# 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:

ASCG - Accounting Standards Committee of Germany

Contact email address:

**The information you provide here is for administrative purposes only and will not be published**

info@drsc.de

*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

*Please specify the type of organisation:

Accouting Standard Setter

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

- ( ) Group with cross-border subsidiaries
- ( ) Group without cross-border subsidiaries
- ( ) An individual company
- (x) Not applicable

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

Germany

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

*at least 1 choice(s)*

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

## Important notice on the publication of responses

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

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

## 2. Your opinion

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

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

The questionnaire is structured as follows:

- Assessing the fitness of the EU public reporting framework overall (Section I; Questions 1-7)
- The EU financial reporting framework applicable to all companies (Accounting Directive: companies with cross border activities, SMEs, and content of the information) (Section II; Questions 8-18)
- The EU financial reporting framework for listed companies (IAS regulation, Transparency Directive) (Section III; Questions 19-29)
- The EU financial reporting framework for banks and insurance companies (Sectoral Accounting Directives) (Section IV; Questions 30-39)
- Non-financial reporting framework (Non-Financial Reporting Directive, Country-by-Country Reporting for extractive and logging industries and integrated reporting) (Section V; Questions 40-56)
- The digitalisation challenge (Section VI; Questions 57-66)
- Other comments

- Acronyms and Abbreviations

## 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 | ○ | ○ | ○ | ● | ○ | ○ |

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

It is not obvious to us whether "Promoting integrated EU capital markets", "Ensuring financial stability" and "Promoting sustainability" were considered at all when the Directives were originally developed. If they were not, it does not appear straightforward why these objectives should now be tested for effectiveness.

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:

As far as the objectives "Ensuring financial stability" and "Promoting sustainability" are concerned, we see EU regulations of lower relevance as we believe these should primarily be considered globally rather than at a European level.

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:

We believe that EU legislation and standards on public reporting are effective and relevant to achieving the objectives. However, they could be achieved at a lower cost.

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) | ○ | ○ | ○ | ● | ○ | ○ |
| Management report (preparation, consistency check by a statutory auditor, publication) | ○ | ○ | ○ | ● | ○ | ○ |
| Non-financial information (preparation, auditor's check and publication) | ○ | ○ | ○ | ● | ○ | ○ |
| Country-by-country reporting by extractive / logging industries (preparation, publication) | ○ | ○ | ○ | ● | ○ | ○ |

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

We believe that the above mentioned components are intrinsically coherent, even though coherence between the components (e.g. the financial statements and the management report) could be improved.

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.

- We deem incoherent or conflicting requirements to be problematic.
- This especially applies to the interaction of Level 1 and Level 2 regulation and requirements that – while specifying the same information to be provided - originate from different areas of the EU legislation. One example for the latter is the management report required under the Accounting Directive and the Solvency and Financial Condition Report required for insurance entities: Both requirements require a description of the economic situation of the insurance company; however, the contents of the two reports are not identical.

## 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:

- Policies on "Developing the internal market" and "Promoting integrated EU capital markets" should be addressed at EU level.
- "Ensuring Stakeholder protection", "Ensuring financial stability" and "Promoting sustainability" should be designed at a global level since they are global objectives. We support the EU's intention to be a pioneer in this respect. In the longer term, however, global solutions are more effective than EU regulations.
- Notwithstanding the above, it should always be possible for a Member State to go beyond EU requirements.

## 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:

Differences in national reporting rules are not relevant for companies' decisions as to whether or not to do cross-border business. These decisions are significantly more strongly influenced by other factors (e.g. tax rules).

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

Areas covered by EU requirements

| | 1 (totally disagree) | 2 (mostly disagree) | 3 (partially disagree and partially agree) | 4 (mostly agree) | 5 (totally agree) | Don't know / no opinion / not relevant |
|---|---|---|---|---|---|---|
| Differences and lacunas in accounting standards or principles | ● | ○ | ○ | ○ | ○ | ○ |
| Differences in corporate governance standards | ● | ○ | ○ | ○ | ○ | ○ |
| Differences and overlaps arising from the presentation of the financial statements (balance sheet, etc.) | ● | ○ | ○ | ○ | ○ | ○ |
| Differences arising from publication rules / filing with business registers (publication deadlines, publication channels, specifications) | ● | ○ | ○ | ○ | ○ | ○ |
| Differences arising from audit requirements | ● | ○ | ○ | ○ | ○ | ○ |
| Differences arising from dividends distribution rules or capital maintenance rules | ● | ○ | ○ | ○ | ○ | ○ |

