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Public consultation on strengthening the quality of corporate reporting and its enforcement

Fields marked with * are mandatory.

Introduction

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High quality and reliable corporate reporting is of key importance for healthy financial markets, business investment and economic growth. The EU corporate reporting framework should ensure that companies publish the right quantity and quality of relevant information allowing investors and other interested stakeholders to assess the company's performance and governance and to take decisions based on it. High quality reporting is also indispensable for cross-border investments and the development of the capital markets union (CMU).

In the context of this consultation, corporate reporting comprises the financial statements of companies, their management report that includes the non-financial and corporate governance statements and country-by-country reporting. It would also include sustainability information pursuant to the proposed Corporate Sustainability Reporting Directive.

The consultation takes into account the outcomes of the 2018 consultation on the EU framework for public reporting by companies and the 2021 fitness check on the EU framework for public reporting by companies. This consultation however focuses on companies listed on EU regulated markets (hereafter 'listed companies' or 'issuers'), that is a subset of the companies subject to public reporting requirements under EU law. Please note that in terms of reporting, this consultation does not seek the views of stakeholders on the applicable accounting standards, such as International Financial Reporting Standards (IFRS) or the standards in the Accounting Directive, or the views of stakeholders on public country-by-country reporting or the Commission's proposal for a Corporate Sustainability Reporting Directive.

The 2018 consultation did not cover the areas of corporate governance or statutory audit. Therefore, this consultation contains questions to evaluate aspects of the Audit Regulation 537/2014, Audit Directive 2006/43/EC and of Accounting Directive 2013/34/EU. However, it covers the EU framework on corporate governance only in so far as relevant for corporate reporting by listed companies and the statutory audit of so-called public interest entities (PIEs). Listed companies, credit institutions, insurance undertakings and entities designated as such by Member States are PIEs.

This consultation also builds on the work carried out by the European Securities and Markets Authority (ESMA) and the Committee of European Audit Oversight Bodies (CEAOB).

This consultation is divided into 5 parts

- The first part seeks your views about the overall impact of the EU framework on the three pillars of high quality and reliable corporate reporting - corporate governance, statutory audit and supervision. It also seeks your views about the interaction between the three pillars
- The second part of the questionnaire focuses on the corporate governance pillar, as far as relevant for corporate reporting. It aims to get your feedback in particular on the functioning of company boards, audit committees and your views on how to improve their functioning
- The third part focuses on the statutory audit pillar. The first questions in this part aim at getting your views on the effectiveness, efficiency and coherence of the EU audit framework. It focuses in particular on the changes brought by the 2014 audit reform. Subsequently, the questions aim to seek views on how to improve the functioning of statutory audit
- The fourth part asks questions about the supervision of PIE statutory auditors and audit firms
- Finally, the consultation will ask questions about the supervision of corporate reporting and how to improve it

This consultation will directly feed into an impact assessment that the Commission will prepare in 2022 with a view to possibly amend and strengthen the current EU rules.

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-corporate-reporting@ec.europa.eu.

More information on

- this consultation
- the consultation document
- the consultation strategy
- company reporting
- the protection of personal data regime for this consultation

About you

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* Language of my contribution

- Bulgarian
- Croatian
- Czech

- ( ) Danish
- ( ) Dutch
- (x) English
- ( ) Estonian
- ( ) Finnish
- ( ) French
- ( ) German
- ( ) Greek
- ( ) Hungarian
- ( ) Irish
- ( ) Italian
- ( ) Latvian
- ( ) Lithuanian
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- ( ) Polish
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- ( ) Romanian
- ( ) Slovak
- ( ) Slovenian
- ( ) Spanish
- ( ) Swedish

*I am giving my contribution as

- ( ) Academic/research institution
- (x) Business association
- ( ) Company/business organisation
- ( ) Consumer organisation
- ( ) EU citizen
- ( ) Environmental organisation
- ( ) Non-EU citizen
- ( ) Non-governmental organisation (NGO)
- ( ) Public authority
- ( ) Trade union
- ( ) Other

* First name

Info

* Surname

EUROPEANISSUERS

* Email (this won't be published)

info@europeanissuers.eu

* Organisation name

255 character(s) maximum

EuropeanIssuers

* Organisation size

- (selected) Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

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* Country of origin

Please add your country of origin, or that of your organisation.

Afghanistan	Djibouti	Libya	Saint Martin
Åland Islands	Dominica	Liechtenstein	Saint Pierre and Miquelon
Albania	Dominican Republic	Lithuania	Saint Vincent and the Grenadines
Algeria	Ecuador	Luxembourg	Samoa
American Samoa	Egypt	Macau	San Marino
Andorra	El Salvador	Madagascar	

			São Tomé and Príncipe
Angola	Equatorial Guinea	Malawi	Saudi Arabia
Anguilla	Eritrea	Malaysia	Senegal
Antarctica	Estonia	Maldives	Serbia
Antigua and Barbuda	Eswatini	Mali	Seychelles
Argentina	Ethiopia	Malta	Sierra Leone
Armenia	Falkland Islands	Marshall Islands	Singapore
Aruba	Faroe Islands	Martinique	Sint Maarten
Australia	Fiji	Mauritania	Slovakia
Austria	Finland	Mauritius	Slovenia
Azerbaijan	France	Mayotte	Solomon Islands
Bahamas	French Guiana	Mexico	Somalia
Bahrain	French Polynesia	Micronesia	South Africa
Bangladesh	French Southern and Antarctic Lands	Moldova	South Georgia and the South Sandwich Islands
Barbados	Gabon	Monaco	South Korea
Belarus	Georgia	Mongolia	South Sudan
Belgium	Germany	Montenegro	Spain
Belize	Ghana	Montserrat	Sri Lanka
Benin	Gibraltar	Morocco	Sudan
Bermuda	Greece	Mozambique	Suriname
Bhutan	Greenland	Myanmar/Burma	Svalbard and Jan Mayen
Bolivia	Grenada	Namibia	Sweden
Bonaire Saint Eustatius and Saba	Guadeloupe	Nauru	Switzerland
Bosnia and Herzegovina	Guam	Nepal	Syria
Botswana	Guatemala	Netherlands	Taiwan
Bouvet Island	Guernsey	New Caledonia	Tajikistan

