounts. The current requirements for small and medium-sized companies to prepare and publish a balance sheet, a profit or loss statement and a few notes demonstrates that the requirements for these entities are not excessively burdensome, especially as many businesses use accounting software that can produce these statements automatically.

As accurate financial accounting is essential for the long-term health of SMEs, further reporting simplifications could have long term damage on European SMEs. Rather, attention should be directed towards other burdens on SMEs, such as complicated direct and indirect tax rules and unnecessary paperwork requests issued by government departments.

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:

> Different EU legislation might have different objectives and a one-size criterion applicable for all policy areas might hinder achieving these different objectives.
>
> The thresholds must also depend on the size of the national economy of the respective member states.
>
> Additionally, the classification criteria should not be limited to only a set of (arbitrary) numbers, but should also take into consideration qualitative characteristics such as the complexity of a business model, the impact to society, the scope of a company in the context of the rapid evolution of business models, digitalization and globalization.
>
> Before any change is made, a regulatory impact assessment is needed to assess the impact on individual countries, on significant stakeholders within these countries and important economic sectors.

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:

	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 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:

Comments on question 16 in the next box.

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

Strategy, business model, value creation:
A good understanding of the strategy, the business model and the long-term value creation would help users understand the context in which they should interpret the more detailed information. NBA applauds current initiatives for new presentation approaches to corporate reporting (e.g. Accountancy Europe Core & More concept, IIRC <IR>).

Intangible assets:
Internally generated intangible assets and other intangible items which do not meet the recognition criteria (i. e. unrecognized intangible assets) could be disclosed in the notes to the financial statements. The disclosure of those unrecognized intangible assets, in both IFRS and non-IFRS financial statements, could improve the understanding of the company’s situation. NBA applauds current research initiatives for a more integrated balance sheet and profit and loss account (e.g. WICI, True Price), however for any opinion thereon it is too soon.

Policies and risks on dividends:
The current disclosure requirements are too limited concerning dividend distribution policies and risks. This

applies to both IFRS and non-IFRS accounts.

Cash-flows:
This important information is indeed missing in (non-IFRS) financial statements.

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

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

If you answered yes to question 17, please explain what additional information you would find useful:

For further consideration and research:
- Operational performance metrics in the context of long term value creation.
- Viability statements or going concern statements (for example as introduced in the UK).

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?

- (x) 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:

The Commission should not define alternative performance measures for companies. This should be dealt by the IASB.

Stakeholders would benefit from higher quality, less voluminous financial reporting addressing what is relevant, considering a specific reporting entity. It is therefore important that entities focus on disclosing relevant entity-specific information instead of following a rules-based check-the-box exercise resulting in boilerplate disclosures.

It is true, though, that the flexibility that companies have in terms of disclosing APMs often leads to reduced comparability. It is therefore useful that preparers have some guidance on how performance measures can be fairly presented in the financial statements (e.g. guidance released by ESMA and IOSCO).

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?

- (•) 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?

- ( ) 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;
- (•) 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:

Sustainability and long-term investment are undoubtedly of prime importance to the EU economy. Consequently, we welcome the final recommendations of the High-Level Expert Group (HLEG) on sustainable finance and we urge the Commission to take immediate action where necessary.
As key actors in the sustainability reform agenda, we especially recognise the importance of both embedding sustainability factors in corporate reporting and changing short-termism in financial behaviour.

The questionnaire raises the possibility of adding two new criteria to the EU-endorsement process, namely 'long-term investment' and 'sustainability'. NBA does not support adding new endorsement criteria to the IAS Regulation.
First, we believe that the current EU endorsement criteria, as described in the IAS Regulation, are appropriate. In our view, long-term investment and sustainability are sufficiently covered by the criterium that international standards must be "conducive to the European public good". We do not have any evidence or

indications that the current set of criteria poses a relevant obstacle to broader EU policy objectives such as sustainability and long-term investments.
Second, the primary objective of financial reporting standards is to reflect the company's economic reality in a reliable way ('true and fair view'). That leaves no room for adjustment of recognition or measurement principles if this will be contradicting with the 'true and fair view'-principle.

We are very much concerned that some of the proposals seem to make general financial reporting objectives ('true and fair view principle') subordinate to objectives to stimulate long-term investments and sustainability. For instance, by allowing alterations to recognition and/or measurement principles compared to the general principles in a way that volatility and risks related to the business(es) involved will be less transparent or hidden or will give less insight to society.

