EuropeanIssuers

aisbl - ivzw
Rue Belliard 4-6
B-1040 BRUSSELS

Tel : +32 (0)2 289 25 70
Fax : +32 (0)2 502 15 60

info@europeanissuers.eu
www.europeanissuers.eu

RESPONSE TO THE EC CONSULTATION 'FITNESS CHECK ON THE EU FRAMEWORK FOR PUBLIC REPORTING BY COMPANIES'

24 July 2018

SUMMARY

EuropeanIssuers welcomes the Commission's fitness check initiative on the EU framework for public reporting by companies. We have been calling for such an exercise given the ever-increasing reporting obligations resulting in rising compliance costs and a growing concern among preparers and investors regarding an information overload.

We believe that the objective of this fitness check on the corporate reporting should be to simplify and better tailor the information provided by financial statements to the need of creditors, investors and shareholders, instead of creating new layer(s) of requirements or increasing the disclosure requirements. Companies should not be obliged to address all stakeholders' demands - this could be rather encouraged on a voluntary basis depending on each issuer's strategy. We would also like to point out that legislation is not the only driver of the amount and quality of the information disclosed by companies. Markets and dialogue with investors play a pivotal role in improving corporate disclosures.

In terms of the scope of the exercise, we regret that the "fitness check" exercise does not cover Market Abuse Regulation which resulted in overly bureaucratic and burdensome procedures and reporting requirements for companies, with questionable added value for investors or supervisors.

As regards the objective of promoting sustainability, the transposition of the Non-Financial Directive has provided a framework to develop ESG practices and enhance transparency. Nevertheless, it is too early to assess the effectiveness of the Directive which has only been effective as of 2017, meaning that companies in many countries have only produced first non-financial reports in 2018.

The revised Transparency Directive, which allowed Member States to abolish the requirement for companies to publish quarterly reports, has had a positive impact. In the Member States that used this option, it has contributed to deterring investor's short-termism and promoting a long-term vision.

Finally, we would like to encourage an introduction of a "say it once" reporting principle, meaning that once the issuer discloses certain information, it would become available for various authorities through an information hub / database. This would result in a simplification of reporting and a reduction of administrative burdens for companies that are currently often obliged to produce many reports containing diverse information (tax, statistical, social, insurance etc.) for different authorities.

TABLE OF CONTENT

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

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

	1	2	3	4	5	Don't know
Ensuring stakeholder protection				✓		
Developing the internal market				✓		
Promoting integrated EU capital markets				✓		
Ensuring financial stability				✓		
Promoting sustainability						✓

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

The harmonisation of financial reports and the implementation of the IAS Regulation and of IFRS have increased transparency and contributed to more integrated EU capital markets. Taking this into account, we would agree that the public reporting requirements have been effective in achieving the objectives of stakeholder protection, developing the internal market, integration of capital markets and financial stability.

However, we would like to point out that the framework has also increased the burden for companies and that there is a general perception that reporting has become increasingly detailed and resulted in an information overload.

We acknowledge that some stakeholders have been questioning the existing framework and pressuring EU policy makers to consider additional stakeholder and additional objectives. The current framework was mainly designed for investors, shareholders and creditors («*The disclosure of accurate, comprehensive and timely information about security issuers builds sustained investor confidence and allows an informed assessment of their business performance and assets. This enhances both investor protection and market efficiency.* », Transparency Directive, first recital). We believe that this is the right purpose and that financial statements should not aspire to address the need of other stakeholders. The most recent European initiatives seem to unfortunately go in this direction and inappropriately enlarge the scope of the financial statements. The objective of this fitness check should rather be to simplify and better tailor the information provided by financial statements to the need of creditors, investors and shareholders, instead of adding another layer of requirements or increasing the disclosure requirements. Companies should not be obliged to address all stakeholders' demands - this could be rather encouraged on a voluntary basis depending on each issuer's strategy.

As regards the objective of promoting sustainability, the transposition of the Non-Financial Directive in Member States has provided a framework to develop ESG practices and enhance transparency. Nevertheless, it is too early to assess effectiveness of the Directive which has only been effective as of last year, meaning that companies in many countries are producing first non-financial reports this year. Therefore, for the moment only an initial assessment of ESG reporting is possible. For example, in Poland ca. 150 listed companies published their first non-financial reports

covering the year 2017, while before the Non-Financial Reporting Directive only 30-40 of them published voluntary non-financial reports.
On the positive note, we would like to point out that the amendment of the Transparency Directive allowing Member States to abolish the requirement for companies to publish quarterly reports, has positively contributed to deterring investor's short-termism and promoting a long-term vision, at least in the Member States that used this option.

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

	1	2	3	4	5	Don't know
Ensuring stakeholder protection				✓		
Developing the internal market				✓		
Promoting integrated EU capital markets				✓		
Ensuring financial stability				✓		
Promoting sustainability						✓

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain your response and substantiate it with evidence or concrete examples of any requirements that you think is not relevant.

Rules imposed on listed companies over the past decade have led to a massive increase of compliance costs and have, consequently, reduced the attractiveness of capital markets' finance.

They may had been perceived as necessary to achieve the above-mentioned objectives, but we consider that now there is a need to take a step back and reflect on whether the EU corporate reporting rules are fit for purpose and whether they are delivering the desired outcomes. We would also welcome a proper analysis of any regulatory inconsistencies and overlaps, and whether the intended benefits of rules outweigh the burdens and costs on the reporting companies. Furthermore, before proposing any new legislation, we would also suggest to properly reflect on whether any new requirements are necessary.

Issuers are faced with different layers of reporting requirements, resulting in a patchwork of different, often unconnected reports including financial statements, environmental, social and governance (ESG) reporting. Companies try to address the needs of stakeholders by producing different reports scope and content of which are sometimes overlapping.