Brazil
British Indian Ocean Territory
British Virgin Islands
Brunei
Bulgaria
Burkina Faso
Burundi
Cambodia
Cameroon
Canada
Cape Verde
Cayman Islands
Central African Republic
Chad
Chile
China
Christmas Island
Clipperton
Cocos (Keeling) Islands
Colombia
Comoros
Congo
Cook Islands
Costa Rica
Côte d’Ivoire

Guinea
Guinea-Bissau
Guyana
Haiti
Heard Island and McDonald Islands
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Iran
Iraq
Ireland
Isle of Man
Israel
Italy
Jamaica
Japan
Jersey
Jordan
Kazakhstan
Kenya
Kiribati
Kosovo

New Zealand
Nicaragua
Niger
Nigeria
Niue
Norfolk Island
Northern Mariana Islands
North Korea
North Macedonia
Norway
Oman
Pakistan
Palau
Palestine
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Pitcairn Islands
Poland
Portugal
Puerto Rico
Qatar
Réunion

Tanzania
Thailand
The Gambia
Timor-Leste
Togo
Tokelau
Tonga
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Turks and Caicos Islands
Tuvalu
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
United States Minor Outlying Islands
Uruguay
US Virgin Islands
Uzbekistan
Vanuatu
Vatican City
Venezuela

Croatia	Kuwait	Romania	Vietnam
Cuba	Kyrgyzstan	Russia	Wallis and Futuna
Curaçao	Laos	Rwanda	Western Sahara
Cyprus	Latvia	Saint Barthélemy	Yemen
Czechia	Lebanon	Saint Helena Ascension and Tristan da Cunha	Zambia
Democratic Republic of the Congo	Lesotho	Saint Kitts and Nevis	Zimbabwe
Denmark	Liberia	Saint Lucia	

* Role in the corporate reporting market

- Preparer of corporate reporting
- User of of corporate reporting
- Preparer and user of corporate reporting
- Statutory auditor
- Accounting professional
- Supervisor
- None
- Other

* Field of activity or sector (if applicable)

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Other financial services (e.g. advice, brokerage)
- Social entrepreneurship
- Trade repositories

- [x] Other
- [ ] Not applicable

* Please specify your activity field(s) or sector(s)

Publicly Listed Companies

The Commission will publish all contributions to this public consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **Fo r the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

*** Contribution publication privacy settings**

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- ( ) **Anonymous**
  Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.
- (•) **Public**
  Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

- [x] I agree with the personal data protection provisions

Part I - The EU framework for high quality and reliable corporate reporting

The EU framework for corporate reporting has developed significantly since the EU adopted the fourth company law Directive (Directive 78/660/EEC) which coordinated the national provisions on the presentation, content and publication of annual accounts and management reports of limited liability companies. This Directive also already required a statutory audit of the annual accounts of limited liability companies.

Today, the Accounting Directive 2013/34/EU, the Statutory Audit Directive (2006/43/EU) and Audit Regulation (537/2014) and the Transparency Directive 2004/109/EC provide the main requirements that ensure the quality of corporate reporting and its enforcement in the EU. Moreover, the ESMA Regulation (EU)1095/2010 gives tasks to ESMA in relation to corporate reporting. Given the inclusion of the Transparency Directive in the scope of the ESMA Regulation ESMA can make use of its powers in the ESMA Regulation, such as to issue guidelines.

The main elements of this framework that guarantee the quality and reliability of corporate reporting can be summarised as follows

- **Corporate governance**:
  Responsibility of company boards for corporate reporting; the establishment by PIE's of an audit committee to minimise risks and to enhance the quality of financial reporting
- **Audit**:
  The requirements for a statutory audit of the annual accounts to ensure that there are no material misstatements
- **Supervision**:
  The supervision of statutory auditors and audit firms to ensure the quality of audits and the supervision of corporate reporting by listed companies to ensure the quality of corporate reporting

The three pillars of the corporate reporting framework can be mutually reinforcing. At the same time, weaknesses in one pillar also negatively impact other pillars. Appropriate responsibilities and supervision of company boards provide incentives to company boards to focus on the quality of their corporate reporting. It will also incentivise them to see statutory audit not as a burden, but as an important external check by statutory auditors. On the other hand, where company boards are insufficiently accountable and supervised, there is a risk that boards may pay insufficient attention to the quality of reporting and that they provide insufficient resources for a proper audit.

Question 1. As a user of corporate reporting (retail or wholesale investor, credit rating agency, NGO, public authority, employees, suppliers, other stakeholders), what is the relative importance of the information contained therein compared to other sources of information?