In addition, financial reporting standards are not suitable for realizing or encouraging objectives as 'long-term investment' and 'sustainability'. We believe other activities are more appropriate. For instance, investors are already showing their appreciation for sustainability or long-term investment objectives; this will stimulate preparers to be transparent on long-term value creation and sustainability preferably in management reports, long-term investment-stimulating government subsidies and in sustainability benchmarks on EU level. Also, the EU could give support to global initiatives such as the activities of the Task Force on Climate-related Disclosures (TCFD).

Finally, the introduction of new endorsement criteria could lead to increased risks on non-endorsement of IFRS standards or provisions, which would hinder the achievement of globally accepted financial reporting standards.

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 acknowledge that it is difficult to define at a European level (and at a global level) the 'true and fair view' principle. However, we do not consider that a European Conceptual Framework should underpin the IFRS endorsement process. Such an EU conceptual framework would diminish Europe's influence on the standards-setter and its global standing.

Instead, considering endorsing the IASB Conceptual Framework is preferable, but also 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
- ○ 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:

NBA does not support the introduction of an EU Conceptual Framework. As an EU version could deviate from the IASB Conceptual Framework, it could also be inconsistent with IFRS standards that are adopted in the EU. Such differences do not contribute to the clarity of the EU reporting framework and the comparability of companies’ financial statements.

If the EU considers the use of a conceptual framework in the future, we recommend to consider endorsing the IASB Conceptual Framework. This Framework gives high level guidance to accounting and reporting issues that are not addressed in the IFRS standards. It could also give further translation to the ‘true and fair view’ principle as laid down in the Accounting Directive. Note however that, although we do support the IASB Conceptual Framework, we would not give high priority to its endorsement in the EU, because we think that efforts in this direction will be of limited added value in current practice and also might cause some practicle compexities in processes.

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
- ○ 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:

NBA does not support the introduction of prescribed (minimum) lay-outs for the balance sheet and income statement. Although mandatory use of minimum layouts could enhance comparability of financial statements, EU specific lay outs will lead to further divergence from IFRS requirements, for example as laid down in IAS 1. In our opinion, it will be more effective if the EU actively supports and contributes to the IASB project on Financial Statement Presentation. The IASB is the right body for such an initiative, and her project is already in a progressing stage.

We also want to emphasize that the objective of comparability of financial reporting for national oriented companies seems of less importance, because of their national market focus. Currently still many EU companies are not acting cross-border. In this light there seems less need for alignment of financial reporting for this type of companies. In our view companies operating cross-border will benefit more from comparability than national oriented companies. We therefor believe that a company option on EU level to allow cross-border companies to apply IFRS or IFRS for SMEs can be of great benefit for these companies.

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?

						Don’t know /

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	no opinion / not relevant
Protect investors	○	○	○	○	○	●
Contribute to integrated EU capital markets	○	○	○	○	○	●
Facilitate cross border investments	○	○	○	○	○	●

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

NBA does not express an opinion on this.

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	○	○	○	●	○	○
Promoting long-term investment (i.e. discouraging the culture of short-termism on financial markets).	○	○	●	○	○	○

Promoting long-term and sustainable value creation and corporate strategies	○	○	●	○	○	○
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, notably for SMEs: removing quarterly reports undoubtedly reduced the administrative and compliance burden.

Promoting long-term investment, long-term and sustainable value creation and corporate strategies:
In our view there is no evidence that abolishing quarterly reports reduced a short-termism in companies, but we do believe that abolishing quarterly reports allows companies to focus on what information better meets the needs of their stakeholders, instead of meeting quarterly targets and exercise reporting as a compliance issue.

Maintaining an adequate level of transparency in the market and investors' protection:
We would argue that investors use the financial statements for its confirmatory value. Investors receive relevant and timely information in other ways; these resources remain available when quarterly reporting has been abolished.

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:

In general, we would expect that providing more information (e.g. details on persons behind intermediate parties) on voting rights is conducive to better protection of investors and prevention of potential market abuse.

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:

The meaning of the word “coherent” in this context remains unclear. NBA does therefore not express an opinion on this.

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:

NBA does not have such comparative information.