The current patchwork of reporting results in an information overload which is increasing burdens on companies while not necessarily being useful for investors. We believe that the EU should adopt a different approach to corporate reporting and enabling investors informed decision making.

Adding any new layers of requirements should be avoided. Also, we believe that purpose of capital markets legislation should be reflected on. Following the financial crisis, the focus has shifted towards financial stability and investor protection. We believe that these goals should be rebalanced with the needs of companies as users of capital markets. A holistic approach is therefore

needed aiming to reduce compliance burdens on companies while still delivering sufficient information to investors, as opposed to adding layers of regulatory requirements to the existing patchwork. Greater emphasis should also be placed on investor education. We also consider that it is too early to assess the impact of the Non-Financial Reporting Directive and its Guidelines. The directive is applicable as of 2017, with the first reports being published this year. So far only some Member States have finished the first reporting cycle. In our opinion an assessment should only take place after couple of reporting cycles.

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.

	1	2	3	4	5	Don't know
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)

Please explain your response and substantiate it with evidence or concrete examples of requirements that you consider most burdensome.

We would like to challenge the statement that only legislation can “frame” information up to a more demanding level. Legislation is not the only driver of the level of the information disclosed by companies. Markets and the dialogue with investors play a pivotal role in improving the disclosures. Overall, reporting requirements have resulted in a dramatic increase of the volume of reports and subsequently in an excessive burden for companies. This could be due to the impact of the implementation of the IFRS on consolidated financial accounts, but also due to additional disclosure requirements regarding non-financial and ESG matters. Furthermore, the implementation of ESEF (Electronic Single European Format) entailing use of iXBRL will generate additional costs that we fear may outweigh the benefits.

Coherence

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	2	3	4	5	Don't know
Financial statements (preparation, audit and publication)				✓		
Management report (preparation, consistency check by a statutory auditor, publication)				✓		

Please do not consider corporate governance statement or non-financial information						
Non-financial information (preparation, auditor's check and publication)				✓		
Country-by-country reporting by extractive/ logging industries (preparation, publication)		✓				

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

As the purpose of CBCR reporting by extractive / logging industries is to fight against corruption, it does not really fit into the existing reporting framework. Furthermore, coherence should be assessed at the global and not only at EU level. We would like to point out that US issuers are no longer subject to similar requirements since the US Congress overturned SEC's disclosure rule on Resource Extraction Issuer Payment in early 2017. We believe that this fitness check is a good opportunity to strive to ensure a level playing field with the third countries.
Concerning non-financial information please refer to answer to our response to Q2.

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[1], 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.

Corporate reporting needs simplification to be more effective. The information overload is a big problem both for users and preparers.
For example, the Solvency and Financial Condition Report (SFCR) for Listed insurance and reinsurance undertakings provides information which are already disclosed by preparers in other different mandatory reports (e.g. Risk report, Annual Report, Governance & Remuneration reports). For Listed companies, the Group and Solo SFCR reports are not fit for purpose and the cost of these reports outweigh the benefits. Since 2016 the number of pages of this report was over 100 pages on average and the overall cost exceeded millions of euro. The benefits do not appear material neither for users nor for preparers. Consequently, the SFCR for listed companies should be eliminated or at least kept on a voluntary basis.

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

EU Added value

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	**2**	**3**	**4**	**5**	**Don't know**
Ensuring stakeholder protection			✓			
Developing the internal market				✓		
Promoting integrated EU capital markets				✓		
Ensuring financial stability				✓		
Promoting sustainability						✓

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

We consider that, at EU level, the Commission’s priority should be to simplify the reporting framework and avoid creating new layers of rules. Where necessary, harmonisation could be envisaged but only after a thorough assessment of all the existing requirements and the impact of any new measures. Hence, we invite the Commission to re-think the current reporting framework and consider the Corporate Reporting Lab (announced in the EC Action Plan for Sustainable Finance), as the useful construct to do so. We strongly believe that that the aim of any corporate reporting revision should be to streamline reporting requirements and alleviate the burdens on companies (please refer also to our answer to Q2).

II. The financial reporting framework applicable to all EU companies

Companies operating cross-border

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

Please explain your response and substantiate it with evidence or concrete examples.

Differences arising from disclosure rules and/or filing rules with business registers can hinder cross-borders business to a certain extent. A few Member States do not have effective rules ensuring publication of financial reports and therefore companies in these Member States, including large companies, do not publish their balance sheet. However, the reporting rules, overall, do not appear to be an obstacle in cross border investments or business.

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

- ❍ The impact of hindrances on costs are negligible or not significant
- ✓ The impact of hindrances on costs are somehow significant
- ❍ The impact of hindrances on costs are very significant
- ❍ Don't know

Please explain your response and substantiate it with evidence or concrete examples.

Even though the current reporting rules do not constitute a serious obstacle to cross border investments, differences in reporting rules increase costs of reporting for multinational companies. The main cost for companies arises from recurring changes of the reporting framework, both at EU and national level. Adaptation costs can be high and that is why companies ask for stability.

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.

	1	**2**	**3**	**4**	**5**	**Don't know**
Once a Common Corporate Tax Base is adopted at the EU level, would you consider that the profit before tax reported in the Profit or Loss statement and the determination of the taxable profit should be further aligned across EU Member States?	☐	☐	☐	☐	☐	☑

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

We consider that it is premature to decide what should be done once a CCTB is adopted.