Areas not covered by EU requirements

| | 1 (totally disagree) | 2 (mostly disagree) | 3 (partially disagree and partially agree) | 4 (mostly agree) | 5 (totally agree) | Don't know / no opinion / not relevant |
|---|---|---|---|---|---|---|
| Differences arising from specific bookkeeping requirements such as charts of accounts, audit trail requirements, data storage and accessibility | ○ | ● | ○ | ○ | ○ | ○ |
| Differences arising from language requirements (Bookkeeping documentation, publication of financial statements) | ○ | ● | ○ | ○ | ○ | ○ |
| Differences arising from the determination of taxable profit | ○ | ○ | ● | ○ | ○ | ○ |
| Differences arising from digital filing requirements (for instance taxonomies used) | ○ | ● | ○ | ○ | ○ | ○ |
| Differences arising from software specifications | ○ | ● | ○ | ○ | ○ | ○ |
| Other differences (please rate here and specify below) | ○ | ○ | ○ | ○ | ○ | ○ |

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

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

Reporting and audit requirements or national differences in such are no key criterion for companies' decisions on cross-border establishments, as set out in our answer on question 8. Therefore, we do not deem existing EU requirements to be a major obstacle to cross-border business. Differences in tax regulations are perceived as more challenging by companies. A complete elimination of differences could mean slight improvements (e.g. cost savings).

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

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

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

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

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

- (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 11 and substantiate it with evidence or concrete examples:

Although a further alignment of profit before tax reported in the P&L and the determination of the taxable profit would reduce one layer of reporting (relief for preparers), it should be noted that the determination of profits under tax and commercial law still underlie different objectives. Therefore, we do not favour a harmonisation.

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) | | | | | | |

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

We do not support the proposed approaches and recommend keeping the status quo. This is due to the following reasons:
- Reporting and audit requirements or national differences as such are not a key criterion for companies' decisions on cross-border establishments (we refer to our answer on question 8).
- There may even be sound technical reasons for existing differences between national regulations, e.g. the link between statutory accounting per the German Commercial Code and tax accounting in Germany.
- In answering this question, we have not taken potential advantages resulting from of harmonised processes in MNEs into account (e.g. in the preparation of consolidated financial statements).

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

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

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

## 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:

- The fact that small and medium-sized financial institutions and insurance companies also have to comply with the regulations for large companies does not always seem appropriate.
- For small and medium-sized companies, the disclosure requirements could be further alleviated without the information needs of users being significantly hampered.

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:

- Ad subquestion 1: At first glance, a single definition with unified metrics might bring ad-vantages; however, it should be considered whether this is appropriate for all policy areas.
- Ad subquestion 2: We support the idea to align the SME definition metrics of the Accounting Directive to that of the Recommendation 2003/361/EC.

## 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:

- We acknowledge that the issues mentioned above are not addressed in any great detail, or not at all, in the Accounting Directive. However, we believe that there are appropriate Member State regulations in these areas.
- We do not support conceptual changes at EU level, including mandatory and standardised strategic reporting (here, the management approach should continue to apply) or the specification of a format for the cash flow statement.

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

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

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

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

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

- (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 EU should neither define APMs nor require the disclosure of APMs. Companies should continue to have the flexibility to report APMs.
- We deem a definition of APMs at EU level to be problematic, as this bears the risk of inconsistencies with definitions developed by the IASB, especially as regards definitions of components of APMs (e.g. what constitutes "interest" within the EBIT figure).
- Guidelines for the description and reconciliation of APMs (such as the ESMA Guidelines on Alternative Performance Measures) seem more appropriate than the definition of certain APMs.

# 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:

- The question seems to assert that IFRSs would hinder sustainable and long-term investments. However, we do not see any evidence for this assertion. Instead, IFRSs are designed to provide information on the economic situation of companies to the users of financial statements and, by doing so, support them in making decisions.
- By being fully committed to IFRSs, the EU already has sufficient weight to influence the standard-setting process and make EU views known --> the IASB listens to the EU. If EU IFRSs were to be established, this ability would be significantly reduced.
- The desire for a single set of globally accepted accounting standards inevitably requires accepting compromises on individual issues for the sake of the greater whole.
- If EU IFRSs were to be created, there would no longer be a level playing field for European companies. Conversely, if European views were considered and accepted in IFRSs, they would apply worldwide and to all companies alike.