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

We have identified two areas where public reporting by companies could be improved.

Extended External Reporting:
Public reporting by listed companies should evolve in a way that will keep pace with the developing economic reality and address the needs of their stakeholders. None of the reports currently available can address these needs in a single standalone report. Financial statements alone cannot present a comprehensive picture of the company’s affairs, while non-financial reporting alone cannot depict a company’ s financial performance, position and return to investors. There are initiatives and efforts to address these limitations, such as IIRC <IR> and the Core & More concept of Accountancy Europe.

Enhance the coordination of non-financial information initiatives and frameworks:
The overwhelming number of existing disconnected non-financial information reporting frameworks complicates coherent, consistent, and comparable wider corporate reporting, and increases the reporting

burden for companies. The different standard setting bodies and initiatives should coordinate their efforts to streamline existing reporting frameworks addressing similar pieces of non-financial information, with support from the regulatory community. An important initiative is the Corporate Reporting Dialogue. The final aim should be developing a single global framework or a coherent global structure of frameworks for integrated financial and non-financial information reporting.

Credibility of information:
Currently there is lack of coherent, consistent, and comparable assurance services and therefore we sense a need for a gradual move from existence check, consistency check reviews, to limited or reasonable assurance for non-financial information reporting or integrated reporting. The current Member State options in Member States complicate the understandability of assurance services. On the longer term all information required by law (financial and non-financial), should be audited information.

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:

In general we object to initiatives to align prudential financial reporting frameworks with general purpose financial reporting frameworks, because both frameworks serve different purposes. In general for financial reporting the true and fair view principle should not be hampered because of prudential objectives.

- Effectiveness/ relevance: We believe that the effectiveness and relevance of the BAD has been reduced due to the introduction of IFRS. On top of that, the BAD (from 1986!) has never been updated to cover more recent accounting treatments.
- Cost/benefit analysis (i.e. efficiency): We unfortunately do not have evidence to respond to this question.
- Coherence: There is no conflict within the current EU legislative public reporting framework for banks, mainly due to the fact that the BAD is providing rather high-level guidance with a lot of options. On the other hand, it would be good that the BAD refers to IFRS in view of a more coherent EU legislative public reporting framework for banks.

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
- ● 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 suggest the following for banks:
> • Listed entities: Mandatory IFRS for both the consolidated and individual (parent) financial statements as well as the financial statement of banks without subsidiaries
> • Non-listed entities: Allowing IFRS for both the consolidated and individual financial statements (see also Question 35)
>
> There are some concerns around the extensive IFRS disclosure requirements. More proportionate IFRS disclosure requirements could be a potential solution for this issue, especially for smaller banks.
>
> It is also important that the EU influences global standard setting in a proactive way (i.e. before a final Standard is issued by the IASB) considering the proposed extensive use of IFRS in the EU.

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

In general we would not support including EU modifications on IFRSs in the BAD (e.g. on IFRS 9 Financial Instruments). If the BAD was to be updated to include guidance on those topics, it should as far as possible use the same guidance as found in the IFRSs - at least for the preparation of the consolidated financial statements under IFRS as adopted by the EU.

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
- [x] Don’t know / no opinion / not relevant

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

For our response please see our comments in question 31, 32 and 33.

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	○	○	○	○	●	○
Allowing the use of IFRS for the preparation of individual financial statements by (cross border) banking subsidiaries, subject to consolidated supervision, would increase efficiency	○	○	○	○	●	○

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

We agree that allowing IFRS for the preparation of individual financial statements by banking subsidiaries would increase efficiency amongst other benefits (see also 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?

● 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 banks, including cross border bank subsidiaries of an EU parent, should always publish individual financial statements in view of transparency considering they are PIEs (Public Interest Entities) and also as it concerns a regulated industry.

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**)	○	○	●	○	○	○
The Insurance Accounting Directive is still sufficiently **relevant** (necessary and appropriate) to meet the objective of comparable financial statements	○	○	●	○	○	○
The costs associated with the Insurance Accounting Directive are still proportionate to the benefits it has generated (the Insurance Accounting Directive is **efficient**)	○	○	○	○	○	●

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

We list our general observations on the IAD
- The IAD is losing relevance (dates from 1991)
- The IAD's Member State options impair the objective of comparability of financial statements

Question 38. 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
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		X				
The Insurance Accounting Directive should be harmonized with the IFRS 17 Standard			X			
Preparers should be allowed to elect for a European-wide option to apply Solvency II valuation principles in their financial statements						X

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

We list our general observations on the IAD
- Defer alignment with IFRS 17 after completion of the endorsement process
- Harmonization of IAD with Solvency II does not have our preference as they serve different purposes. Alignment is possible where Solvency II is using market value.