- ( ) 1 - Very low
- ( ) 2 - Low
- ( ) 3 - Medium
- ( ) 4 - High
- (x) 5 - Very high
- ( ) Don't know / no opinion / not applicable

Question 2. How do you assess the overall effectiveness, efficiency, relevance, coherence and EU added value of the EU legislation, considering each of the pillars underpinning corporate reporting individually, but also in combination with each other?

a) Corporate governance

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives				X		
II. Efficiency: has the framework been cost efficient						X
III. Relevant in terms of overall needs and objectives				X		
IV. Coherence with other related EU frameworks / internal coherence		X				
V. EU Added value: was and is EU intervention justified?		X				

b) Statutory audit

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives				X		

II. Efficiency: has the framework been cost efficient	○	●	○	○	○	○
III. Relevant in terms of overall needs and objectives	○	●	○	○	○	○
IV. Coherence with other related EU frameworks / internal coherence	○	○	○	○	○	●
V. EU Added value: was and is EU intervention justified?	○	○	●	○	○	○

c) Supervision by public authorities of statutory auditors/audit firms

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	○	○	●
II. Efficiency: has the framework been cost efficient	○	○	○	○	○	●
III. Relevant in terms of	○	○	○	○	○	●

overall needs and objectives						
IV. Coherence with other related EU frameworks / internal coherence	○	○	○	○	○	●
V. EU Added value: was and is EU intervention justified?	○	○	○	○	○	●

d) Supervision by authorities of corporate reporting

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	●	○	○
II. Efficiency: has the framework been cost efficient	○	○	○	○	○	●
III. Relevant in terms of overall needs and objectives	○	○	○	●	○	○
IV. Coherence with other related EU frameworks / internal coherence	○	○	○	○	○	●

V. EU Added value: was and is EU intervention justified?	○	●	○	○	○	○

e) The eco-system composed of all of the above

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	●	○	○
II. Efficiency: has the framework been cost efficient	○	●	○	○	○	○
III. Relevant in terms of overall needs and objectives	○	○	○	●	○	○
IV. Coherence with other related EU frameworks / internal coherence	○	○	●	○	○	○
V. EU Added value: was and is EU intervention justified?	○	●	○	○	○	○

Question 2.1 Please describe the main issues that you see, if any, in the four areas mentioned in question 2 and in the eco-system composed of all four areas. Where possible, please provide concrete examples and evidence supporting your assessment.
You may want to consider the following aspects

- **have any factors reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there room to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Companies consider that EU legislation is overall effective and ensures that the pillars supporting the quality of corporate reporting are robust. Therefore, additional EU intervention does not seem justified. However, in terms of costs and consistency, the following issues can be mentioned: the Audit Reform has extended the responsibilities of audit committees and of companies, introduced more complexity and increased indirect costs (time spent by public interest entities to comply with their new responsibilities) without significant impact on the quality of audit or the audit market concentration ; furthermore several options left to Members States in the Audit Regulation have reduced its effectiveness, especially in cross border situations ; the CSRD proposal will introduce new reporting requirements on governance of ESG policies that will be redundant with existing requirements as well as the double materiality concept which will raise questions for both preparers, external verifiers and end-users regarding, for instance, the assessment of the risk companies are faced with. In this regard, targeted amendments to existing legislations could be envisaged to improve efficiency of the framework. For example, looking at the CSRD proposal, there are several overlaps with existing legislation which could be avoided.

The ESMA report on enforcement and regulatory activities of European enforcers in 2020 notes that supervisors undertook the examination that year of 729 financial statements drawn up in accordance with International Financial Reporting Standards (IFRS). Based on these examinations, European enforcers took enforcement actions against 265 issuers in order to address material departures from IFRS. This represents an action rate of 38%.

As regards the audit sector the Commission's market monitoring report highlights deficiencies in audit firms' internal quality control systems, but also in individual files for audits of PIEs. National audit oversight bodies also report that part of statutory audits is not up to standards.

Question 3. Based on your own experience how do you assess the quality and reliability of corporate reporting by listed EU companies?

- 1 - Very low
-

2 - Low
- 3 - Medium
- (selected) 4 - High
- 5 - Very high
- Don’t know / no opinion / not applicable

Question 3.1 Please provide concrete examples and evidence supporting your assessment in question 3 and explain the consequences that the quality and reliability of corporate reporting or lack thereof has on you.

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The regulatory framework related to financial and non-financial corporate reporting has been substantially strengthened over the last decade with the adoption of the Transparency Directive and of the Non-financial Directive and implementation of additional requirements regarding corporate governance, payments to government and the format of reporting, with ESEF. Some EU initiatives are still under discussion: the CSRD and the ESAP Regulation proposals. These measures ensure or will contribute to ensure high quality reporting and easy access to the information disclosed by companies. The Audit Reform, with measures which only came recently into effect (non-audit services fee cap), also contributed to further strengthen the eco-system by extending the responsibilities of audit committees, enhancing independence of auditors and improving the informative value of audit reports (inclusion of key audit matters) and the dialogue with audit committees (additional audit report to the audit committee).
Companies consider that the priority is not to adopt new measures but to finalize the framework by adopting and implementing measures which are under discussion, with sufficient time for companies to adapt to their new requirements. Once the framework finalized, it will be essential to assess its overall effectiveness and costs efficiency to ensure that it is “fit for purpose” but, as of today, it is premature to envisage any further action.

Question 4. There are no generally accepted standards or indicators to measure the quality of corporate reporting and of statutory audit, nor the effectiveness of supervision. In light of this, what are your views on the following questions?