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	2	3	4	5	Don't know
The EU should reduce the variability of standards from one Member State to another through more converged national GAAPs, possibly by removing options currently available in the EU accounting legislation	☑	☐	☐	☐	☐	☐
The EU should reduce the variability of standards from one Member State to another by converging national GAAPs on the basis of a European Conceptual Framework	☑	☐	☐	☐	☐	☐
The EU should reduce the variability of standards from one Member State to another by converging national GAAPs and in addition by addressing current lacunas in the Accounting Directive (leases, deferred taxes, etc.)	☑	☐	☐	☐	☐	☐
The EU should reduce the variability of standards from one Member State to another by establishing a "pan-EU GAAP" available to any company that belongs to a group. Such "pan-EU GAAP" may be the IFRS, IFRS for SMEs, or another standard commonly agreed at the EU level.	☑	☐	☐	☐	☐	☐
Do nothing (status quo)	☐	☐	☐	☐	☑	☐
Other (please specify)	☐	☐	☐	☐	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

National GAAPs are closely related to national tax regime and provisions of company law. National GAAPs reflect the economic and legal specificities of each Member State and should be preserved. Convergence of national GAAPs would not be useful for companies which are operate at the local level and that are owned by local investors (which is the case for most small and mid-size quoted companies).

Therefore, we are not in favour of reviewing the Accounting Directive and of removing of the existing options.
As regards allowing subsidiaries of groups to use pan-EU GAAPs, which could be the IFRS, some Member States already follow this approach at national level: companies in a group may apply IFRS. Still, there are some difficulties in applying those principles to individual financial statements. Therefore, this issue should be addressed at national level.
In conclusion, we consider that the status quo should prevail.

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

Please explain your response and substantiate it with evidence or concrete examples.

SMEs

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	2	3	4	5	Don't know
Medium-sized	☐	☐	☐	☐	☐	☑
Small	☐	☐	☐	☐	☐	☑
Micro	☐	☐	☐	☐	☐	☑

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

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	2	3	4	5	Don't know
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?	☐	☐	☐	☐	☐	☑

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

Companies and markets across EU countries vary. Therefore, we should avoid one size fits all approach. Moreover, we wary of using a single SME definition as we believe that a lot may depend on the legislation and its objectives.

Nevertheless, we strongly believe that a bespoke definition of **small and mid-cap companies** is needed to enable focused and proportionate rules. Small and mid-cap companies are fundamentally different from large blue-chip companies, as well as from SMEs. They require different, tailored rules corresponding with their growth needs.

While in case of non-listed companies, we agree that staff headcount, financial parameters and independence/ownership are appropriate criteria to determine if an enterprise is an SME. In case of **listed companies**, we propose to use **market capitalization** as the only criterion.

To determine whether a company is a small and mid-cap, we propose an upper market capitalisation threshold of €1bn in line with the US JOBS Act. To reflect the diversity of EU markets, Member States could be permitted to adjust this threshold. All companies below this threshold should be exempted from certain EU disclosure requirements and allowed to access to the SME Growth Markets. We suggest updating the threshold after every two years. To reduce the effect of possible fast changes in share price value over time, we propose a 2- year 'grace period'

Relevance of the content of financial reporting

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	2	3	4	5	Don't know
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	☐	☐	☐	☑	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

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

We consider that the current framework offers relevant information to investors, shareholders and other stakeholders regarding companies' financial situation and performance, strategies, business models and prospects.

As regards the financial statements, they should be prepared on a prudent basis and give a true and fair view of a company's assets and liabilities, financial position and profit or loss (refer to article 6 of Accounting Directive). Although in certain cases estimates are necessary, they should always be based on prudent judgement and calculated on an objective basis. Therefore, undefined notions such as value creation cannot be accounted for. The balance sheet is a document which refers to past events and is based on certain data subject to assurance. A document presenting a company's strategy is completely different in nature because it looks forward and is based on elements subject to evaluation - which are not certain and cannot be assured. It is similar for the valorisation of intangible assets, which requires a subjective discretional evaluation.

Investors and stakeholders can find additional information regarding companies' strategy and prospects through other reports and sources made available. We would encourage the Commission to adopt a more holistic approach encompassing all information published by companies.

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

- ❍ Yes
- ✓ No
- ❍ Don't know

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

18. Financial statements often contain alternative performance measures such as the EBITDA.

	1	2	3	4	5	Don't know
Do you think that the EU framework should define and require the disclosure of the most commonly used alternative performance measures?	☑	☐	☐	☐	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

APM are by nature specific to each company and/or activity. We are therefore not in favour of defining or requiring the disclosure of predetermined APM. This would result in issuers making public non-

relevant and /or not material information which would be contrary to the objective of enhancing transparency. Furthermore, defining and requiring the disclosure of the most commonly used alternative performance measures would add further unnecessary administrative burdens for small and mid-size quoted companies. APM are also by nature non-GAAP measures and should not be standardised.
Regarding listed companies, this issue has already been tackled by ESMA and we consider that the guidelines published by ESMA are sufficient. There are also existing guidelines issued by sectoral business associations (e.g.: for REITs see for instance "EPRA, Best Practices recommendations Guidelines", November 2016). Sectoral approach is much more relevant and likely to enhance comparability.

III. The EU financial reporting framework for listed companies

The IAS Regulation and International Financial Reporting Standards (IFRS)

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

If you answered "No, due to other reasons ", please specify.

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

If you answered "No", please explain your position:

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, please specify
- ✓ Don't know

22. The True and Fair view principle should be understood in the light of the general accounting principles set out in the Accounting Directive[18]. 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

If you answered "No", please explain your position:

We do not consider that the IFRS endorsement process should be underpinned by an EU conceptual framework. The purpose of a conceptual framework is to lay down the key concepts to be used when developing accounting standards, purpose of which exceeds the sole objective to set endorsement criteria. The establishment and adoption of an EU conceptual framework would raise more issues than it would solve. A would-be EU framework would need to be compatible with the IFRS already endorsed by the Commission and, at the same time, take into account all the specificities of national GAAPs. We consider that this would create an excessive complexity that would outweigh any benefits. Such a framework could also make the endorsement process more difficult since the IFRS would then be developed on the basis of a different framework, with potential gaps between the two frameworks generating difficulties that would not be solved by the endorsement criteria. Furthermore, EU legislation is often the result of compromises struck between the Commission and the co-legislators. We do not consider that this process would be compatible with the development of a robust conceptual framework.