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:

- The EU has decided to require IFRS standards for all groups listed on a regulated market within the EU. IFRSs are adopted into European law through the endorsement process. Extending this process by considering an EU framework bears the risk of a further increase in bureaucracy for no obvious benefit.
- The true and fair view principle is stated in the Accounting Directive and, in our view, sufficiently specified in the NON-PAPER of the Commission (agenda paper for the Accounting Regulatory Committee meeting on 17 September 2015). Therefore, we do not support a further specification of the true and fair view principle in EU legislation.
- The reference to the Accounting Directive in the endorsement criteria is sufficient, so that separate specification of the true and fair view principle in the endorsement criteria is not necessary.

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

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

- From a conceptual point of view and for the sake of coherence (e.g. endorsed IFRS include references to the IASB Conceptual Framework), the endorsement of the framework would be beneficial.
- However, endorsement of the IASB Conceptual Framework could result in conflicts with principles set out in the Accounting Directive.
- We are not aware of any problems from the non-endorsement of the IASB Conceptual Framework.

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.

- [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 24 and substantiate it with evidence or concrete examples:

- On the face of it, prescribed layouts might enhance comparability; however, if further specifications are desired, they should be developed by the IASB as otherwise, differences in reporting requirements in the EU weaken the level playing field and thus, the comparability at the global level decreases. In addition, industry standards have emerged in most cases.
- Furthermore, legacy manual financial statement analysis becomes less and less important given automated financial statement analysis. That is why ESEF was developed.

## Transparency Directive

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

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

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

| | 1 (totally disagree) | 2 (mostly disagree) | 3 (partially disagree and partially agree) | 4 (mostly agree) | 5 (totally agree) | Don't know / 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:

We see a positive correlation between the Transparency Directive and the achievement of the aforementioned objectives.

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:

- Ad subquestion 2: We have not (yet) seen any obvious relationship between quarterly reporting and short-termism.
- Ad subquestion 3: Quarterly reporting has very little or no influence on the definition of corporate strategy; however, this may differ from industry to industry.
- Ad subquestion 4: Abolishing quarterly reporting requirements means that companies are no longer bound by the rigid legal requirements and can thus focus more strongly on the infor-mation needs of their financial stakeholders.

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

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

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

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

| | 1 (totally disagree) | 2 (mostly disagree) | 3 (partially disagree and partially agree) | 4 (mostly agree) | 5 (totally agree) | Don't know / no opinion / not relevant |
|---|---|---|---|---|---|---|
| Coherent with EU company law | ○ | ○ | ○ | ● | ○ | ○ |
| Coherent with the shareholders' rights directive | ○ | ○ | ○ | ● | ○ | ○ |
| Coherent with the obligation to disclose managers' transactions under Article 19 of the Market Abuse Regulation<br>(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:

From our perspective, there are no conflicts with the legislation mentioned above.

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:

We do not see any lack of coherence.

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

At present, we do not see any important issues that require urgent changes to the requirements. However, further developments should be monitored and, if necessary, reacted to.

# 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:

> Against the background of our experience in Germany, we still consider the Bank Accounts Directive to be an effective, relevant, appropriate and coherent basis for the national accounting of financial institutions in Europe.

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 do not support a general requirement for all financial institutions to prepare accounts in accordance with IFRSs. In our view, the scope set out in the IAS Regulation – i.e. groups listed on a regulated market – is fully appropriate.
> - Given the objective to serve investors’ information needs, IFRSs are the appropriate basis for accounting for publicly traded banking groups. Conversely, for smaller financial institutions and for those that are only active in a region and do not have shares or debt listed on regulated market, national accounting requirements based on the Bank Accounts Directive continue to be the most appropriate accounting basis.

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 its current form, the Bank Accounts Directive does not pose an obstacle to comparability with regard to the aforementioned issues. Therefore, there is no need for change.
- However, the usage of other sufficiently prudent models for credit risk provisioning should not be restricted. The objective of comparability should not lead to unnecessary costs for carrying out complex estimation scenarios.

Question 34. Do you agree with the following statement:

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

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

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

- In theory, such options may hamper comparability. However, the crucial point is not the number of options but whether or not options are indeed used differently. We are not aware that comparability has been significantly constrained in this context.