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?

	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
For European insurance and reinsurance companies under the scope of the						X

mandatory application of IFRS according to the IAS regulation						
For European insurance and reinsurance companies required to apply IFRS according to Member States options	○	○	○	○	○	◉
For European insurance and reinsurance companies not required to apply the IFRS Standards	○	○	○	○	○	◉

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:

Quality and quantity of non-financial information
The NFI Directive has been a valuable first step in improving the quality and quantity of non-financial information but they still remain relevant issues, not least because insufficient time has elapsed since national transposition to assess its impact.
Current surveys on non-financial information disclosures show that non-financial information reporting is improving, however is not yet as robust and coherent as could be expected. EY survey on the importance of non-financial information to investors, survey of FSR-Danish auditors survey on listed companies and KPMG surveys on corporate responsibility reporting provide further valuable insights into non-financial information reporting state of play.

General comment on both issues: quantity/quality of information and diversity of Boards
We expect that the Directive will bring some improvement to both of these areas, but such improvements will be a gradual process. Hence, we believe both remain relevant issues today. As there has only been one reporting cycle since the NFI Directive was transposed in most countries, it is still too early to accurately assess the impact of the Directive on the quality and quantity of non-financial information and of the diversity of Boards.

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.				X		
Enhancing companies' accountability, for example with respect to the social and environmental impact of their operations.				X		
Enhancing the efficiency of capital markets by helping investors to integrate material non-financial information into their investment decisions.				X		
Increasing diversity on companies' boards and countering insufficient challenge to senior management decisions				X		
Improving the gender balance of company boards				X		

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

As already explained in our response to Question 40, with only one reporting cycle since transposition, it is very difficult to accurately gauge the NFI Directive's effectiveness in these areas and to provide evidence to support our views. This is particularly the case regarding questions of consistency, which can only be accurately assessed with time.

Overall, we believe that the Directive is a positive first step in addressing the issues raised above and has helped raise awareness of them in certain countries. Reporting such issues undoubtedly raises them in the public's awareness and helps lead to change but this process is slow.

Even so, it should be appreciated that it will take considerable time for the public debate to result in significant changes in practice, as dealing with environmental and diversity issues, for example, require significant structural changes within a business.

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	○	○	●	○	○	○
Balanced	○	○	●	○	○	○
Accurate	○	○	●	○	○	○
Timely	○	○	●	○	○	○
Comparable between companies	○	○	●	○	○	○
Comparable over time	○	○	●	○	○	○

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

General comment
We believe that there will be an increasing appreciation of the value of integrating financial and non-financial information. This will inevitably lead to increased effectiveness in such areas as materiality, accuracy and comparability, not least because of the greater regulatory maturity that cover the reporting and audit of financial information. Two thirds of investors indicate that having independent verification is important and can significantly improve credibility of the company's reporting processes in the eyes of all stakeholders.

Material and balanced information
We believe that the Directive is a good starting point to improve non-financial information reporting in all of these aspects and that improvements will be seen in the future.

Having balanced disclosures is important to reflect a company's true performance. Investors also ask for non-financial information tailored to specific audiences; having a boilerplate list of ESG indicators is no longer sufficient.

Accuracy of information
Currently, independent assurance on non-financial information is not mandatory across the EU (except, in Italy and France). Companies that implement independent assurance on their NFI reports usually have better reporting practices and this increases accuracy of the reported information (see EY survey, question 40)
However, it has been reported that Directive itself has resulted in a greater awareness of the businesses affected that NFI information must be accurate. This is especially the case when such information is disclosed in the management report.

Timeliness of information
As with the accuracy of information, inclusion of NFI information in the management report increases the timeliness of reporting. However, many Member States currently permit the non-financial report to be presented separately up to six months after the balance sheet date, with the annual financial statements often prepared much sooner.

