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Public consultation: Fitness check on the EU framework for public reporting by companies

Fields marked with * are mandatory.

Introduction

This consultation is also available in German and French.

Public reporting by companies[1] is based on a number of EU Directives, Regulations and Recommendations that were adopted at different points in time over the last 40 years. The current body of EU law (the "acquis") comprises a range of requirements applying to listed and non-listed companies, sector specific requirements (banks and insurers), as well as additional disclosure requirements applicable to listed companies. The initial Directive on annual accounts aimed at harmonising financial information to capital providers and for creditor protection. More recently, public reporting requirements have been expanded to non-financial reporting for a much broader audience.

The Commission is now conducting a comprehensive check of the fitness of the EU framework on public reporting by companies. The objectives of this fitness check are:

1. to assess whether the EU public reporting framework is overall still relevant for meeting the intended objectives, adds value at the European level, is effective, internally consistent, coherent with other EU policies, efficient and not unnecessarily burdensome;

2. to review specific aspects of the existing legislation as required by EU law[2]; and

3. to assess whether the EU public reporting framework is fit for new challenges (such as sustainability and digitalisation).

Throughout this consultation, certain concepts should be understood as follows:

- **Effectiveness** – whether an intended objective is met;
- **Relevance** – whether a requirement is necessary and appropriate for the intended objectives;
- **Efficiency** – whether the costs associated with the intervention are proportionate to the benefits it has generated;
- **Coherence** – whether requirements are consistent across the board;
- **Added value** – whether the EU level adds more benefits than would have been the case if the requirements were only introduced at the national level.

The Commission published an action plan on financing sustainable growth that builds on the recommendations of the High Level Expert Group (HLEG) on sustainable finance. This fitness check on the EU framework for public reporting by companies is one of the actions announced in the Action plan. Several questions in this fitness check, in particular in the section on non-financial reporting, should be considered also in the context of the HLEG recommendations on sustainability.

The replies to this consultation will feed into a Staff Working Document on the fitness of the EU framework for public reporting by companies, to be published in 2019.

[1] For this consultation "companies" mean limited liability companies of the types listed in the accounting Directive, companies that have issued securities on an EU regulated market, and banks or insurance companies including cooperatives and mutual structures.

[2] According to legislation, a series of reviews will have to be performed by the Commission:

- A report on the implementation of Non-Financial Reporting Directive 2014/95/EU, addressing its scope, particularly as regards large non-listed undertakings, its effectiveness and the level of guidance and methods provided.
- A report on the situation of micro-undertakings having regard to the number of micro-companies and the reduction of administrative burdens resulting from the simplifications introduced in 2013.
- A report on the implementation and effectiveness of the Country-By-Country Reporting by extractive and logging industries, including examining the case for an extension of the Country-By-Country reporting to other sectors.
- A report on the 2013 Amendments to the Transparency Directive, considering the impact on small and medium-sized issuers and the application of sanctions.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-public-reporting-by-companies@ec.europa.eu.

More information:

- on this consultation
- on the protection of personal data regime for this consultation

1. Information about you

* Are you replying as:

- ○ a private individual
- ◉ an organisation or a company
- ○ a public authority or an international organisation

* Name of your organisation:

Eumedion

Contact email address:

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

martijn.bos@eumedion.nl

* Is your organisation included in the Transparency Register?
(If your organisation is not registered, we invite you to register here, although it is not compulsory to be registered to reply to this consultation. Why a transparency register?)

- ◉ Yes
- ○ No

* If so, please indicate your Register ID number:

65641341034-11

* Type of organisation:

- ○ Academic institution
- ○ Company, SME, micro-enterprise, sole trader
- ○ Consultancy, law firm
- ○ Consumer organisation
- ◉ Industry association
- ○ Media
- ○ Non-governmental organisation
- ○ Think tank
- ○ Trade union
- ○ Other

