

Assess record for 'Disclosure of Non-Financial Information by Companies'

Meta Informations	
Creation date	21-01-2011
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User name	null
Case Number	790452742051702111
Invitation Ref.	
Status	N
Background Information	
For the purpose of analysis of this consultation you want to be identified as -single choice reply- (compulsory)	Other
Other, please specify -open reply- (compulsory)	
Standard Setter	
Name(s) (of respondent and of your organisation / company) -open reply- (compulsory)	
Accounting Standards Committee of Germany (ASCG) / German Accounting Standards Board (GASB)	
Country where your organisation / company is located -single choice reply- (compulsory)	DE - Deutschland
Please provide the name and location of parent company -open reply- (optional)	
Your address -open reply- (optional)	
Your e-mail address: -open reply- (compulsory)	
info@drsc.de	
Short description of the general activity of your organisation / company: -open reply- (optional)	
<p>The Accounting Standards Committee of Germany (ASCG) was recognised as the official standardisation organisation for Germany by the Federal Ministry of Justice in a Standardisation Agreement dated 3 September 1998. In the Standardisation Agreement, the ASCG agreed to establish an independent standardisation board, the German Accounting Standards Board (GASB), to transfer the duties set out in section 342(1) of the Handelsgesetzbuch (HGB - German Commercial Code) to this board and to finance its operation. The ASCG is registered as a non-profit organisation domiciled in Berlin. Membership is voluntary; its operations are financed by subscriptions and other donations. Statutory Duties under section 342(1) of the HGB 1) To develop recommendations (standards) for the application of accounting principles for consolidated financial reporting 2) To advise the Federal Ministry of Justice on planned legislation on accounting regulations 3) To represent the Federal Republic of Germany on international standard-setting bodies 4) To develop interpretations of international financial reporting standards within the meaning of section 315a(1) of the HGB At present the Standardisation Agreement is renegotiated.</p>	
Is your organisation registered in the Interest Representative Register?	No
<p>If your organisation is not registered, you have the opportunity to register here before you submit your contribution. Responses from organisations not registered will be published separately from the registered organisations.</p> <p>-single choice reply- (compulsory)</p>	
Can the Commission contact you if further details on the information you submitted is required? -single choice reply-	Yes

<p>(compulsory)</p> <p>Publication: Do you object to publication of the personal data on the grounds that such publication would harm your legitimate interests? -multiple choices reply- (optional)</p>	
<h2>Questionnaire</h2>	
<p>1. How would you consider the current regime of disclosure of non-financial information applicable in your country? -single choice reply- (compulsory)</p>	<p>Sufficient</p>
<p>Please explain</p> <p>In replying to this question, please provide information on what way current reporting provides useful information, and to what extent it is sufficiently tailored to the circumstances of the company. Please also comment on whether you find non-financial information useful for the decision-making of a company.</p> <p>-open reply- (optional)</p>	
<p>We understand the question to be mainly directed towards the current regulatory disclosure requirements. The German Commercial Code requires companies to prepare and disclose a management report that, among others, has to provide a comprehensive analysis of the course of business and the position of the company. The analysis must include financial key performance indicators for the business activities and comment on them by reference to the amounts and disclosures presented in the financial statements. Also non-financial key performance indicators - for instance, information about environmental and employee matters - have to be disclosed, if they are essential for the understanding of the course of business and the position of the company (German Commercial Code, section 289). With these measures the German government implemented the Directive 2003/51/EC of 18 June 2003, article 1.14 (a). The same requirements exist with regard to the group management report which has to be prepared by companies required to prepare group financial statements. (German Commercial Code, section 315) Other mandatory disclosures do not exist in Germany. However, a number of companies voluntarily disclose separate Corporate and Social Responsibility (CSR) reports, which contain more comprehensive information about social and environmental aspects. The number of companies presenting CSR reports has significantly increased over the last years. We deem this disclosure regime for non-financial information - i.e. the current regulation in Germany - sufficient and believe that regulatory requirements regarding the disclosure of non-financial information should not be expanded. (Further explanations of the rationale for our position are given in our answer to question 3.)</p>	
<p>2. Have you evaluated the effects, and costs and benefits, of any current corporate disclosure of environmental and social information? -single choice reply- (compulsory)</p>	<p>No</p>
<p>Please explain -open reply- (optional)</p> <p>As the users of non-financial information are represented by various different stakeholders, a macroeconomic analysis has to be widespread and should address the general problem of inter-subjective cost-benefit assessments. However, we assume the question is mainly directed towards the costs and benefits on the preparers' side. At least those preparers who voluntarily prepare CSR reports obviously appear to believe that the overall benefits of doing so exceed the respective costs they incur. Since we do not promote further mandatory requirements, we have not analysed for which preparers this may be the case.</p>	
<p>3. If you think that the current regime of disclosure of non-financial information should be improved, how do you suggest that this should be done?</p> <p>Please explain</p> <p>-open reply- (optional)</p>	
<p>As already mentioned above (in our answers to questions 1 and 2), we do not support (neither national nor European) additional regulatory activities regarding the disclosure of non-financial information. As noted above, the number of German companies providing CSR reporting has been increasing significantly absent a respective regulatory environment. Specifically, the quantity and quality of CSR reporting has gone up in recent years. Standardisation initiated by private organisations, such as the Global Reporting Initiative (GRI), is increasing. We recommend further observation of the current trend. As long as this trend continues we see no need for additional reporting requirements in this field. Only if the current trend does not continue and negative developments become apparent, the need for regulations should be re-assessed. However, all regulations, if any, should be in line with international guidelines and standards to avoid conflicts with voluntary reporting and undue costs. Here, especially the GRI Framework should be taken into account.</p>	
<p>4. In your opinion, should companies</p>	