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:

The answers to these two questions largely depend on whether the company reports in accordance with IFRSs or national GAAP:
- Ad subquestion 1: If the individual financial statements of the subsidiary and the consolidated financial statements of the group are prepared using different accounting regimes, the efficiency of preparing consolidated financial statements would be reduced. If the individual financial statements of the subsidiary and the consolidated financial statements were prepared using the same accounting regime, the issue would be irrelevant.
- Ad subquestion 2: Subsidiaries of companies applying IFRSs may consider this beneficial; however, the question is not relevant for subsidiaries of parent companies using national GAAP.

- In any case, it seems desirable to provide an entity- rather than a Member State option to prepare the individual financial statements using IFRSs instead of national GAAP in the medium term, especially for publicly traded companies. Specifically, such an option would be of great practical importance for those companies that are included in consolidated financial statements prepared in accordance with IFRSs.
- Lastly, the mandatory scope of the IAS Regulation should not be extended.

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

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

On the one hand, a permission to waive publication of the individual financial statements of subsidiaries would bring about simplifications and potential cost savings for the subsidiary. On the other hand, such permission might conflict with the information needs of investors and creditors relying on those financial statements.

## Insurance Accounting Directive (IAD)

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

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

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

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

### Question 37. Do you agree with the following statements:

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

| | | | | | | |
|---|---|---|---|---|---|---|
| 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:

- Comparability across all insurance companies in Europe may not be entirely possible. However, we are of the opinion that the requirements of the Insurance Accounts Directive lead to appropriate results, especially for insurance companies that are only doing business in the jurisdiction or region they are domiciled in.
- Against the background of our experience in Germany, we continue to regard the Insurance Accounts Directive as a relevant and efficient basis for the national accounting requirements for insurance companies. In particular with regard to efficiency, we do not see any urgent need to amend the IAD.

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 | ● | ○ | ○ | ○ | ○ | ○ |
| The Insurance Accounting Directive should be harmonized with the IFRS 17 Standard | ● | ○ | ○ | ○ | ○ | ○ |
| Preparers should be allowed to elect for a European-wide option to apply Solvency II valuation | ● | ○ | ○ | ○ | ○ | ○ |

| | | | | | | |
|---|---|---|---|---|---|---|
| principles in their financial statements | | | | | | |

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

- In our view, it is too early to consider fundamental changes to the IAD with regard to IFRS 17 or Solvency II. We believe that the IAD remains appropriate and continues to serve as a sound basis for Member States' national GAAPs.
- Whether any alignment of the IAD with IFRS 17 or Solvency II was deemed appropriate should be examined only once sufficient and robust practical experience with IFRS 17 and Solvency II has been gained.
- We acknowledge that there are significant differences between the requirements of IFRS 17 and the requirements of the IAD. Among other things, IFRS 17 requires a different presentation of performance under the current cash flow-based measurement model. However, we doubt that these differences constitute a reason for any EU Member State not to allow IFRS 17 for domestic purposes.
- In addition, IFRS 17 is not yet effective, and EFRAG's is still in the process of developing its endorsement advice.
- IFRS 17 is also being discussed intensively at the global level; the work of the IASB's Transition Resource Group will not be completed before the beginning of 2019. It would therefore not be appropriate to discuss any amendments to the IAD while IFRS 17 is a kind of a "moving target" with regard to the interpretation of some important requirements. The same applies, in part, to Solvency II, for which a comprehensive review is planned for 2020.
- Aligning the IAD and Solvency II requirements does not appear to be logical, as Solvency II (as part of the prudential framework) is subject to a different objective. Furthermore, it does not contain any principles for performance reporting, which is, however, a key element of financial reporting.
- Finally, we are currently not aware of any problems with German accounting requirements that would require an urgent change to the IAD. The accounting practice for insurance contracts is established and also forms a solid basis for dividend payments and the determination of taxable profits. In addition, the requirements for policyholder participation in Germany are also based on the German Commercial Code (HGB).

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 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:

- We believe that the prudential disclosure regime should be reviewed in order to eliminate existing overlaps and duplication of requirements with the accounting pronouncements. This applies irrespective of whether companies apply IFRSs or national GAAP, as both groups must comply with the reporting requirements for the management report. In particular, the Solvency and Financial Condition Report (SFCR) of insurance companies under Solvency II (EU Directive 2009/138/EC) contains information similar to that required by the Accounting Directive. However, many of the information required for SFCR – e.g. on risk management and business performance or significant business transactions – is more detailed.
- Since the Member State option for IFRSs in the individual financial statements has not been implemented in Germany, we cannot answer the second subquestion.