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

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

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

- ( ) Austria
- ( ) Belgium
- ( ) Bulgaria
- ( ) Croatia
- ( ) Cyprus
- ( ) Czech Republic
- ( ) Denmark
- ( ) Estonia
- ( ) Finland
- ( ) France
- ( ) Germany
- ( ) Greece
- ( ) Hungary
- ( ) Iceland
- ( ) Ireland
- ( ) Italy
- ( ) Latvia
- ( ) Liechtenstein
- ( ) Lithuania
- ( ) Luxembourg
- ( ) Malta
- ( ) Norway
- ( ) Poland
- ( ) Portugal
- ( ) Romania
- ( ) Slovakia
- ( ) Slovenia
- ( ) Spain
- ( ) Sweden
- ( ) Switzerland
- (•) The Netherlands
- ( ) United Kingdom
- ( ) Other country

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

at least 1 choice(s)

- [ ] Accommodation and food service activities
- [x] Insurance

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

Important notice on the publication of responses

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

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

2. Your opinion

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

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

The questionnaire is structured as follows:

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

Depending on its type, activity or situation, a company has a number of public reporting obligations under EU law. The current EU level public reporting framework considered for this consultation consists of the following:

- **Publication of individual and consolidated financial statements in accordance with national GAAP (Generally Accepted Accounting Principles)** by any limited liability company established in the EU. By virtue of the Accounting Directive 2013/34/EU Member States must ensure that any company in their jurisdiction with a legal form that limits its liability must prepare financial statements and a management report. These shall be audited / checked by a statutory auditor and published in the relevant business register according to national law that is compliant with this Directive. For companies other than a public-interest entity (bank, insurance company or company with securities listed), EU requirements are proportionate to the company's size.

- **Publication of consolidated financial statements in accordance with the International Financial Reporting Standard (IFRS) adopted** by the EU and other specific items by any company established in the EU that has securities (e.g. shares, bonds) listed on an EU regulated market by virtue of the IAS Regulation (EC) No 1606/2002, the Transparency Directive 2004/109/EC and the Market Abuse Regulation (EU) No 596/2014. The use of IFRS makes company accounts comparable within the single market and globally. Companies established in third countries may use their national standards (e.g. US GAAP) if these are accepted on the basis of EU equivalence decisions. The Transparency Directive (2004/109/EC) makes the issuers' activities more transparent, thanks to regular publication of yearly and half-yearly financial reports, as well as the publication of major changes in the holding of voting rights and ad hoc inside information which could affect the price of securities. Issuers have to file such information with the national Officially Appointed Mechanisms (OAMs).

- **Publication of individual and consolidated financial statements in accordance with sectoral layouts and principles** by any bank or insurance company in the EU by virtue of the Bank Accounting Directive (86/635/EEC) and the Insurance Accounting Directive (91/674/EEC). Unless they prepare IFRS financial statements, any bank or insurance company in the EU must publish financial statements in compliance with national accounting rules that are in line with these sectoral Accounting Directives. Specific sectoral rules provide for, inter alia, layouts (balance sheet and Profit and Loss Account) and accounting treatments for e.g. loans, repurchase agreements or technical provisions.

- **Publication of non-financial information by any public-interest entity (bank, insurance company or listed company) with more than 500 employees** by virtue of Directive 2014/95/EU. The information should be part of the management report, or published in a separate report. Non-binding guidance was issued in 2017 in order to assist companies – Commission Communication C/2017/4234.

- **Publication of country-by-country reports on payments to governments by any large company that is active in extraction or logging** by virtue of Chapter 10 of Accounting Directive 2013/34/EU and Article 6 of Transparency Directive 2004/109/EC. This fosters transparency on payments to governments, including third country governments, made in relation to these activities.

The table below provides an overview of the different objectives of the current EU framework mapped to individual legal instruments in the field of public reporting by companies:

MAIN OBJECTIVES	OPERATIONAL OBJECTIVES	EU LEGAL INSTRUMENTS*				
		AD	IAS	TD	BAD	IAD
Stakeholder protection	→ Shareholder protection	X	X	X		
	→ Creditor protection	X				
	→ Depositor protection				X	
	→ Policy holder protection					X
Internal market	**Facilitate:**					
	→ Cross border investments	X	X	X	X	X
	→ Cross border establishment	X			X	X
Integrated EU capital markets	**Market efficiency:**					
	→ Access to capital	X	X	X		
	→ Capital allocation		X	X		
	→ Integrated securities market		X	X		
Financial stability	→ Public confidence in company reporting	X	X	X		
	→ Trust in the resilience of specific sectors (banking and insurance)				X	X
Sustainability	→ Enhanced corporate responsibilities / accountability/ good corporate governance	X		X		
	→ Empower stakeholders	X		X		
	→ Foster globally sustainable activities	X				
	→ Foster long term investments	X				
	→ Fight corruption	X		X		