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know - No opinion - Not applicable
Would it be useful to have specific indicators to measure the quality of corporate reporting, of statutory audits and the effectiveness of supervision?	◉	○	○	○	○	○
Is it possible to have clear and reliable indicators to measure the quality of corporate reporting, of statutory audit and the effectiveness of supervision?	◉	○	○	○	○	○
Should the European Commission develop indicators on the quality of corporate reporting, of statutory audits and the effectiveness of supervision?	◉	○	○	○	○	○

Question 4.1 Please provide any further explanation supporting your views, and, where relevant, please suggest possible indicators of the quality and reliability of corporate reporting, statutory audit and supervision, where possible with concrete examples:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Companies do not support the establishment of indicators to assess the quality of corporate reporting and statutory audits. Defining such indicators would raise issues in terms of methodology (e.g. data not available, not comparable or reliable) and interpretation (e.g. high number of sanctions taken by a Competent Authority in a Member State can be interpreted both ways as evidence of high or low quality). If the objective of the Commission is to establish indicators to compare the quality of reporting and between Member States, implementation of such indicators could also create an unlevel playing field between the Member States and thus reinforce fragmentation of capital markets and will add another layer of complexity in the system. If any assessment or comparison is necessary, it should be done at global level to ensure a level-playing field between EU companies and their non-EU competitors and that EU companies are not put at a disadvantage because they disclose more information.

Question 5. In your view, should the Commission take action in the areas of the corporate governance pillar, the statutory audit pillar, the supervision of PIE auditors and audit firms and the supervision of corporate reporting to increase the quality and reliability of reporting by listed companies?

- ○ Yes, there is a need to improve the **some or all of the areas listed above**
- ○ Yes, there is a need to improve some or all of the areas listed above **as well as other areas**
- ○ No, but there is a need to improve other areas than those listed above
- ● No, there is no need to take further action in any area
- ○ Don’t know / no opinion / not applicable

Question 5.1 Please provide any further explanation supporting your views, and where appropriate describe what actions you would prioritise and why, with concrete examples:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As mentioned above, EuropeanIssuers considers that the current framework ensures high quality reporting. The priority therefore is clearly to finalise and implement current on-going EU initiatives with a particular focus on not overloading issuers with additional reporting requirements, adequacy of the material aspects of the reporting, and coherence with existing EU legislation.
However, with regard to the Audit Regulation, some minor adjustments should be thoroughly evaluated in order to improve efficiency, reduce complexity for issuers while at the same time not overburden them with new requirements.
For a more complete assessment, please refer to Questions 12 and 14.

Question 5.2 At what level should action be taken to improve the quality of corporate governance, audit, audit supervision and/or supervision of corporate reporting?

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know - No opinion - Not applicable
Companies themselves should take action to improve their reporting	○	●	○	○	○	○
Auditors themselves should take action to improve audits	○	●	○	○	○	○
Audit supervisors themselves should take action to improve their functioning	○	●	○	○	○	○
Individual Member States should take action if the situation in their market requires this	○	●	○	○	○	○
The EU should take action	○	●	○	○	○	○
Several of the above should take action	○	●	○	○	○	○

Question 5.3 Please provide any further explanation supporting your views expressed in question 5.2:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As mentioned above, EuropeanIssuers considers that the current framework ensures high quality reporting. The priority therefore is clearly to finalise and implement current on-going EU initiatives with a particular focus on not overloading issuers with additional reporting requirements, adequacy of the material aspects of the reporting, and coherence with existing EU legislation.

However, with regard to the Audit Regulation, some minor adjustments should be thoroughly evaluated in order to improve efficiency, reduce complexity for issuers while at the same time not overburden them with new requirements.

For a more complete assessment, please refer to Questions 12 and 14.

Question 6. To what extent is there a need to modify the EU framework on corporate reporting to support the following objectives?

	1 (not at all necessary)	2 (rather not necessary)	3 (neutral)	4 (rather necessary)	5 (highly necessary)	Don't know - No opinion - Not applicable
I. The green transition	◉	○	○	○	○	○
II. The digital transition	◉	○	○	○	○	○
III. Facilitating doing business by SMEs	○	○	○	◉	○	○
IV. Reducing burdens and/or simplification	○	○	○	○	◉	○
V. Better corporate social responsibility, including tax transparency and fair taxation	◉	○	○	○	○	○

Question 6.1 Please provide, if needed, any further explanation supporting your views expressed in question 6:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The CSRD proposal introduces considerable requirements of transparency to support the green transition. Companies under its scope will have to report on a variety of sustainability-related themes and disclose transition plans, sustainability targets, risks, due diligence procedures and action plans to prevent, mitigate or remediate adverse impacts. Article 8 of the Taxonomy Regulation requires large undertakings to disclose information on how and to what extent their activities are associated with environmentally sustainable economic activities. The EU reporting framework regarding sustainability and the green transition is therefore more than sufficient and there is no need to modify it with additional constraints.
As regards digital transition, digitalisation is addressed by the ESEF – first mandatory application in 2022 in some Member States – and by the Commission's proposals to establish the ESAP as of 2024. Companies consider therefore that there is no need to take any additional action in this field. Finally, regarding the CBCR reporting, on 22 December 2021, the Commission proposed a Directive ensuring a minimum effective tax rate for global activities of large multinational groups. This proposal follows closely the international agreement on tax reform and sets out how the principles of the 15% effective tax rate will be applied in practice within the EU. Companies consider that once the Directive in force, the provisions related to the CBCR reporting should be reassessed.

Part II - Corporate governance

The EU corporate governance framework focuses on the relationships between company boards, shareholders and other stakeholders, and therefore, on the way a company is managed and controlled. The framework consists of a combination of EU and Member State legislation and soft law, namely national corporate governance codes applied on a 'comply or explain' basis. It aims inter alia to provide protection for shareholders and other parties with a particular interest in companies, such as employees and creditors.

A sustainable corporate governance initiative is planned to be adopted by the Commission in 2021. (In addition, the Commission's study on directors' duties and sustainable corporate governance, July 2020, assesses the root causes of 'short termism' in corporate governance and discusses their relationship with current market practices and/or regulatory frameworks).