<p>be required to disclose the following (check <u>all</u> relevant boxes): -multiple choices reply- (optional)</p>	
<p>Please explain -open reply- (optional)</p>	
<p>No German Commercial Code requires companies to report non-financial KPIs where material to the understanding of the company's analysis of its course of business and position. Moreover German requirements ask for a comprehensive risk report (see German Accounting Standard No. 5 "Risk Reporting"). We do not support requirements that go beyond the currently existing German requirements. Our preference is not to pursue additional regulatory activities regarding the disclosure of non-financial information (as stated in our answer to question 3).</p>	
<p>5. In your opinion, for a EU measure on reporting of non-financial information to achieve materiality and comparability it should be based upon (check <u>all</u> relevant boxes): -multiple choices reply- (optional)</p>	<p>Other</p>
<p>Other, please specify: -open reply- (compulsory)</p>	
<p>As we do neither support national nor European regulations regarding incremental disclosure of non-financial information (see our answer to question 3), we object to specific principles or particular KPIs stemming from official EU legislation. Answer to 5a: We believe that the GRI Framework can be considered a good benchmark, which could prove to be an appropriate starting point for further considerations. It contains General Sustainability Reporting Guidelines and Sector-specific Supplements. The General Sustainability Reporting Guidelines consist of principles for defining report content and ensuring the quality of reported information. They also include standard disclosures consisting of performance indicators and other disclosure items, as well as guidance on specific technical topics in reporting. Sector-specific Supplements complement the guidelines with interpretations and guidance on how to apply the guidelines in a given sector, and also include sector-specific performance indicators. Applicable sector supplements should be used in addition to the guidelines rather than instead of the guidelines. Answer to 5b: As mentioned above, we believe that the GRI Sustainability Reporting Guidelines provide a good benchmark.</p>	
<p>6. In your opinion, what should be the process to identify relevant principles and/or indicators (whether general or sector-specific)?</p>	
<p>Please explain</p>	
<p>In replying to this question, please comment on whether the Commission should endorse or make reference to any existing international frameworks (or a part of them), such as Global Reporting Initiative (GRI), UN Global Compact, the OECD Guidelines, ISO 26000, or other frameworks; or whether companies should be required to select relevant indicators together with their investors and other stakeholders and to disclose information according to such indicators, depending on the use that different stakeholders would make of such information.</p>	
<p>-open reply- (optional)</p> <p>As mentioned above (in our answer to question 5a), we acknowledge the GRI Guidelines as benchmark. In view of compatibility with international guidelines and standards (see our answer to question 3), we strongly recommend that the EU should not take measures in isolation from which different disclosure requirements might follow.</p>	
<p>7. In your opinion, should companies be required to disclose the steps they take to fulfill the corporate responsibility to respect human rights? -single choice reply- (compulsory)</p>	<p>No</p>
<p>Please explain -open reply- (optional)</p>	
<p>We appreciate the current developments towards an increasing CSR reporting absent a respective regulatory environment and encourage German companies to follow this international trend. As stated above (see our answer to question 3), at present we see no need for additional reporting requirements. Therefore, we do not pursue additional regulatory activities regarding the disclosure of non-financial information.</p>	
<p>8. In your opinion, should companies be required to disclose the risks they face and the policies they have in the field of corruption and bribery? -single choice reply- (compulsory)</p>	<p>No</p>
<p>Please explain -open reply- (optional)</p>	
<p>Further explanations of the rationale for our position are given in our answer to question 7.</p>	
<p>9. In your opinion, what companies</p>	<p>Other</p>