* Accounting Directive (AD); IAS regulation / IFRS (IAS); Transparency Directive (TD); Bank accounts Directive (BAD); Insurance Accounts Directives (IAD)

General questions

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Ensuring stakeholder protection	○	○	○	◉	○	○
Developing the internal market	○	○	○	◉	○	○
Promoting integrated EU capital markets	○	○	○	◉	○	○
Ensuring financial stability	○	○	○	◉	○	○
Promoting sustainability	○	○	○	◉	○	○

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

'Developing the internal market' and 'Promoting integrated EU capital markets' benefited greatly from the EU adopting the IAS 1 regulation that requires the use of IFRS for listed entities in Europe. This is in line with the conclusions of the Maystadt report in 2013 and the European Commission's own conclusions following the evaluation of adopting the IAS 1 regulation in 2015. We consider the conclusions of the Maystadt review in 2013 and the European Commission's evaluation in 2015 to be as valid today as they were in 2013 and 2015.

We agree with Accountancy Europe's observation that the existing binary endorsement process has great advantages for Europe: 'A binary yes or no endorsement seems to bring more powerful dissuasion than opening the possibility of modifying a standard: the IASB might be less inclined to take Europe's concerns into account if Europe can freely modify the standard itself.'

A key area of concern is the continued delay in and uncertainty of the endorsement of IFRS 17 Insurance Contracts by the EU and the rather late expected effective dates of IFRS 17 and IFRS 9 Financial Instruments for the insurance sector in the EU. These delays come at a cost of lack of comparable financial reporting by the insurance sector. Listed insurance companies will continue for years to apply national GAAPs. This may hamper the insurance sector's ability to access capital from investors, especially in times when access to capital is needed most, which is when the financial markets are in turmoil.

Eumedion would be very concerned if general financial reporting objectives ('true and fair view principle') would be made subordinate to objectives to stimulate long-term investments and sustainability, for instance, by allowing alterations to recognition and/or measurement principles compared to the general principles with the purpose to hide volatility or risks of certain investments. Or by altering disclosure requirements in a way that volatility and risks related to the investments in business(es) involved will be less transparent or hidden in public reporting or will give less insight to society.

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Ensuring stakeholder protection					X	
Developing the internal market					X	
Promoting integrated EU capital markets					X	

Ensuring financial stability	○	○	○	○	●	○
Promoting sustainability	○	○	○	○	●	○

Please explain your response to question 2 and substantiate it with evidence or concrete examples of any requirement that you think is not relevant:

> Transparency can definitely help ensure financial stability and promote sustainability. However, Eumedion would be very concerned if general financial reporting objectives ('true and fair view principle') would be made subordinate to objectives to stimulate long-term investments and sustainability, for instance, by allowing alterations to recognition and/or measurement principles compared to the general principles with the purpose to hide volatility or risks of certain investments. Or by altering disclosure requirements in a way that volatility and risks related to the investments in business(es) involved will be less transparent or hidden in public reporting or will give less insight to society.

Question 3. Companies would normally maintain and prepare a level of information that is fit for their own purposes, in a "business as usual situation". Legislation and standards tend to frame this information up to a more demanding level.

With regards to the objectives pursued, do you think that the EU legislation and standards on public reporting are **efficient** (i.e. costs are proportionate to the benefits generated)?

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

Please explain your response to question 3 and substantiate it with evidence or concrete examples of requirements that you consider most burdensome:

> Eumedion is of the opinion that the application of IFRS results in decision useful financial reports for investors; thereby serving the millions of ultimate beneficiaries of investment portfolios. The sometimes complex reality of companies resonates in the sometimes complex standards. Generally, we do not consider IFRS standards to be more complex than necessary for supporting high quality and comparable reporting for investors.