Comparability of information
The Directive is very high-level and provides considerable flexibility in disclosures and verification, which has an adverse effect on the balance of information presented and the comparability of such information between companies, even within the same sector. Investors do not consider non-financial information in their decision-making process mainly because the information is unavailable for comparison with other companies.
Furthermore, as we noted in our response to question 30, the large number of existing uncoordinated non-financial information reporting frameworks reduces consistency and comparability of the information disclosed
In respect of the comparability of NFI reporting over time, we believe that it is too early to be able to assess the effectiveness of the Directive as we are limited to one reporting cycle for most Member States.

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
- ○ Don’t know / no opinion / not relevant

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

After the implementation of the NFI Directive, all Member States have minimum requirements for non-financial reporting.

Transposition of the Directive at national level has been relatively coherent. However, most Member States went for the minimum requirements laid down in the Directive on transposition because the Directive allows so much flexibility. This has led to a lack of coherence across the EU (particularly in respect of reporting frameworks) for the reporting company.

There is also a lack of coherence in respect of scope because most Member States rely on their existing definitions of public interest entities established under the transposition of the 2013 Accounting Directive.

Where the NFI is to be presented is also not consistent, with approximately one third of countries went for the Directive's default position that the report should be contained in the Management report.

We are aware that some cross-border companies have found divergent transposition between Member States to be burdensome and confusion does exist on the national application of certain provisions of the Directive, including those relating to independent verification.

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
- ○ 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:

We do not have evidence-based information on the costs. However, we provide some general observations below.

In this context, we are considering the benefits in relation to all stakeholders, not just from the viewpoint of the reporting company.

Many businesses affected by the NFI Directive already disclose information consistent with the requirements of the Directive. Additionally, the Directive permits proportionate disclosure depending on the materiality of the issues in question. Consequently, the costs of disclosure vary considerably between jurisdictions and between companies.

We believe that the changes in corporate behaviour that result from making such disclosures will provide societal and economic benefits that far outweigh the costs of implementation.

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
- ○ 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:

> We believe that the current scope of the Directive, limited to PIEs, is too restrictive as it excludes some very large companies that are not publicly listed. Non-financial reporting for these large private enterprises may well be more relevant than for some of the companies within the current scope.
> Indirectly and on the longer term the scope is larger as large companies report inclusively on their supply chain (see question 46).
>
> Under the current scope, there are also some financial institutions that are not covered. Given the current emphasis on sustainable finance, we propose that all large financial institutions should be obliged to provide the same level of non-financial information as their equivalent PIE competitor.

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
- ○ Don't know / no opinion / not relevant

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

> We have seen a move towards SMEs having to report on non-financial information matters because they are part of a supply chain for larger entities, but this has been a result of other initiatives – for example, as part of

public sector procurement procedures. We have not seen any evidence that the NFI Directive has directly lead to an increased reporting burden but, in any event, it is likely to take some time for the impacts of the NFI Directive to disseminate down to the supply chain.

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
- 3 - partially disagree and partially agree
- [x] 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 the non-binding guidelines are a useful step towards improving comprehension of the requirements of the Directive. However, their nature as 'non-binding' has reduced the impact that they could have had.

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)	○	○	○	○	●	○
Social and Employee matters	○	○	○	○	●	○
Respect for human rights	○	○	○	○	●	○
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 will take some time for the full impact of the NFI Directive on the EU’s competitiveness to become apparent and, at this time, we believe that it is too soon to accurately assess the impact.

That being said, we believe companies adopting non-financial reporting for the first time will inevitably suffer costs in implementing reporting systems and may not see an immediate benefit from doing so. Indeed, it is possible that reporting of certain information may have short-term negative impacts on the reporting company.

On the long-term, however, we believe that the impact of the NFI Directive on the competitiveness of EU business is likely to be positive. It will encourage EU businesses to build improved risk management resilience into their business models, promote the development of innovative products.

Also, in our experience, international investors are placing increasing importance on non-financial reporting when making investment decisions so the early adoption of such reporting by EU companies could lead to better access to global capital markets.

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	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion /

			and partially agree)			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:

We believe that the positive impacts of such reporting in the long term will mostly accrue to the citizens of countries, often located outside of Europe but it is too soon to accurately gauge the impact of these disclosures in such areas as the fight against corruption. Therefore we do agree with the statement, but there is no proper evidence yet.