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.

	1	**2**	**3**	**4**	**5**	**Don't know**
Should the EU endorse the IASB Conceptual Framework for Financial Reporting?	☐	☐	☑	☐	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

We do see no need for incorporation in EU law. Of course, some IFRS use references to the Conceptual Framework. However, it is primarily addressed to the IASB and the IFRS Interpretation Committee and only secondarily to the preparers. Its primary purpose is to support the IASB and the IFRS IC in its work. Endorsement of the IASB Conceptual Framework at EU level could be useful in helping preparers, to interpret specific issues not addressed by the standards.

The Conceptual Framework however is not binding for the IASB and should not equally be binding for EU issuers.
The concepts of the Framework could be introduced in the EU Reporting Framework through guidelines or recommendations, for instance.

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.

	1	2	3	4	5	Don't know
Do you agree with the following statement? Prescribed (minimum) layouts enhance comparability of financial statements for users and should therefore be introduced for companies using IFRS.	☐	☐	☐	☐	☐	☑

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Transparency Directive

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	2	3	4	5	Don't know
Protect investors	☐	☐	☐	☑	☐	☐
Contribute to integrated EU capital markets	☐	☐	☐	☑	☐	☐
Facilitate cross border investments	☐	☐	☐	☑	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

The Transparency Directive has facilitated access to information through electronic dissemination and the harmonisation of reporting requirements has also enhanced transparency. However, there is a need to rebalance investor's protection and provide the investor with more meaningful information.

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

	1	2	3	4	5	Don't know
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	☐	☐	☐	☐	☑	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Abolishing the quarterly reporting requirement has indeed met the objectives of reducing administrative burden and deter short-termism behaviour. In some member states (Poland) quarterly reports still exist as legal requirement which also adds to overall reporting burden for companies;

We are not aware of detrimental impacts this measure would have had on transparency or investor protection.

Furthermore, issuers engage with the market, investors and their shareholders on a voluntary basis – in accordance with their communication strategies – on various matters. Therefore, we do not consider that transparency has deteriorated. In fact, the abolishment has been followed by a redesign of communication quarterly communication practices as issuers have used the increased flexibilities to better respond to investors' information needs.

As regards « Promoting long-term and sustainable value creation », this concept is not defined by the Commission and we cannot therefore assess the impact.

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

	1	2	3	4	5	Don't know
Strengthening investor protection	☐	☐	☐	☑	☐	☐
Preventing possible market abuse situations	☐	☐	☐	☐	☐	☑

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

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	2	3	4	5	Don't know
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	☑	☐	☐	☐	☐	☐
Coherent with other EU legislation – please specify	☐	☐	☐	☐	☐	☑

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or examples.

The disclosure and notification regime of major holdings of voting rights is overall coherent with other pieces of EU Legislation.

- As regards MAR, this regulation does not pursue the same objective as the Transparency Directive. The notification regime of major holdings aims at informing shareholders and investors of changes in the voting structure of a public company to allow them to take an informed decision when acquiring or disposing of shares. The notification of transactions under MAR aims at preventing market abuses through transparency. We thus don't see any incoherence between these two requirements

- Managers' transaction reporting under MAR is important and works towards market transparency. Nonetheless the requirement to draw up and maintain lists of persons closely associated with managers, which contain ca. half a million natural persons across the EU seems to be redundant and is burdensome, both for companies and for managers and persons closely associated.

- There are diverging interpretations between Member States of some disclosure requirements under the Market Abuse Regulation. This is in particular the case for the transactions notification for directors and persons discharging managerial responsibilities and the suspicious reporting obligation. The construction of administrative sanctions in case of breaches in the Transparency Directive is dangerous and discouraging for smaller companies. That is due to the fact that smaller companies face a risk of receiving a larger sanction than large companies (large companies face a maximum administrative fine of 5%, while smaller companies risk a sanction of EUR 10M, which may be significantly more than 5%). The maximum sanction for smaller companies should be limited to the same level, as for large companies (5% of annual turnover).

- We see a lack of coherence between Transparency directive and MAR as to the disclosure of financial information and the notion of inside information (in particular with regard to the moment in time when inside information in a protracted process must be disclosed to the market). The problem is especially relevant with regard to periodic financial information (annual and half-yearly financial statements), for which, apart from the cases of profit warnings for which an immediate disclosure obligation is set up, the problem arises of identifying the moment in which the information becomes "inside" and then should be disclosed. In this regard, we believe that the solution should be to provide that the obligation to disclose should arise only with the approval of periodic financial information by the administrative body, unless profit warning is envisaged. A survey among MSs identifying which are the solutions put in place could be useful or it could be done in the context of the review of MAR expected in 2019.

29. As regards the following areas, did you identify a lack of coherence of legislation from one Member State to another that could jeopardize 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

Please explain your response and substantiate it with evidence or concrete examples.

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

Issuers in particular jurisdictions are obliged to produce multiple reports for various authorities (tax, statistical, social insurance etc.). Introducing single reporting principle (i.e. one file prepared by issuer forwarded to one information hub available for various authorities) would result in simplification of reporting and would enhance the operations of particular authorities.

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

Sectoral issue / not addressed by EI

V. Non-financial reporting framework

Non-Financial Reporting Directive

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	**2**	**3**	**4**	**5**	**Don't know**
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 senior management decisions remain relevant issues.	☐	☑	☐	☐	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

The impact assessment mentioned in the question was performed before the adoption of the NFI Directive. As this directive, aimed at enhancing both the quantity and quality of disclosures, is effective as of 2017 (with the first non-financial reports published this year), we believe that quantity and quality of non-financial information has certainly improved compared to when the impact assessment was performed.