Question 4. If you are a preparer company, could you please indicate the **annual recurring costs** (in € and in relation to the total operational cost) incurred for the preparation, audit (if any) and publication of mandatory public reporting:

Total amount in Euros of annual recurring costs for mandatory public reporting:

Amount as a % of total operating costs of annual recurring costs for mandatory public reporting:

%

Coherence

Question 5. Do you agree that the intrinsic coherence of the EU public reporting framework is fine, having regard to each component of that reporting?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Financial statements (preparation, audit and publication)	○	○	○	○	●	○
Management report (preparation, consistency check by a statutory auditor, publication)	○	○	●	○	○	○
Non-financial information (preparation, auditor's check and publication)	○	○	○	●	○	○
Country-by-country reporting by extractive / logging industries (preparation, publication)	○	○	○	●	○	○

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

We consider the intrinsic coherence of the reporting framework for financial report for listed entities, i.e. IFRS, as state of the art; even though there is a specific topic of accounting for defined benefit pensions that currently is better addressed by the Dutch Accounting Standards Board. We would like to elaborate on this particular topic before continuing our response:
In the Netherlands, the pension funds of IFRS reporting entities generally are independently operating separate entities. Defined benefit pension schemes in The Netherlands generally only provide to pay pensions on a best effort basis taking into account the future needs of all participants. Current and future pensioners therefore have no hard claims for exact amounts. If the returns generated by the pension assets fall short of the non-hard-promised needs of the expected future discounted pension payments, there are several real options available to resolve this. There is a possibility to curtail indexation, or even curtail payments to pensioners. The pension regulator can, and does if necessary, even force pension funds to curtail indexation and pension payments. Of course the sponsor (the IFRS reporting entity) can also choose to help fund the deficit. However, under Dutch GAAP RJ273.1, the sponsor only recognises those liabilities it has legally committed to fulfill, whereas IFRS seems to exert a need for the sponsor to recognise any unresolved deficit even if there is no legal obligation to do so. Therefore IFRS pension accounting seems imperfect on this particular topic as it tends to overstate pension liabilities for Dutch listed entities. However, the only role for the EC and EFRAG is to urge the IASB to address this topic.

Where the accounting directive results in principles for national GAAPs that differ from IFRS, we tend to support amending the accounting directive to bring it in line with the principles of IFRS. However, IFRS should not be fully incorporated in the accounting directive, as this would result in excessive reporting costs for many entities with limited public accountability.

The ongoing accounting scandals and unfavorable reviews by regulators do highlight that the quality of audit fails to meet the expectations of society. Eumedion would support investigating whether audit quality and auditor independence would benefit if accounting firms were to become 'audit only' in the EU.

Eumedion sees major benefits in the proposed European Single Electronic Format, inline XBRL and a single European database for filings of listed entities that is freely accessible for investors as of 2020. We do note however that the disclosure of electronic information under ESEF will only concern annual financial statements. We suggest that the electronic filing of half-year reports will also become a ESEF requirement in 2020.

The quality of management reports still varies among listed entities. Applying the principle based framework of the IIRC to the management report would have a beneficial impact on its usefulness and make companies more aware of the long term value they create for their different stakeholders. We see an important role for the EU to promote the use of IIRC's integrated reporting framework as a basis for the management report.

The current consistency check applied by auditors fails to meet the expectations that investors and society have. Investors would benefit from auditors providing (reasonable) assurance on the management report.

The ESMA guidelines for alternative performance measures do help ensure improved reporting of non-GAAP measures.

We refer to our responses to questions 40-50 on the topic of non-financial information.

Question 6. Depending on circumstances, a company may have public reporting obligations on top of those being examined here. Such legislation may have been developed at the EU[3], national or regional level. Should you have views on the interplay of these additional reporting obligations with the policies examined in this consultation, please comment below and substantiate it with evidence or concrete examples.