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:

We believe that country-by-county reporting of payments to government enhances transparency, which can strengthen the reputation of the affected EU companies and thereby improve competitiveness.

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**?

			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
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:

We believe that integrated reporting has the potential to provide all of the above-mentioned benefits – indeed its rationale is to focus on the short, medium and long term, reduce short-termism and thereby result in better risk management. There is a great potential for integrated financial and non-financial information to provide better holistical and contextual information to a wider range of stakeholders about a the long term value creation aspects of a business than is possible if both types of reporting remain separated. We would like to mention important initiatives: IIRC <IR> and Accountancy Europe's Core & More concept.

We think that the ‘interconnected financial and non-financial information’ principle does not in itself result in additional reporting requirements and hence costs.

We also believe that a certain level of assurance over the integrated reporting, including the non-financial information, would increase the benefits of integrated reporting. We currently note important diversity in practice concerning NFI assurance across Europe. Please refer to our response to question 30 for more details around the assurance aspect.

Furthermore, we note that high quality of reporting is a matter which requires good corporate governance within entities This might also result in improving corporate governance in the entity.

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

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 strongly encourage a move towards more integrated reporting in the EU.
Experimentation in the market over time would be instrumental to develop new concepts. To facilitate adoption, new concepts should be introduced on a voluntary basis, at least initially.
A Corporate Reporting Lab at EU level is likely to help foster experimentation and innovation in the corporate reporting arena. It is appreciated that this idea has been picked up by the European Commission in the context of its Action Plan Financing Sustainable Growth.
An EU Lab should aim to help market participants innovate and improve corporate reporting primarily by bringing together preparers and investors. A safe environment, a collaborative approach, and testing examples to identify best practices could contribute to the EU Lab's success. It is a powerful instrument which facilitates discussions amongst stakeholders as opposed to issuing additional regulation.

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

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

If you answered "Yes" to question 56, please clarify your response and substantiate it with evidence or concrete examples:

We would like to take the opportunity to highlight following concerns:

• Non-financial information reporting is covered in the separate EU NFI Directive. Separate legislation for financial and non-financial information reporting might be an obstacle for more integrated reporting. As such we recommend initially better alignment of approaches in terms of audience, reporting features and assurance.

• In companies, integrated reporting is seen as an additional and separate reporting stream on top of the current reporting requirements. Preparers perceive the current reporting burden already as excessive. As such, we recommend achieving interconnected financial and non-financial information reporting within the current reporting set.

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

If you answered "Yes" to question 57, please clarify your response and substantiate it with evidence or concrete examples:

> The EU legislation itself is not an obstacle but we support the adaptation of the EU law to keep pace with technological developments.
>
> We recognize that (i)XBRL is already used in some EU legislations to prepare financial statements in a format that provides the structured data, that Officially Appointed Mechanism (OAM), regulators, tax authorities, financial institutions and analysts require. Whereas we support the extended use of technological reporting and recognize that (i)XBRL has several advantages, we should not restrict the free use of digital technologies by all companies (over and above listed entities) only to one tool. Other systems (existing and emerging ones in the future) could provide a variety of benefits as well. Having such flexibility is especially important for the SMEs. It is however premature to decide what should be the specific format – more research is needed in this area.
>
> The EU should provide a principled-based framework for electronic reporting to be used for further development without limitations due to inevitable delayed updating of the laws.

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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
improve transparency for investors and the public				X		
improve the relevance of company reporting				X		
reduce preparation and filing costs for companies			X			
reduce costs of access for investors and the public				X		
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)		X				

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...):

If digitalization is accompanied by mandatory structured data formats, we have the following concerns:

a. Structured formats do often not allow for providing entity specific information, which could in the end lead to less relevant information for stakeholders.

b. We do not support structured formats for financial reporting if these formats will not contribute to the true and fair view principle of financial reporting.

c. Structured formats may have the tendency to focus on 'numbers only', because one of the benefits is that all data structured in the same format can be gathered and accumulated for analyzing or decision making purposes. Not allowing enough prominence/attention to the specific accompanying disclosures and clarifications can lead to wrong interpretations or decisions.