The NFI directive already allows companies to give all relevant ESG information – even if not expressly mentioned - because it is based on the principle of materiality of the information to be disclosed to the relevant stakeholders. It is up to the single company to appropriately apply the materiality principle.

At the same time, we would like to stress that as 2018 is the first year when companies publish non-financial statement required by the directive, it is way too early to assess the impact of the Directive. Many listed companies will report non-financial information for the first time. They need time to adjust to new requirements and establish the necessary internal processes to collect data and disclose meaningful and high-quality information. To ensure an efficient implementation of the directive, companies need regulatory consistency and stability. If rules are changed too frequently companies spend too much resources (legal advice, personnel training, internal processes' adjustments, IT adjustments, etc.) on adapting to the changing reporting requirements, instead of focusing on how to run their respective businesses in a sustainable manner.

As regards quality: building on experience of French companies, quality takes time (in order to develop and share best practices for instance) and issuers need stability to implement new rules. Amending the directive in near future would therefore be counter-productive.

Additionally, we would like to stress that any changes in the NFI Directive should not be discussed before the Expert Group on Sustainability Taxonomy delivers its results. The reporting of non-financial information should be in line with the taxonomy that will be further used by investors and financial institutions. We believe that this can be achieved within the current legal and regulatory framework. Regarding diversity and efficiency of boards, public companies must choose a corporate governance code they follow / adhere to (and publish corporate governance statement) where these issues are addressed.

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

	1	2	3	4	5	Don't know
Enhancing companies' performance through better assessment and greater integration of non-financial risks and opportunities into their business strategies and operations.	☐	☐	☐	☐	☐	☑
Enhancing companies' accountability, for example with respect to the social and environmental impact of their operations.	☐	☐	☐	☑	☐	☐
Enhancing the efficiency of capital markets by helping investors to integrate material non-financial information into their investment decisions.	☐	☐	☐	☑	☐	☐
Increasing diversity on companies' boards and countering insufficient challenge to senior management decisions.	☐	☐	☐	☑	☐	☐
Improving the gender balance of company boards.	☐	☐	☐	☑	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

We consider, that the availability of non-financial information ultimately does contribute to increased accountability and gives investors the possibility to take into account ESG factors. However, time and stability of the reporting framework are prerequisites in order to see the full effects of transparency.

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

	1	2	3	4	5	Don't know
Material	☐	☐	☐	☑	☐	☐
Balanced	☐	☐	☐	☑	☐	☐
Accurate	☐	☐	☐	☑	☐	☐

Timely	☐	☐	☐	☑	☐	☐
Comparable between companies	☐	☐	☐	☑	☐	☐
Comparable over time	☐	☐	☐	☑	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

Effectiveness depends on the sector in which companies operate and their environmental footprint which varies from one sector to the other. Therefore, flexibility and the materiality principle are and should remain key in non-financial and CSR information disclosure.
Companies need regulatory stability to ensure efficient implementation, to be able to develop robust methodologies and best practices to enhance comparability. It would not be appropriate and certainly counterproductive to modify the framework to change or include new requirements. In some countries efforts have been made to produced tailored guidance for companies to be compliant with Non-Financial Information Directive. It would be a pity if all these efforts were done only for one or two reporting seasons.

43. Do you agree with the following statement?

	1	**2**	**3**	**4**	**5**	**Don't know**
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)

Please explain your response and substantiate it with evidence or concrete examples.

The implementation of the EU Directive on Non-Financial Information is still very recent. It is therefore much too early to say whether the implementation across the EU is sufficiently coherent and whether companies apply the new requirements in a satisfactory manner.

44. Do you agree with the following statement?

	1	**2**	**3**	**4**	**5**	**Don't know**
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)

Please explain your response and substantiate it with evidence or concrete examples.

The Directive added an additional layer to the reporting rules. Benefits are still hard to estimate given that this year the first non-financial reports are being produced in line with this directive. Also, the question is what kind of benefits and for whom are we talking about. From companies' point of view, the main question is whether non-financial reporting, could lead to additional allocation of financial resources.

45. Do you agree with the following statement?

	1	2	3	4	5	Don't know
The scope of application of the NFI Directive (i.e. limited to large public interest entities) is appropriate.	☐	☐	☑	☐	☐	☐

(1= Far too narrow, 2= Too narrow, 3= about right, 4= too broad, 5 = way too broad)

Please explain your response and substantiate it with evidence or concrete examples.

We consider that the current scope of the directive is well balanced and appropriate and should not be changed for the time being.

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.

	1	2	3	4	5	Don't know
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)

Please explain your response and substantiate it with evidence or concrete examples.

Additional burdens on SMEs are not linked to the directive but are due to other regulations and increasing demands for social and environmental information regarding suppliers and sub-contractors in global supply-chains. Nevertheless, we would like to stress that the scope of the NFI Directive (currently limited to large public interest entities) does not mean that smaller companies are not affected by the Directive. Very often large companies, obliged to disclose information under this Directive, require significant amounts of data and information from smaller companies in their supply chain. This had created additional burdens and costs on those smaller contractors of large companies. It would be useful to consider impact of the NFI Directive on smaller companies during the revision of the Directive.

47. Do you agree with the following statement?

	1	2	3	4	5	Don't know

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

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

The Guidelines have been helpful especially for those companies who have just reported non-financial information in their management reports or in sustainability reports for the first time (in line with the Non-Financial Information Directive). Such companies need time to adjust to the new rules, familiarise themselves with best practices and different frameworks. That is why it would be useful if the Commission could provide somewhere a list of different existing international and national reporting frameworks, ideally with translations into different languages (or at least ensuring that anyone can freely translate the framework without paying for a licence).