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

We agree that companies may have public reporting obligations on top of those being examined here. Those obligations may stem from European legislation (e.g. the revised shareholder rights directive which requires companies to publicly announce material transactions with related parties and to draw up a remuneration report) or national (self)legislation (e.g. national provisions regarding management reports). Companies with operations in several Member States have to take into account multiple regulatory regimes in order to be compliant with applicable public reporting obligations. Detailed regulations – instead of directives – without Member State options in this area would represent an important step towards the creation of a Capital Markets Union.

EU Added value

Question 7. Do you think that, for each respective objective, the EU is the right level to design policies in order to obtain **valuable results**, compared to unilateral and non-coordinated action by each Member State?

	1 (totally disagree)	2 (mostly disagree)	3	4 (mostly agree)	5 (totally agree)	Don't know / no opinion /

			(partially disagree and partially agree)			not relevant
Ensuring stakeholder protection	○	○	○	○	●	○
Developing the internal market	○	○	○	○	●	○
Promoting integrated EU capital markets	○	○	○	○	●	○
Ensuring financial stability	○	○	○	○	●	○
Promoting sustainability	○	○	○	○	●	○

Please explain your response to question 7 and substantiate it with evidence or concrete examples:

The mentioned topics are indeed examples where the EU is the right level to design policies. Where possible, the EU should maximise the effectiveness of its policies by incorporating them in a detailed regulation – instead of a directive – with a minimum of Member State options. We currently observe that cross-border investment is hampered by ‘gold plating’ and numerous Member State options in for example the Transparency Directive. 'Gold plating' and Member State options cause institutional investors with a pan-European focus have to take into account 28 separate regulatory regimes when investing in listed companies which have their statutory seat in one of the 28 Member States. This is burdensome for large institutional investors who – for reasons of diversification – invest in many listed companies seated in various countries. Please note that only a small minority of investment funds in Europe still have a single country focus.

Transparency can definitely help ensure financial stability and promote sustainability. However, Eumedion would be very concerned if general financial reporting objectives (‘true and fair view principle’) would be made subordinate to objectives to stimulate long-term investments and sustainability, for instance, by allowing alterations to recognition and/or measurement principles compared to the general principles with the purpose to hide volatility or risks of certain investments. Or by altering disclosure requirements in a way that volatility and risks related to the investments in business(es) involved will be less transparent or hidden in public reporting or will give less insight to society.

The EU is the right level for the endorsement of new standards issued by the IASB. It is not the right level for making amendments to these standards. We refer to our response to question 22.

II. The financial reporting framework applicable to all EU companies

The financial reporting framework for any EU company is broadly shaped by the Accounting Directive. Member States' accounting laws, regulations and standards for the preparation of annual accounts (national GAAP) must incorporate the provisions of the Accounting Directive. The Accounting Directive includes financial statements (balance sheet, profit or loss statement, and notes to the accounts) as well as a management report, depending on the size of the company. Several Member States allow or require the use of IFRS instead of national GAAP for the preparation of annual financial statements. But even when a company prepares financial statements using IFRS, many requirements from the Accounting Directive still apply such as the management report, statutory audit or publication (for further details, see the guidance on Interaction between IFRS reporting and other EU accounting rules).

Companies operating cross-border

Companies often structure their cross-border business activities within the EU by establishing local entities in a host Member State controlled by a parent established in the home Member State. Together they form a group of controlled entities. Even though a group usually acts and is seen as a single economic entity, EU law does not recognise the legal personality of a group. Nevertheless, EU law addresses certain specific group situations, for instance, by requiring the preparation of consolidated financial statements as if the group were a single entity (Accounting Directive 2013/34/EU, IAS Regulation (EC) No 1606/2002), structuring bankruptcy (Regulation (EU) 2015/848 on insolvency proceedings) or implementing sectoral regulatory supervision (Capital Requirement Directive and Capital Requirement Regulation (banks), Solvency Directive (Insurance).).

When doing cross border business, a group usually faces a variety of business, tax and legal environments. These differences tend to hinder the application of consistent policies and procedures within a group and weaken the comparability of financial statements for users.

Some of these differences arise from options or lacunas in the Accounting Directive or the way in which Member States have complemented the minimum European accounting requirements. For example, the Accounting Directive does not address some economically important transactions such as lease contracts, foreign currency transactions, government grants, cash flows statements, income recognition or deferred taxes. These lacunas are addressed by each Member States in their own way.