# 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:

> Ad subquestion 2:
> - We do not necessarily agree with the embedded assumption in the second subquestion that the willingness and ability to challenge senior management decisions increases as a result of increased diversity of the board.
> - When answering this question, a distinction would have to be made between "willingness" and "ability". This makes it almost impossible to answer the question.
> - Nevertheless, we consider diversity to be an important issue, but it should neither be limited to gender diversity nor to the supervisory board.

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

| | | | 3 | | | 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 |
|---|---|---|---|---|---|---|
| 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:

- None the questions asked in the questionnaire on the NFI Directive can be answered reliably, as the experience gained after one year of mandatory application may not be sufficient. Therefore, our answers should be read as expectations and assumptions.
Ad subquestions 4 and 5:
- In Germany, there are legal requirements for the diversity of the decision-making bodies of certain companies. Therefore, the requirements of the NFI Directive for diversity play only a subordinated role in Germany. Accordingly, the isolated effects of the NFI Directive cannot be assessed. We refer to our explanations to question 40.

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

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

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

- Balanced: A requirement to report on negative and positive issues in a balanced manner is not contained in the NFI Directive; however, the Commission’s non-binding guidelines contain such a recommendation.
- Accurate: We consider it effective, as an assessment by the Supervisory Board is required.
- Timely: We consider it highly effective, as the non-financial statement in Germany must be published four months after the balance sheet date.
- Our reasoning for the assessment on Comparable between companies is based on our view that comparability between companies can hardly be achieved in this context. This is due to company specific particularities as well as the narrative character of the reporting.
- Comparable over time: In contrast, we think that comparability over time is probably more likely because companies would not want to change year after year and therefore adhere to a certain degree of consistency.

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:

- Our answer to the question is based on the understanding that Member States have correctly implemented the NFI Directive taking into account national particularities and circumstances (e.g. in a country with only few companies with more than 500 employees a lower threshold of 250 employees may be more appropriate).
- As highlighted before, one reporting cycle seems insufficient to answer this question appropriately.

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:

The question cannot be answered appropriately for two reasons: Firstly, one reporting cycle seems insufficient, and secondly, benefits cannot be measured reliably, especially since it is not clear from which perspective benefits should be assessed.

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:

- Linking the reporting obligation to PIEs is the right approach.
- However, the PIE definition should be reviewed. In particular, it seems questionable that small insurers and banks are defined as PIEs.

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

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

- After only one reporting cycle, an overall assessment as to whether SMEs do or do not need to provide substantially more data to larger companies is not possible. We have seen cases in which more information has been requested and other cases where there has been no increase in information asked by larger companies.

Question 47. Do you agree with the following statement?

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

- 1 - totally disagree
- 2 - mostly disagree
- (x)

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

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

- In our opinion, the non-binding guidelines are helpful to comply with the requirements of the NFI Directive. However, in addition to these guidelines, other stakeholders have also provided recommendations for companies to adhere to the reporting requirements. Therefore, we do not agree with the statement that the non-binding guidelines exclusively helped to improve the quality of disclosure.
- Furthermore, the answer depends on the individual company’s starting point: Companies with experience in the field of non-financial reporting hardly make use of the non-binding guidelines.

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

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

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:

In our opinion, companies’ activities and the extent of their transparency in reporting are much more – if not exclusively – driven by investors and customers than by regulation. This equally applies to any efforts taken with regard to sustainability.

### Country-by-country reporting by extractive and logging industries

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

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

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

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

As only few companies in Germany are required to report on payments to governments, we do not feel in a position to answer these questions appropriately.

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

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

As only few companies in Germany are required to report on payments to governments, we do not feel in a position to answer these questions appropriately.

### Integrated reporting

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

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

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

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

- In our opinion, cause and effect have to be reversed: Whilst we concede that a regulatory decision towards integrated reporting could stimulate a change in entrepreneurial thinking and bring about the above-mentioned effects, integrated thinking is a prerequisite for integrated reporting. Depending on where a company is today, switching to fully-fledged integrated reporting could require significant initial investments.
- It is for this reason that we do question whether integrated reporting really makes sense for all entities alike. Hence, the EU should monitor the development but not require a move towards integrated reporting at this stage.