Meanwhile, we would like to underline that the quality of the reported non-financial information depends on time (during which companies can adjust to new rules and acquire experience) and efficient implementation of new requirements. Regulatory stability is the basis of the Better Regulation. Therefore, EuropeanIssuers considers that the **guidelines on Non-Financial Information should be reviewed only after several reporting seasons and after a thorough discussion with the reporting entities**.

To improve disclosure of non-financial information companies, need time, flexible approach allowing for experimentation to understand what works best. In this respect, EuropeanIssuers very much welcomes the Commission's proposal to establish an advisory / experimentation group (European Corporate Reporting Lab) but we would like to see its mandate going beyond the promotion of innovation and sharing of best practices. We believe the main purpose of this group should be to foster discussions between EU policy-makers and companies, to experiment on any new considered legislative requirements, and to provide input on possible evolutions and improvements regarding reporting. This is how FRC Reporting Law works which has proven very useful both to policy makers, companies and investors.

Sustainability is a global issue which calls for reporting standards that are shared and recognised by companies and investors all around the world. We question whether further developing of EU specific guidance would be useful. We suggest that the Commission strives towards coherence with internationally recognized reporting frameworks while allowing flexibility for companies which frameworks to use. As already mentioned, companies would benefit from easily accessible and comprehensive list of different existing international and national reporting frameworks but also sectorial business associations' frameworks[2] in different areas: e.g. the UN Guiding Principles Reporting

[2] For example, the oil and gas industry association IPIECA has provided detailed guidance to help oil and gas producers to shape the structure and content of their sustainability reporting. The guidelines cover 12 sustainability issues and 34 sector specific indicators. The "ISO 14 000 family" standards also provide for useful environmental reporting guidelines as: ISO 14064, 14065 and 14069 on greenhouse gases emissions reporting; ISO 14020, 14021, 14024 an 14025 on environmental labels and declarations; ISO 14040, 14044, 14047, 14048 and 14049 on life cycle assessments

Framework on respect of human rights[3], GRI, ISO standards on Anti-Bribery (ISO 19600 on Compliance and ISO 37001), the UN Global Compact and Transparency International reporting guidance for small, medium and large companies on anti-corruption efforts or the Standard for Non-Financial Information[4].

Finally, as the new question does not provide an opportunity to comment, we would like to express our views regarding FSB TCFD recommendations. Many companies question whether TCFD recommendations on climate scenarios are operational given the current lack of robust methodologies. They are wary of the risks of disclosing information based on uncertain hypothesis, as well as of the risks of misinterpretation by potential users. Therefore, we would plead that **the TCFD recommendations remain voluntary at EU level**.

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	**2**	**3**	**4**	**5**	**Don't know**
Environment (in addition to climate change already included in the Action Plan)	☐	☑	☐	☐	☐	☐
Social and Employee matters	☐	☑	☐	☐	☐	☐
Respect for human rights	☐	☑	☐	☐	☐	☐
Anti-corruption and bribery	☐	☑	☐	☐	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

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

Please explain your response and substantiate it with evidence or concrete examples.

[3] This is the world's first comprehensive guidance for companies in this field, available in at least 6 translations. Additional translations should be encouraged to help companies implement the framework.

[4] A standard developed in Poland as a tool for companies to comply with the NFI Directive which proved to be widely recognized and used by companies and well accepted by investors and other stakeholders for providing comparable measures among different sectors of the economy.

Competitors of EU companies outside of the EU are not always as much concerned about CSR. They may, for the time being, practice social or environmental dumping. Independently of the NFI Directive, **it should be a priority for the Commission to create a fair international level playing field in which products entering the EU are obliged to respect the same standards of environmental, human rights and social standards**. Until this fair international level playing field is achieved, the impact on the competitiveness of EU companies is not positive. Another aspect concerns public procurement. Therefore, any sustainable finance initiatives should be discussed and agreed at G20 level and implemented on a consistent basis in all G20 countries. Firstly, because sustainable development is a global issue, and secondly to avoid putting European companies at a competitive disadvantage. In particular, the implementation of new obligations will generate additional costs that could have negative impacts on the competitiveness of EU companies and economies. As regards new reporting requirements, **EU companies should not be forced to disclose strategic and forward-looking information that would benefit their competitors**. Moreover, putting more constraints on EU investors, that would not apply to investors from third countries, could be detrimental for the financing of the real economy.

Country-by-country reporting by extractive and logging industries

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

	1	2	3	4	5	Don't know
effective (successful in achieving its objectives)	☐	☐	☐	☐	☐	☑
efficient (costs are proportionate to the benefits it has generated)	☐	☐	☐	☐	☐	☑
relevant (necessary and appropriate)	☐	☐	☐	☐	☐	☑
coherent (with other EU requirements)	☐	☐	☐	☐	☐	☑
Designed at the appropriate level (EU level) in order to add the highest value (as compared to actions at Member State level)	☐	☐	☐	☐	☐	☑

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

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

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

- ❍ Very negative impact on competitiveness
- ✓ Don't know

Please explain your response and substantiate it with evidence or concrete examples.

> Taking opportunity of this section, we would like to comment on the EC proposal, published on 12 April 2016, on public CBCR of certain tax information aimed at large companies.
>
> While EuropeanIssuers supports the introduction of measures to combat corruption and tax evasion at the international level, we consider that the recent directive 2016/881/EU, requiring country-by-country reporting towards national tax administrations, as well as the exchange of the reports between them, is sufficient to that effect.
>
> Disclosure to the public of turnover, profit and taxes on a country-by-country basis would place European companies at a competitive disadvantage towards companies in third-countries. Competitive disadvantage means less markets, less investments and less employment. This is particularly important for Europe, since it is an important location for corporate headquarters of large companies with extensive international networks.
>
> The European economy would lose from the imbalance between information received from companies headquartered outside the EU and public CBCR information disclosed by companies within the scope of the proposal. The overall effect of the public CBCR would negatively impact EU companies since their industrial and commercial strategy would be unveiled. We believe this would far outweigh any benefits expected for public finances in the EU. See our position for more information.