More recently the Commission has proposed to harmonise the basis for the taxation of corporate profits for certain groups by ways of a proposal for a Directive on a Common Corporate Tax Base (CCTB) (COM (2016)685 final). It also seeks to organise the free flow of non-personal data by ways of a proposal for a Regulation on a framework for the free flow of non-personal data in the European Union (COM(2017)495), which would legally enable centralised storage and processing of the group's non-personal data by removing unjustified data localisation restrictions within the EU.

Question 8. In your view, to what extent do the addition of, and differences in, national reporting rules hinder the ability of companies to do cross border business within the EU single market?

- ( ) Differences seriously hinder the ability to do business within the EU
- (x) Differences hinder to some extent
- ( ) Differences do not hinder the ability to do business within the EU / are not significant
- ( ) Don’t know / no opinion / not relevant

Please explain your response to question 8 and substantiate it with evidence or concrete examples:

We generally believe that other factors will normally hinder cross border business within the EU to a larger extent than financial reporting requirements. Examples of other factors are: language differences, tax regulations, differences in company law and the availability of logistic infrastructures.

However there is a concrete example of hindrance for investors: currently the initial thresholds for the notification of major holdings not only differ from Member State to Member State but they can also differ from listed company to listed company (we also refer to our answers to question 27 and 28). This might be a hurdle for investors to invest in companies cross border and as a consequence might affect the ability of companies to attract foreign capital.

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

Areas covered by EU requirements

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant
Differences and lacunas in accounting standards or principles	( )	( )	( )	( )	(x)	( )
Differences in corporate governance standards	( )	( )	( )	(x)	( )	( )

Differences and overlaps arising from the presentation of the financial statements (balance sheet, etc.)						X
Differences arising from publication rules / filing with business registers (publication deadlines, publication channels, specifications)				X		
Differences arising from audit requirements				X		
Differences arising from dividends distribution rules or capital maintenance rules						X

Areas not covered by EU requirements

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Differences arising from specific bookkeeping requirements such as charts of accounts, audit trail requirements, data storage and accessibility						X
Differences arising from language requirements (Bookkeeping documentation, publication of financial statements)						X
Differences arising from the determination of taxable profit						X

Differences arising from digital filing requirements (for instance taxonomies used)	◯	◯	◯	◯	◯	◉
Differences arising from software specifications	◯	◯	◯	◯	◯	◉
Other differences (please rate here and specify below)	◯	◯	◯	◯	◯	◉

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

The current IFRS insurance standard results in listed insurance companies applying very different local GAAP accounting standards. When IFRS 17 is endorsed and becomes effective, this issue will be resolved.

Many companies have operations in several Member States. Sometimes they are incorporated in one Member State but have set up main operations in other Member States. The rules on digital solutions and efficient cross-border operations, the conflict-of-law rules in the area of company law are regulated exclusively by Member States and Member States use different connecting factors to determine which national substantive company law applies. As a consequence companies with operations in several Member States may have to apply two or more Member States' company laws.

Furthermore, cross-border establishment is hampered by ‘gold plating’ and numerous Member State options. As a consequence companies with operations in several Member States have to take into account separate regulatory regimes (see for example ESMA Report “Mapping of the Transparency Directive –Options, Discretions and “Gold-plating”, 7 July 2011/194) .

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

- ◯ The impact of hindrances on costs are negligible or not significant
- ◯ The impact of hindrances on costs are somehow significant
- ◯ The impact of hindrances on costs are very significant
- ◉ Don’t know / no opinion / not relevant

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

Not applicable.

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

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

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

Please explain your response to question 11 and substantiate it with evidence or concrete examples:

Differences in tax laws between Member States have the unintended consequence of promoting potentially harmful tax evasion behavior. A Common Corporate Tax Base adopted at the EU level may help counter such potentially harmful tax evasion.

Eumedion would highlight the need to carry on harmonisation in term of audit standards and audit supervision within Europe in order to foster a single set of auditing standards and practices applicable within the EU. However, not before the Monitoring Group is has finalised a much needed revision of the governance structure.