<p>should be required to disclose non-financial information (check <u>only one</u> box)? -single choice reply- (compulsory)</p>	
<p>Other, please specify -open reply- (compulsory)</p>	
<p>None: As mentioned before, we do neither support national nor European regulations regarding additional disclosure of non-financial information. Nevertheless, we would like to emphasise that different disclosure levels exist, for instance within the GRI Framework (Level A, B, C). If the EU would, despite our recommendation to the contrary, indeed implement a mandatory CSR reporting not only for large and listed companies, we recommend taking different disclosure levels into account.</p>	
<p>10. In your opinion, should institutional investors be subject to specific or additional disclosure requirements, for example to disclose whether and how they take into account environmental and social issues in their investment decisions? -single choice reply- (compulsory)</p>	<p>No</p>
<p>Please explain</p> <p>In replying to this question, please provide information on which issues seem to be the most relevant and why; and which institutional investors should be subject to such an obligation.</p> <p>-open reply- (optional)</p>	
<p>In analogy to our opinion expressed above in the answer to question 3, that the disclosure of non-financial information by companies should be optional, also investors should not be subject to specific or additional disclosure requirements regarding sustainability.</p>	
<p>11. In your opinion, should European policy promote the concept of "integrated reporting"?</p> <p>Integrated reporting refers to a report that integrates the company's key financial and non-financial information to show the relationship between financial and non-financial performance (environmental, social, and governance).</p> <p>-single choice reply- (compulsory)</p>	<p>Yes</p>
<p>Please explain</p> <p>In replying to this question, please indicate the advantages and disadvantages of an integrated report, as well as possible specific costs of integrated reporting.</p> <p>-open reply- (optional)</p>	
<p>We believe that a coordinated approach to deal with the different aspects of corporate re-orting (financial information including management commentary, corporate governance, social and environmental concerns) is of great importance, both, on the level of setting regu-latory requirements and on the individual company's level of preparing the reporting. In this regard, we support an Integrated Reporting Framework, which provides the top level structure of the whole reporting pyramid. However, we are aware of different specifications / degrees of integration. Main advantages of an Integrated Reporting are the consideration of interactions and the avoidance of duplications / repetitions. A substantial disadvantage is the increased complexity. In this regard, we have doubts whether a single comprehensive report with a high degree of integration is better than several specific reports, which contain information for particular users. We encourage the EU, which we consider to be one of the main stakeholders in this context, to play an active role under the mandate of international organisations, like the International Integrated Reporting Committee (IIRC), to further develop the concept of an Integrated Reporting System and to identify its benefits and challenges.</p>	
<p>12. In your opinion, should disclosed non-financial information be audited by external auditors? -single choice reply- (compulsory)</p>	<p>No</p>
<p>Please explain</p> <p>In replying to this question please provide any evidence you may have regarding costs of auditing non-financial information, as well as your views on other possible forms of independent reviews</p>	

besides external auditing.

-open reply- (optional)

We do neither support regulations regarding the additional disclosure of non-financial information nor any audit requirements in this context. As long as there is no mandatory reporting requirement for this kind of non-financial information, we deem it inappropriate to mandate an audit of such information. If the EU were to implement a CSR reporting regime in the future, consideration should be given to the issue of whether or not an audit of such information is deemed appropriate and, if so, to what degree.

13. If you have relevant documents you want to share with us, please attach them here. (optional) -multiple choices reply- (optional)

I attach additional documents

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