Key features of the EU framework on corporate governance that are relevant for corporate reporting are

- The collective responsibility of the members of the administrative, management and supervisory bodies of a company for drawing up and publishing annual financial statements and management reports
- The requirement for a statement by the persons responsible within the issuer that, to the best of their knowledge, the financial statements prepared give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer
- The requirement for PIEs to establish, in principle, an audit committee

Question 7. How do you assess the effectiveness, efficiency, and coherence of the key features of the EU framework on corporate governance, considering how they underpin quality and reliability of corporate reporting?

a) Board responsibilities for reporting

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	○	◉	○
II. Efficiency: has the framework been cost efficient	○	◉	○	○	○	○
III. Coherence with relevant EU rules	○	○	◉	○	○	○

b) Liability of company boards for reporting

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	○	◉	○
II. Efficiency: has the framework been cost efficient	○	◉	○	○	○	○
III. Coherence with relevant EU rules	○	○	◉	○	○	○

c) Obligation to establish an audit committee

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	○	●	○
II. Efficiency: has the framework been cost efficient	○	○	○	○	○	●
III. Coherence with relevant EU rules	○	○	○	○	○	●

d) Rules on the composition of the audit committee

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	○	●	○
II. Efficiency: has the framework been cost efficient	○	○	○	○	○	●
III. Coherence with relevant EU rules	○	○	○	○	○	●

e) Tasks of the audit committee

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	○	◉	○
II. Efficiency: has the framework been cost efficient	○	◉	○	○	○	○
III. Coherence with relevant EU rules	○	○	◉	○	○	○

f) External position of the audit committee (e.g. in relation to shareholders)

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	○	◉	○
II. Efficiency: has the framework been cost efficient	○	○	○	○	○	◉
III. Coherence with relevant EU rules	○	○	○	○	○	◉

Question 7.1 Please describe the main issues you see, if any, as regards corporate governance and, where possible, please provide concrete examples and evidence supporting your assessment.

You may want to consider the following aspects

- **are there factors that have reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there room to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Companies consider that the responsibilities and liability of boards as well as the rules applicable to audit committees regarding their tasks, composition and functioning are effective in ensuring high quality of corporate reporting. No additional action in this field is needed. Companies insist, in particular, on the fact that potential sanctions on board members should not be strengthened to avoid scaring would-be directors from sitting on boards of public interest entities. As regards coherence between EU rules, certain aspects of corporate governance are addressed by the CSRD proposal and will be covered by a limited assurance report. This will increase complexity and inconsistency with the corporate governance statement and could reduce effectiveness. Moreover, rules regarding corporate governance should first rest on national provisions considering that they are closely linked to the provisions of national laws and practices.

Question 8. Considering the level of material departures from IFRS reported in the ESMA report on enforcement and regulatory activities of European enforcers in 2020, to what extent can such departures be attributed to deficiencies of the EU framework on corporate governance?

- (x) 1 - Not at all
- ( ) 2 - To a limited extent
- ( ) 3 - To some extent
- ( ) 4 - To a large extent
- ( ) 5 - To a very large extent
- ( ) Don’t know / no opinion / not applicable

Question 8.1 Please explain the main issues you see, and, where possible, please provide concrete examples and evidence supporting your assessment:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Companies consider that the reference to ESMA’s report is not relevant and does not demonstrate any flaw in the EU framework. The number critical action is not significant and only amounts to 56 actions, representing a critical action rate of 7,7% (56 / 729). Furthermore, ESMA’s report is focused on the implementation of IFRS 9 Financial instruments, IAS 36 Impairment of assets and IFRS 16 Leases. Considering the circumstances (COVID-19) and second year of application of IFRS 16, the rates above seem quite reasonable. These departures show that IFRS are too complicated and should be simplified, in particular by introducing IRFS for SMEs. Finally, EuropeanIssuers considers that the reference to ESMA’s ECEP on IFRS is rather odd since IFRS are not in the scope of this consultation.

Question 9. How effective and efficient would the following actions be in increasing the quality and reliability of reporting by listed companies?

a) Strengthen the (collective) responsibilities of the board / tasks for reporting / liability of boards for incorrect reporting

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

b) Require proper expertise of specific board members in relation to corporate reporting (internal controls, accounting framework, sustainability reporting, etc.)

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

c) Increase the responsibilities of specific board members (e.g. Chief Executive Officer or the Chief Financial Officer) and their liability on corporate reporting

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness						
II. Efficiency in term of cost/benefits of action						

d) Give company boards an explicit responsibility to establish effective risk management and internal control systems for the preparation of corporate reporting, including as regards controls for risks of fraud and going concern

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

e) More transparency of company boards about the effectiveness of the companies' risk management and report on the actions undertaken during the reporting period

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

f) Remove exemptions in EU legislation for establishing an audit committee

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

g) Increase the tasks of the audit committee, e.g. for providing assurance on internal control systems for the avoidance of risk and fraud and going concern

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	●	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	●	○	○	○	○	○

h) Strengthen the external position of the audit committee (e.g. vis-à-vis the auditor or by reporting to shareholders)

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	●	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	●	○	○	○	○	○

i) Require the setting up of specific whistle blowing procedures inside listed companies and supervisors of corporate reporting to strengthen the protection of whistle blowers

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

j) Require auditors to provide assurance on the systems and internal controls implemented by the board, including fraud, going concern and related reporting requirements

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

k) Strengthen the role of shareholders on corporate reporting

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

Question 9.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of reporting by listed companies?