Question 12. As regards the **preparation of consolidated and individual financial statements** how do you assess the ability of the following approaches to reduce barriers to doing business cross-borders?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant

The EU should reduce the variability of standards from one Member State to another through more converged national GAAPs, possibly by removing options currently available in the EU accounting legislation	○	○	○	○	●	○
The EU should reduce the variability of standards from one Member State to another by converging national GAAPs on the basis of a European Conceptual Framework	●	○	○	○	○	○
The EU should reduce the variability of standards from one Member State to another by converging national GAAPs and in addition by addressing current lacunas in the Accounting Directive (leases, deferred taxes, etc.)	○	○	○	○	●	○
The EU should reduce the variability of standards from one Member State to another by establishing a "pan-EU GAAP" available to any company that belongs to a group. Such "pan-EU GAAP" may be the IFRS, IFRS for SMEs, or another standard commonly agreed at the EU level.	●	○	○	○	○	○
Do nothing (status quo)	○	○	○	○	○	●
Other approaches (please rate here and specify below)	○	○	○	○	○	●

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

Eumedion would support limiting accounting options in the accounting directive as options tend to reduce comparability. If IFRS provides no option in a specific area of accounting, the EU could consider eliminating any options in that area as well.

Quite a number of European countries have well functioning national standard setters that also address accounting topics of national relevance. It is difficult to imagine how a European standard setter could effectively replace the national standard setters. However, national standard setters tend to be quite conservative. For example, not a single national standard setter has followed the thought leadership of IFRS on leases, even though both operating and financing leases are financing arrangements that should be recognised on the balance sheet. Updating the accounting directive regularly to proportionally incorporate the latest global consensus on accounting topics as specified by IFRS, reducing accounting options and eliminating unnecessary differences with IFRS seems a practical and necessary action.

IFRS for SMEs is an extremely basic framework that is no serious alternative for the work of the National Standard Setters in Europe. In The Netherlands, the quality of reporting would deteriorate significantly if IFRS for SMEs would replace the current Dutch GAAP. IFRS for SMEs was not developed to replace the GAAP from National Standard Setters; it was intended for those countries that lack a National Standard Setter.

A number, but not not all, Member States allow the option to use IFRS for non-listed entities. However, all non-listed entities in the EU should be given the opportunity to opt to report their entire financial statements conform IFRS. We consider requirements for a cash flow statement and a director’s report as part of the publicly issued financial reporting of non-listed medium-sized and large entities to be an improvement.

For non-listed entities, the requirements of the Accounting Directive implemented in national law only provides a high level context for individual Member States and National Standard Setters to set more detailed standards. This inevitably results in rather divergent accounting standards between Member States. Also, important globally agreed topics for listed entities, like bringing leases on the balance sheet, are somehow not implemented by the National Standard Setters in the EU.We suggest that the EU would conduct a separate and more thorough evaluation on the effectiveness of the EU Accounting Directive, similar to the evaluation of the IAS 1 Regulation.

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

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

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

Individual financial statements contain information that typically is useful for creditors, either trade creditors or financial creditors to a subsidiary like bondholders and providers of loans. The exemption is in some jurisdictions allowed under the assumption that the parent has a better credit profile than the subsidiary. However, this is not always the case. Subsidiaries can have a better credit profile than the parent. Therefore, creditors could be deprived of essential information if subsidiaries are allowed not to publish individual financial statements if the debt is guaranteed by a less creditworthy parent.

We are convinced that the filing of financial statements adds to the rigor, timeliness and general quality of the process. Sub-par reporting results in distorted consolidated accounts. We see little administrative costs saved, as the filing itself is not that expensive. The true cost of filing is in creating the financial statements in the first place, which still needs to be done irrespective of filing.

If financial statements are no longer filed, it is impossible for investors to gauge if and to what extent outdated financial statements are used to put together the consolidated financial statements. Filing of financial statements of subsidiaries can be helpful for investors to find out to what extent the consolidated financial statements include certain liabilities specific to a subsidiary.