Integrated reporting

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

	1	**2**	**3**	**4**	**5**	**Don't know**
More efficient allocation of capital, through improved quality of information to capital providers	☐	☐	☐	☐	☐	☑
Improved decision-making and better risk management in companies as a result of integrated thinking and better understanding of the value-creation process	☐	☐	☐	☐	☐	☑
Costs savings for preparers	☐	☐	☑	☐	☐	☐
Cost savings for users	☐	☐	☐	☐	☐	☑
Other, please specify:	☐	☐	☐	☐	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

Companies who have engaged in an integrated reporting process want to continue to have the flexibility needed in this area and do not subscribe to the idea of a mandatory or standardized integrated report, whether or not established by the IIRC. On the other hand, companies who have not engaged in such a process should not be forced to. The concept of integrated reporting should be clearly distinguished from the integrated report model proposed by the IIRC's (International Integrated Reporting Council) Integrated Reporting Framework: many companies make their best efforts to establish summary information gathering or combining financial, environmental and social matters, without the need or ability to use the IIRC Framework. Some companies that have experience with the IIRC Framework mentioned some of framework's requirements as excessive. Indeed, the application of certain key elements of this Framework – e.g. measure of capitals and value creation, connectivity of information – entails major conceptual difficulties and would result in disproportionate burdens and costs for companies, without ensuring the relevance and the reliability of the information published.

55. Do you agree with the following statement?

	1	2	3	4	5	Don't know
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)	☑	☐	☐	☐	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

We consider that the Commission should not take any initiative in this area. The decision to publish an integrated report or embark on the integrated reporting journey should be left with the issuers. Some companies already publish integrated reports willing to attract certain and / or being interested in other benefits of such approach. As the move towards integrated reporting entails considerable costs for issuers it should therefore fully voluntary.

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

If you answered "Yes", please clarify your response and substantiate it with evidence or concrete examples.

VI. The digitalisation challenge

Questions

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

If you answered "yes", please explain your response and substantiate it with evidence or concrete examples

In a certain way, we believe that the suggested ESEF-format iXBRL for the filing of annual financial reports will hinder companies from the free use of digital technologies. We believe that iXBRL will force companies to invest in a digital technology the benefits of which has not yet been delivered although countries like the USA have required listed companies to file their annual reports in XBRL for more than 10 years. It should also make the legislator doubt about iXBRL that ESMA comes to a different conclusion with respect to the use of digital formats for prospectuses. Here, ESMA proposes a simple XLM format in order to avoid significant investments in the IT infrastructure of both supervisory authorities and listed companies.

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

If you answered "yes", please explain your response and substantiate it with evidence or concrete examples

We consider that increased digitalisation has rendered obsolete provisions requiring companies to make available hard copies of documents or produce paper documents. The problem however is not so much with EU legislation but rather with national laws Looking at the Transparency Directive for instance, the co-legislators have established as early as in 2004 that regulated information should be disseminated by electronic means and that paper-based formats were no longer the best medium to ensure fast access on an EU-wide basis. This principle was reinforced with (i) the review of the Market Abuse regime and the adoption of the Market Abuse Regulation which aligns the dissemination rules of price sensitive information with the Transparency Directive and (ii) the adoption of the prospectus Regulation in 2017 and the abolishing of references to the publication in newspapers. However, e.g. in France, listed companies still must comply with provisions requiring regulated information to be published in newspapers. Therefore, electronic dissemination and formats should be established as a maximum requirement and we would welcome harmonisation in this area.

The impact of electronic structured reporting

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

	1	2	3	4	5	Don't know
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)	☐	☐	☐	☐	☐	☑

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

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...):

We consider that the ESEF should not be implemented as proposed by ESMA as:

- (i)XBRL is already an outdated technology;
- it will entail significant costs for the reporting companies;
- the demand from investors is questionable (we understand that it is financial analysts that are calling for (i)XBRL to make their analysis faster and cheaper while all the burdens and costs would fall on the companies).

This stance is supported by our corporate members who are both issuers and investors (asset managers) and confirm that they are happy with financial reports produced in searchable pdf format.

In terms of costs and in addition to direct costs linked to the tagging of data, implementation of the ESEF would generate significant indirect costs due to the overhauling of the architecture and content of the companies' internal IT applications – in particular under a built-in approach –, but even for applications that do not use a structured format. As a matter of fact, most companies' IT systems include interrelated applications and even a partial use of a structured format would require an overall review of the architecture and potential changes in the systems and/or reorganisation of the processes concerned. As regards the limited costs of an « add-on » application in a bolt-on approach – which constitute a pro argument regularly put forward by the XBRL Consortium – they represent only a small part of the overall potential costs incurred when implementing XBRL or another structured-data format (consulting fees, training costs, maintenance costs, etc.). The relevance and quality of taxonomies are closely linked to the evolution of the standards on which these taxonomies are based. Each evolution of the standards requires an update of the relevant taxonomies. Such update can have significant impact on the organization and the IT systems of companies. These evolutions obviously increase the

on-going costs as well as the risks of errors in the processing and subsequent disclosure of financial data. Finally, automated comparisons can only be performed on standardised data and using up-to-date taxonomies. Non-standardised data such as narrative or qualitative data that can be found in financial reports and notes to financial statements and management reports, for instance, cannot be properly reflected in taxonomies and in reports that would use structured data. Applying a structured-data reporting format to this type of data would lead to results opposite to the aim of the Commission: this would create a risk of altering corporate communication, making information understanding and comparability hazardous and, in the end, pose a serious liability issue for companies. To this regard, (i)XBRL appears to be lacking flexibility and could lead to an excessive standardisation of the data or a rule-based approach which in any case would be burdensome and not appropriate for communication purpose. Please see our recent joint letter and a position for more details. Lastly, the relevance of company reporting does not depend on the format used but on a proper calibration of disclosure requirements. **The key issue in terms of transparency is indeed dissemination and access to information**. In this regard the Commission could review the functioning of the OAMs and their interconnection. In France for instance, the OAM is rather or completely unknown to many (retail) investors who would mainly look for information on the website of the issuers or of the National Competent Authority. Strengthening the role and visibility of the OAMs could be a way forward and constitute a significant progress as regards transparency.