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

Question 9.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Companies consider that the responsibilities and liability of boards as well as the rules applicable to audit committees regarding their tasks, composition and functioning are effective in ensuring high quality of corporate reporting. No additional action in this field is needed. Companies insist, in particular, on the fact that potential sanctions on board members should not be strengthened to avoid scaring would-be directors from sitting on boards of public interest entities. As regards coherence between EU rules, certain aspects of corporate governance are addressed by the CSRD proposal and will be covered by a limited assurance report. This will increase complexity and inconsistency with the corporate governance statement and could reduce effectiveness. Moreover, rules regarding corporate governance should first rest on national provisions considering that they are closely linked to the provisions of national laws and practices.

Part III - Statutory audit

The overall objective of statutory audits is to ensure that financial statements are free from material misstatements and provide a true and fair view. The auditor has to identify and assess the risk of material misstatements and gather sufficient and appropriate audit evidence as the basis for his opinion that the financial statements provide a true and fair view and to publicly report on the results of his audit work. The EU audit rules promote audit quality and seek to ensure the independence of auditors and audit firms.

Therefore, the final objective of statutory audit is to contribute to the quality and reliability of financial statements of companies.

Question 10. How do you assess the effectiveness, efficiency and the coherence with other relevant EU frameworks of the key features of EU audit legislation in so far as it applies to PIE auditors and audit firms?

a) The rules on independence of auditors/audit firms and absence of conflicts of interest

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable

I. Effectiveness in reaching its objectives	○	○	○	◉	○	○
II. Efficiency: has the framework been cost efficient	○	◉	○	○	○	○
III. Coherence with relevant EU rules	○	○	○	○	○	◉

b) The rules on the content of the audit and of the audit report

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	◉	○	○
II. Efficiency: has the framework been cost efficient	○	◉	○	○	○	○
III. Coherence with relevant EU rules	○	○	○	○	○	◉

c) The rules applicable to non-audit services

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable

I. Effectiveness in reaching its objectives			X			
II. Efficiency: has the framework been cost efficient		X				
III. Coherence with relevant EU rules						X

d) The rules on auditor/audit firm rotation

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives			X			
II. Efficiency: has the framework been cost efficient		X				
III. Coherence with relevant EU rules						X

e) The rules on transparency (transparency report, additional reports to other parties / audit committees / supervisors)

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable

I. Effectiveness in reaching its objectives	○	○	○	○	○	◉
II. Efficiency: has the framework been cost efficient	○	○	○	○	○	◉
III. Coherence with relevant EU rules	○	○	○	○	○	◉

Question 11. Please describe the main issues you see, if any, in the audit pillar and, where possible, please provide concrete examples and evidence supporting your assessment.
You may want to consider the following aspects

- **are there factors that have reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there scope to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

In general, the current framework ensures high quality reporting.
Targeted amendments to the Audit Directive and Regulation should however be considered:
- The interplay of options chosen by Member States with regard to rotation periods and non-audit-services makes the process of mandating auditors for companies operating cross border very complicated, costly and ultimately creates quality risks. A more harmonised approach is necessary. However, this should not end up in creating further costs and burdens for companies as well as giving rise to new quality issues. It also must not have the effect of further concentrate the audit market and, in consequence, create more difficulties to companies in mandating audit firms. A pivotal condition for further harmonisation is therefore, that the rotation periods will not be shorter than 10 years. Before taking any action, the Commission should undertake an assessment of the application of the Audit Regulation's options in the different Member States

and an evaluation of their effects for the practice of listed companies.

- Two additional issues should be addressed to enhance efficiency of the EU framework: (i) when a company acquires another company, the acquisition should be considered proper grounds to allow the resignation of the statutory auditors of the acquiree company (ii) the EU regulatory framework should better take into account the specific situation of international groups to allow for better coordination between the audit of the parent company and of its subsidiaries ; in particular when new auditors are appointed in the parent company, this should also be considered proper grounds to dismiss the auditors of the subsidiaries in order to appoint the auditors of the parent company.
- Finally, the content of the audit should be simplified in case of small and micro companies.

Question 12. To which extent you agree to the following statements?

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know - No opinion - Not applicable
I. Statutory audits contribute as much as is possible to the quality and reliability of corporate reporting by PIEs	○	○	○	○	●	○
II. I am satisfied with the role of the statutory auditors / audit firms of PIEs	○	○	○	●	○	○
III. The work of auditors is reliable so I trust their assessment and reports and their work inspires trust in capital markets	○	○	○	●	○	○
IV. There is not enough choice for public interest entities in finding an audit firm at appropriate costs	○	○	○	●	○	○
V. Joint audits contribute to the quality of audit	●	○	○	○	○	○

12.1 If you want to add any comments, and/or mention specific issues you see you can insert them here. Where possible, please provide concrete examples and evidence supporting your assessment:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

EuropeanIssuers is not in favour of joint audit. Existing regulation does not prohibit joint audit nor does it prohibit Member States to make joint audit mandatory. However, neither companies nor their stakeholders have required joint audit on large scale. And only a very few Member States used the existing option. This is not surprising, as joint audit will certainly add to the complexity of the audit process (as well as the selection process). Lastly, joint audits will further add to the problem of limited choice for companies and limit competition instead of improving it.

The audit quality issues that occur most often at EU level are

- deficiencies in audit firms' internal quality control systems
- the lack of, or inappropriate, monitoring of high-risk audited entities
- and the lack of audit evidence and documentation.

Question 13. To what extent can these quality issues be attributed to deficiencies in the EU legal and supervisory framework for statutory audit?