d. Structured data formats could force companies to disclose non-financial information that actually is not or less relevant for stakeholders. It will eventually lead to an increased number of reporting requirements and higher costs for companies, without any clear benefits for society or investors.
e. Due to its wide scope and nature, non-financial information is very difficult to translate into standardized data formats. If the data format lacks clarity, this could lead to confusion or misinterpretation among companies and consequently to impaired quality and comparability of non-financial information.
f. Companies could consider presenting two separate reports for non-financial information: one based on the mandatory structured data formats for compliance purposes and a separate report containing only the relevant non-financial information for investor relations purposes. This inevitably leads to double costs for companies and does not facilitate stakeholders to retrieve the information they need.
g. Although we for sure see the benefits of digitalization and electronic structured data, we are not in the position to conclude on the most appropriate framework and the most effective underlying technique for digital reporting. Because of the rapid developments in this area we would suggest the EC to closely follow the FRC initiative on a framework for digital reporting, see the report ‘Digital Future (A framework for future digital reporting)’. This report consists of interesting concepts from a production, distribution and consuming perspective to be taken into account to make digital reporting a success.

A reliable substantiated estimate of costs involved cannot be given.

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

	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
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?

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

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

> We do not consider that ESEF will add the desired value as a basis to structure financial statements, management reports, non-financial reporting etc of any company but we acknowledge that this would be a proper ambition.
>
> Our observation is that more work needs to be done to realize its maximum potential, i.e. linking financial information to other information about the company, sustainability reporting frameworks, level of reliability etc.

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	( )	( )	( )	(x)	( )	( )
Increase the granularity of information disclosed	( )	( )	( )	(x)	( )	( )
Reduce the reporting costs of preparers	( )	(x)	( )	( )	( )	( )

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

If non-financial information is provided as tagged data it will be easier to consume it digitally. But the preparer must subdivide and tag the non-financial information in the right way. This implies higher costs.

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?

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

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

Digital information can easily be adjusted. Detecting is difficult, especially when there is no connection with the authentic source. To guarantee the integrity of the digital information or its source, electronic measurements like digital hashing and signing must be used.

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:

In principle we agree, that the reuse of public reporting data in the form of structured electronic reporting data submitted by listed companies can reduce the burden (in terms of timing and costs) that companies nowadays have to file similar reports with different authorities However an essential aspect of this question is, whether the reporting obligations in the home jurisdiction can be fulfilled without additional reporting efforts.Different regulators/stakeholders will have different information needs. It will be quite difficult to converge all required information into a single, unified dataset that serves the needs of all different stakeholders.

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?

We welcome the European Commission's (the 'Commission') fitness check on the European Union (EU) Framework for public reporting by companies. We appreciate that the Commission carries out this significant exercise.

The positions taken in our response to the consultation reflect views that in general are quite similar to the views of Accountancy Europe and the Dutch Accounting Standards Board (DASB). NBA has participated on the preparation of the responses of Accountancy Europe and DASB. For the larger part we agree with the responses of these bodies. On a limited number of issues we have minor different views, therefore we have decided to submit a separate NBA response. Where we do fully agree we have used text in text-boxes that are isimilar or dentical with the responses of Accountancy Europe and/or DASB.

As a general comment, we found the way some questions were posed in the consultation paper ambiguous. Explicetely we wish to mention the following. We have responded Question 19 with a yes, as this is the proper answer. As there is not text box for a yes-answer we wish to add here the following to complete our message:

We call for great caution in permitting the EU to change specific aspects of IFRS standards published by the IASB ('carve-in') before transposing them into EU law because:

• Allowing more flexibility may set an uncontrollable and unpredictable trend that would lead to creating European rather than global standards. This would isolate Europe from global capital markets and may hinder investment. It will create confusion in the marketplace, increase the cost of capital for European issuers and costs for preparers, especially those with multinational operations.

• It might endanger the current position of Foreign Private Issuers (FPIs) outside Europe who can use IFRS for their filing there without providing a reconciliation to e.g. US GAAP.

• Any changes would diminish Europe's influence on the standards-setter and its global standing. It is not unlikely that such de facto European standards would be seen with suspicion by global investors. Europe should continue to exert influence on the IASB through active engagement. This helps to have IFRS standards that meet the EU endorsement criteria.

• This would result in losing all the benefits in terms of transparency and comparability from the leadership provided by Europe in having IFRS adopted in more than 150 countries around the globe.

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)

[Specific privacy statement (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)]

Contact

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