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?

	1	2	3	4	5	Don't know
Financial reporting						
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						
Non-financial information	☑	☐	☐	☐	☐	☐
Country-by-country report on payments to governments	☑	☐	☐	☐	☐	☐
Other, please specify:	☐	☐	☐	☐	☐	☐

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

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

Please explain your response and substantiate it with evidence or concrete examples.

As regards the tagging of narrative and quantitative data, please refer to our comments to question 59 of this questionnaire. We consider that the Commission's approach is not relevant since the format of reporting should not serve as a basis for structuring the financial statements: the structure of financial statements should be designed in accordance with the purpose of the disclosures. Individual financial statements published under local GAAP are often established for tax purpose and closely linked to company law (pleased refer to our answer to question 12). This explains why the format of individual financial statements is precisely defined compared to the format of consolidated financial statements established under IFRS. Applying a structured reporting format to consolidated financial statements when IAS1 does not prescribed a specific structure and which serve as basis for financial communications could have detrimental effects.

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	2	3	4	5	Don't know
Facilitate access to information by users	☐	☐	☐	☐	☐	☑
Increase the granularity of information disclosed	☐	☐	☐	☐	☐	☑
Reduce the reporting costs of preparers	☐	☐	☐	☐	☐	☑

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

Please explain your response and substantiate it with evidence or concrete examples.

− As of today, users do not seem to encounter any significant difficulties in accessing non-financial information disclosed by companies: some companies make available a huge amount of information regarding their ESG engagements, policies and their results as well as key performance indicators in many forms. Whether this data is really used is a key question. We hear that some non-financial rating agencies would not use that information but rather send a questionnaire to the companies to collect public data. Companies are also aware of the increasing pressure from some stakeholders to be able to collect structured data that would feed in a growing trend for "passive" data-based investment strategies.

– The granularity of information disclosed does not depend on the reporting format but on the disclosure requirements. Companies should disclose information deemed material (specific and significant) considering their activities, markets, risks and ESG engagements.

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

- ❍ Yes
- ❍ No
- ✓ Don't know

Please explain your response and substantiate it with evidence or concrete examples.

Data storage mechanisms – data repositories

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	2	3	4	5	Don't know
A pan-EU digital access to databases based on modern technologies would improve investor protection	☐	☐	☐	☐	☐	☑
A pan-EU digital access to databases based on modern technologies would promote cross border investments and efficient capital markets	☐	☐	☐	☐	☐	☑
The EU should take advantage of a pan-EU digital access to make information available for free to any user	☐	☐	☐	☐	☐	☑

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5 = totally agree)

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

- ✓ Yes
- ❍ No
- ❍ Don't know

Please explain your response and substantiate it with evidence or concrete examples.

We would welcome any initiative from the Commission to foster the "file only once" principle although we strictly oppose requiring companies to file documents using structured electronic format and in particular (i) XBRL. See also our response to Q64.

Coherence with other Commission initiatives in the field of digitalisation

66. 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.

	1	2	3	4	5	Don't know
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)

Harmonisation of labels and concepts could avoid time consuming restatement and/or reconciliation between public and supervisory reporting. However, it should not lead to full standardisation of financial statements and indirectly of KPIs and concepts used in financial communications.

Other comments

67. Do you have any other comments or suggestions?

EuropeanIssuers has been calling for a proper evaluation of all corporate reporting requirements. This has been done against the background of ever increasing reporting obligations resulting in rising compliance costs. In addition, there is a growing common understanding among preparers and investors that there is an information overload. Therefore, originally, we welcomed the Commission's intention to conduct a fitness check exercise on public corporate reporting.
Nevertheless, we are disappointed with the way that the questionnaire is formulated. Several questions seem to point towards additional reporting requirements that would result in more burdens for companies.

We also regret that the "fitness check" exercise does not include Market Abuse Regulation in its scope. Many MAR rules are overly bureaucratic and burdensome for companies, with questionable added value for investors or supervisors. Examples of such rules include:

- Obligation to create and maintain a list of closely associated related persons;
- The duty to react on rumours in case they are related to inside information which may promote abuse rumour spreading.
- The high level of details and the increased scope of the regime of Managers' Transaction Reporting which did not improve signalling values of these kind of notifications.

- The shortening of the time for notification of Managers' Transaction which make it very complicated for listed companies to comply with especially that the same deadline is provided for the managers and companies to notify (meaning that if the manager notifies the company at the end of 3-day deadline, the company has very little or no time to disseminate the information).

Last but not least, we would like to point out that issuers in various jurisdictions are obliged to produce multiple reports containing diverse information (tax, statistical, social, insurance etc.) for various authorities. Introducing a "say it once" reporting principle (i.e. one file prepared by issuer forwarded to one information hub available for various authorities) would result in simplification of reporting and reduce administrative burden for companies.

***

EuropeanIssuers *is a pan-European organisation representing the interests of publicly quoted companies across Europe to the EU Institutions. Our members include both national associations and companies from all sectors in 15 European countries, covering markets worth € 7.6 trillion market capitalisation with approximately 8000 companies.*

We aim to ensure that EU policy creates an environment in which companies can raise capital through the public markets and can deliver growth over the longer-term. We seek capital markets that serve the interests of their end users, including issuers.

For more information, please visit www.europeanissuers.eu