- (x) 1 - Not at all
- ( ) 2 - To a limited extent
- ( ) 3 - To some extent
- ( ) 4 - To a large extent
- ( ) 5 - To a very large extent
- ( ) Don't know / no opinion / not applicable

Question 13.1 Please explain, and where possible, provide evidence for your assessment under question 13:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 14. How effective and efficient would the following actions be in increasing the quality of statutory audits of PIEs?

a) Ask auditors to disclose how they have assured the directors' statement on material fraud, and what steps they have taken to assess the effectiveness of the relevant internal controls and to detect any fraud

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

b) Strengthen the informational value of audit reports

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	●	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	●	○	○	○	○	○

c) Improve the internal governance of audit firms

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	◉
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	◉

d) Incentivise or mandate the performance of joint audits for PIEs, including to enhance competition on the PIE audit market

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

e) Further harmonise the rules on mandatory rotation

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	●	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	●

f) Limit the scope for statutory auditors and audit firms to provide non-audit services

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness						
II. Efficiency in term of cost/benefits of action						

g) Increase or eliminate caps on auditor liability, at least for cases of gross negligence of statutory auditors

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness						
II. Efficiency in term of cost/benefits of action						

h) Limit the number of Member State options in the EU Audit framework to ensure consistency across the EU and to incentivise cross-border statutory audits

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	●	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	●	○	○

i) The creation of a passporting system for PIE auditors and audit firms, allowing auditors to provide their services across the Union based on their approval in a Member State

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	◉
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	◉

Question 14.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of statutory audits of PIEs?

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

14.1.1 Please specify to what other action(s) you refer in your answer to question 14.1:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As stated above, the current framework ensures high quality reporting. The priority therefore is clearly to finalise and implement current on-going EU initiatives with a particular focus on not overloading issuers with additional reporting requirements, adequacy of the material aspects of the reporting and coherence with existing EU law.

Overall, we therefore see no need for further action.

The only problem companies have experienced is related to the complex interplay of the options chosen by Member States with regard to rotation periods and non-audit-services in the Audit Regulation. This makes the process of mandating auditors for companies operating cross border very complicated, costly and ultimately creates quality risks as international groups have to comply with different national approaches.

Against this background, it would be preferable to come to a more harmonised approach. However, this should not end up in creating further costs and burdens for companies as well as giving rise to new quality issues. It also must not have the effect of further concentrate the audit market and, in consequence, create more difficulties to companies in mandating audit firms. A pivotal condition for further harmonisation is therefore, that the rotation periods will not be shorter than 10 years.

Before taking any action, the Commission should undertake an assessment of the application of the Audit Regulation’s options in the different Member States and evaluation of their effects for the practice of listed companies.

Question 14.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

With regards to point d), as mentioned in the response to Q 12.1, EuropeanIssuers is not in favour of joint audit, as they are complex and cost increasing. They additionally limit the choice of audit firms for non-audit services'.

Part IV - Supervision of PIE statutory auditors and audit firms

National competent authorities are responsible for the approval and registration of statutory auditors and audit firms, the adoption of audit standards, quality assurance and investigative and administrative disciplinary systems.

At European level, the cooperation between competent authorities is organised within the framework of the Committee of European Audit Oversight Bodies (the 'CEAOB'). The CEAOB has different tasks aimed at supervisory convergence, but it has no power to take binding decisions (Article 30 Audit Regulation).

Question 15. How do you assess the effectiveness, efficiency, and coherence of the key features of the EU supervisory framework for PIE statutory auditors and audit firms?

a) The supervision of PIE statutory auditors and audit firms in the EU

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	○	○	○	○	○	○
II. Efficiency: has the framework been cost efficient	○	○	○	○	○	○
III. Coherence with relevant EU rules	○	○	○	○	○	○

b) The establishment and operation of national audit oversight bodies

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable

I. Effectiveness in reaching its objectives	◎	◎	◎	◎	◎	◎
II. Efficiency: has the framework been cost efficient	◎	◎	◎	◎	◎	◎
III. Coherence with relevant EU rules	◎	◎	◎	◎	◎	◎

c) The Member State systems for investigations and sanctions

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable
I. Effectiveness in reaching its objectives	◎	◎	◎	◎	◎	◎
II. Efficiency: has the framework been cost efficient	◎	◎	◎	◎	◎	◎
III. Coherence with relevant EU rules	◎	◎	◎	◎	◎	◎

d) The role of the CEAOB

	1 (very low)	2 (low)	3 (medium)	4 (high)	5 (very high)	Don't know - No opinion - Not applicable

I. Effectiveness in reaching its objectives	◯	◯	◯	◯	◯	◯
II. Efficiency: has the framework been cost efficient	◯	◯	◯	◯	◯	◯
III. Coherence with relevant EU rules	◯	◯	◯	◯	◯	◯

Question 15.1 Please describe the main issues you see, if any, in relation to the supervision of statutory auditors and audit firms and, where possible, please provide concrete examples and evidence supporting your assessment. You may want to consider the following aspects

- **are there factors that have reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there scope to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 16. Considering the findings in the Commission monitoring report and reports of national audit oversight bodies how would you rate the quality of audit supervision?

- 1 - Very low
- 2 - Low
- 3 - Medium
- 4 - High
- 5 - Very high
- Don’t know / no opinion / not applicable

16.1 If you want to add any comments and/or provide evidence for your assessment in question 16, you can provide it below. You may also include the consequences that your assessment of the quality of audit supervision or the lack thereof has:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 17. How effective and efficient would the following actions be to increase the quality and effectiveness of supervision of PIE statutory auditors and audit firms?

a) Ensure better the independence and appropriate resources of supervisors of auditors and audit firms

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	○

b) Increase the transparency of audit supervisors

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	○

c) Increase the consistency of supervision of cross-border networks of audit firms

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	○

d) Ensure supervision of audit committees

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◉	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	◉	○	○	○	○	○

e) Harmonise and strengthen the investigation and sanctioning powers of audit supervisors

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	○

f) Ensure that at European level there are legal instruments available that ensure supervisory convergence as regards statutory audit of PIEs

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	○

g) Grant a European body the task to register and supervise PIE statutory auditors and audit firms

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	○

Question 17.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of supervision of PIE statutory auditors and audit firms?