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:

- In line with our answer to question 54, we see no need for the EU to become active in this area. We believe that the current legal framework does not pose a significant obstacle for entities that wish to make use of integrated reporting, and those that see the benefit of integrated reporting do not need any further encouragement.
- With regard to cost-benefit considerations, it should be noted that companies that have already been publishing integrated reports will probably face less challenges than entities with no such experiences. The question can therefore only be answered from a company-specific point of view.

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

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

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

## VI. The digitalisation challenge

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

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

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

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

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

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

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

### The impact of electronic structured reporting

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

| | 1 (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 | ○ | ◉ | ○ | ○ | ○ | ○ |
| improve the relevance of company reporting | ○ | ○ | ○ | ○ | ○ | ◉ |
| reduce preparation and filing costs for companies | ◉ | ○ | ○ | ○ | ○ | ○ |
| reduce costs of access for investors and the public | ○ | ○ | ○ | ◉ | ○ | ○ |
| reduce other reporting costs through the re-use of companies’ public reporting of electronic structured data for other reporting purposes (e.g. tax authorities, national statistics, other public authorities) | ○ | ○ | ○ | ◉ | ○ | ○ |

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

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

Financial reporting

| | 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?

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

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

The cost for the preparation of an ESEF report is higher than the benefit from that report, in particular if the users of the report are not the broad public, as is the case for companies that are active on the capital market.

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

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

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

- In answering this question we assume that it is aimed at digital reporting instead of conventional reporting (i.e. no paper form, no pdf, but e.g. html) and that ESEF is not meant here.
- Ad subquestion 1: Nowadays, access to digitally available information is much easier for the vast majority of people than information in paper form.
- Ad subquestion 2: Digitally processed data can be displayed in greater disaggregation and granularity than data provided in other display formats.
- Ad subquestion 3: Costs may decrease if other requirements (e.g. ESEF) do not compromise any cost reductions. However, preparers need to take substantial initial efforts.

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:

The recipient of the data should receive confirmation that this data has been provided by the data preparer. This is especially true when electronic reports were the only reports available and verification with the traditional report was no longer possible (because it no longer exists).

### 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 | | | | X | | |
| A pan-EU digital access to databases based on modern technologies would promote cross border investments and efficient capital markets | | | | X | | |
| The EU should take advantage of a pan-EU digital access to make information available for free to any user | | | | | X | |

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?

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

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

> The re-use of the data will be a simplification for preparers and will reduce their costs. In addition, re-use of the same data would increase the data's usefulness resulting in an improved cost-benefit relation.

Furthermore, the consistency of the data reported to all users will be ensured. However, the re-use of data should only take place in meaningful instances. Therefore, it should be examined where different users (shareholders, regulators, tax authorities) have different information needs.

### 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?

No further comments or suggestions.

## Acronyms and Abbreviations

AD
: Accounting Directive

BAD
: Bank Accounts Directive

CEP
: Centre for European Studies

CBCR
: Country by Country Reporting

CLD
: Company Law Directive

CMD
: Capital Maintenance Directive

CMU
: Capital Markets Union

CRD
: Capital Requirements Directive

CRR
: Capital Requirements Regulation

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

DLT& API
: Distributed Ledger Technology & Application Programme Interface

EC
: European Commission

EFRAG
: European Financial Reporting Advisory Group

EFTG
: European Financial Transparency Gateway

EITI
: Extractive Industries Transparency Initiative

ESG
Environmental, Social & Governance factors

ESMA
European Securities and Markets Authority

ESRB
European Systemic Risk Board

FSB
Financial Stability Board

GAAPs
General Accepted Accounting Principles

HLEG
High-Level Expert Group

IAD
Insurance Accounts Directive

IAS
International Accounting Standards

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standards

IFRS 4
International Financial Reporting Standards on Insurance contracts

IFRS 9
International Financial Reporting Standards on Financial Instruments

IFRS 17
will replace IFRS 4 as of 1 January 2021

IIRC
International Integrated Reporting Council

KPIs
Key Performance Indicators

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

NGOs
Non-governmental Organisation

OAMs
Officially Appointed Mechanisms

OECD
Organization for Economic Co-operation and Development

PIE
Public Interest Entities

P&L
Profit and Loss account

SMEs
Small and Medium Enterprises

SRB
Single Resolution Board

SSM
Single Supervisory Mechanism

TCFD
Task Force on Climate-related Financial Disclosures

TD
Transparency Directive

## 3. Additional information

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

**f402c4a1-e070-4cd2-a8e5-4963eb77445c/180712_ASCG_EU-Fitness-Check_coverletter.pdf**

### 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)

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