- Yes
- No
- Don’t know / no opinion / not applicable

Question 17.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The supervision of audit committees would impose direct supervision on the corporate governance of listed companies. This would constitute a fundamental change to supervision and would go far beyond what is efficient or necessary. The current system to ensure quality of financial reporting rests on several layers of control that work together. If an audit committee does not work properly this will sooner or later be detected either by the auditors, by the enforcement authorities or the investors. Furthermore, auditors are already obliged to inform authorities when they have reasonable grounds to suspect that irregularities have or may occur with regard to financial statements (Art. 7 of the Audit Regulation). Supervising directly audit committees would only add complexity to the system at the expense of well-managed companies with robust governance and effective internal control systems.

Part V - Supervision and enforcement of corporate reporting

The supervision and enforcement of corporate reporting refers to the examination by competent authorities of listed companies’ compliance with the disclosure obligations stemming from the applicable reporting framework, as well as taking appropriate measures when infringements are identified.

Based on enforcement activities by national competent authorities, ESMA reports a significant level of material misstatements. In the follow up of the Wirecard case and based on its experience, ESMA recommended a number of actions to improve the enforcement of corporate reporting (see ESMA letter of 26 February 2021 to the Commissioner McGuinness on next steps following Wirecard - ESMA32-51-818).

The Transparency Directive includes a number of requirements relating to supervision of corporate reporting

- the designation of a central competent authority in each Member State. For the enforcement of corporate reporting, Member States may designate a competent authority other than the central authority and/or delegate tasks to other entities
- national central competent authorities must be independent from market participants. There are no specific provisions as regards the independence of other designated authorities. As regards entities with delegated tasks, the entity in question must be organised in a manner such that conflicts of interest are avoided and information obtained from carrying out the delegated tasks is not used unfairly or to prevent competition
- Member States must provide competent authorities with certain powers, including investigative powers

- ESMA is tasked to foster supervisory convergence as regards the enforcement of financial statements prepared in accordance with the IFRS. For this purpose it has adopted in 2014 guidelines on the enforcement of financial information

This part of the consultation complements the Commission targeted consultation on the supervisory convergence and the Single Rulebook from 12 March 2021 to 21 May 2021.

Question 18. Considering the level of material departures from IFRS in the financial statements of listed companies found in the ESMA report on enforcement and regulatory activities of European enforcers in 2020, how would you rate (on a scale of 1 to 5) the degree to which such departures can be attributed to deficiencies in the EU supervisory framework?

- 1 - Very low
- 2 - Low
- 3 - Medium
- 4 - High
- 5 - Very high
- Don't know / no opinion / not applicable

18.1 If you want to add any comments and/or provide evidence for your assessment in question 18, you can provide it below. You may also include the consequences that your assessment of the quality of audit supervision or the lack thereof has:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 19. How effective and efficient would the following actions be in increasing the quality and reliability of reporting by listed companies?

a) Clarify the role and responsibilities of the national authorities charged with the enforcement of corporate reporting and entities to whom the supervision of corporate reporting is delegated/designated, and improve their cooperation

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	○

b) Improve the system for the exchange of information between authorities and entities involved in the supervision of corporate reporting, and other relevant national authorities

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness						
II. Efficiency in term of cost/benefits of action						

c) Strengthen the rules ensuring the independence of national authorities or entities involved in the supervision of corporate reporting

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◯	◯	◯	◯	◯	◯
II. Efficiency in term of cost/benefits of action	◯	◯	◯	◯	◯	◯

d) Increase the resources of national authorities or entities involved in the supervision of corporate reporting

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	○

e) Increase the powers for national competent authorities to enforce corporate reporting, such as forensic, powers to obtain any necessary information from banks, tax or any other authorities in the country, powers to request information and corrective actions, etc.

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◯	◯	◯	◯	◯	◯
II. Efficiency in term of cost/benefits of action	◯	◯	◯	◯	◯	◯

f) Improve cooperation and coordination between national authorities of different Member States

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	○	○	○	○	○	○
II. Efficiency in term of cost/benefits of action	○	○	○	○	○	○

g) Increase transparency on the conduct and results of enforcement activities by national authorities

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness	◯	◯	◯	◯	◯	◯
II. Efficiency in term of cost/benefits of action	◯	◯	◯	◯	◯	◯

h) Strengthen the role of ESMA on the enforcement of corporate reporting

	1 (not at all effective/ efficient)	2 (rather not effective/ efficient)	3 (neutral)	4 (rather effective/ efficient)	5 (very effective/ efficient)	Don't know - No opinion - Not applicable
I. Effectiveness						
II. Efficiency in term of cost/benefits of action						

Question 19.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of reporting by listed companies?

- Yes
- No
- Don’t know / no opinion / not applicable

Question 19.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous**.

The maximum file size is 1 MB.
You can upload several files.
Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Useful links

More on this consultation (https://ec.europa.eu/info/publications/finance-consultations-2021-corporate-reporting_e

Consultation document (https://ec.europa.eu/info/files/2021-corporate-reporting-consultation-document_en)

Consultation strategy (https://ec.europa.eu/info/files/2021-corporate-reporting-consultation-strategy_en)

More on company reporting (https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing_e

Specific privacy statement (https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en)

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

Contact

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