SMEs

Since 2016, EU law requires small companies to prepare and publish **only** a balance sheet, a profit or loss statement and a few notes, thanks to the harmonisation agreed at the EU level. Each Member State may fine-tune this regime as regards the level of detail in the balance sheet or profit and loss, and as regards the need for an audit or for a management report. In addition Member State can simplify even further the regime of micro companies and bring it down to only a super simplified balance sheet, a super simplified profit or loss statement and lightweight publication regime. The Member States have used these possibilities to varying extents. The Commission has commissioned a consortium led by the Centre for European Policy Studies (CEPS) to conduct a study on the accounting regime of micro companies with limited liability (FISMA/2017/046/B)). These simplifications are not available to banks, insurance companies or listed companies which are considered as public-interest entities.

Question 14. Do you agree that the EU approach is striking the right balance between preparers' costs and users' needs, considering the following types of companies?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion /

						not relevant
Medium-sized	○	○	○	○	○	●
Small	○	○	○	○	○	●
Micro	○	○	○	○	○	●

Please explain your response to question 14 and substantiate it with evidence or concrete examples:

Not applicable.

Question 15. EU laws usually define size categories of companies (micro, small, medium-sized or large) according to financial thresholds. Yet definitions may vary across EU pieces of legislation. For instance, the metrics of size-criteria for a micro-company in the Accounting Directive (for the financial statements) differ from those in the Commission Recommendation 2003/361/EC (Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (for the support by certain EU business-support programmes). For instance, the turnover may not exceed €700,000 for micro-companies in the Directive whereas it may not exceed €2,000,000 in the Recommendation).

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
In general, should the EU strive to use a single definition and unified metrics to identify SMEs across all the EU policy areas?						
In particular, should the EU strive to align the SME definition metrics in the Accounting Directive with those in Recommendation 2003/361/EC?						

Please explain your response to question 15 and substantiate it with evidence or concrete examples:

The Accounting Directive is rather high level and contains a number of options which create a high variability in the standards from one Member State to another. Removal of at least some of such options, especially those which are not widely used by Member States, could facilitate the analysis of financial statements by investors.

Relevance of the content of financial reporting

A company's financial statement, together with the management report and related documents (corporate governance report, non-financial information) aim to provide a reliable picture of a company's performance and financial position at the reporting date. However, certain users argue that financial statements give only an image of the (recent) past and lack forward-looking information (see for instance Conference Shaping the future of corporate reporting, panel 5 – Matching expectations with propositions, investors' views). The financial statements may also fail to provide a complete picture of the long term value creation, business model, cash flows (non-IFRS financial statements) and internally generated intangible assets (See for instance expert group's report on Intellectual Property Valuation, 2013). There is also only scarce information required at the EU level on dividend distribution policies and risks (see for instance the UK FRC Lab). The search for other sources of information to remedy this situation may increase costs for users and undermine the level playing field.

Question 16. How do you think that the current EU framework as regards the content of financial reporting is relevant (necessary and appropriate), having regards to the following information:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
A company's or group's **strategy, business model, value creation**	○	○	○	○	◉	○
A company's or group's **intangible assets**,						

including goodwill, irrespective of whether these appear on the balance sheet or not	○	○	○	●	○	○
A company's or group's **policies and risks on dividends**, including amounts available for distribution	○	○	○	○	●	○
A company's or group's **cash flows**	○	○	○	○	●	○

Please explain your response to question 24 and substantiate it with evidence or concrete examples:

This section explains our response to question 16.

All these topics are of great relevance to investors and the annual report should provide insight in them. Except for the intangible assets that do not appear in the balance sheet insofar such exercise is aimed at the futile effort to explain the difference between the market capitalisation of the entity as a whole and the book value of its equity. It is the responsibility of the investor to judge the value of a company. There is room for improvement though, as current disclosures on goodwill nearly always lack a break down of what individual acquisitions it is composed of. However, this should be solved by the IASB, not by setting specific EU requirements.

The current EU framework does not yet encourage a company to disclose information about their strategy, business model and how they plan to achieve value creation in the future. A good understanding of these objectives would help investors comprehend the context in which they should interpret the more detailed information reported. However, the company's strategy, business model, and value creation story should not be explained in the financial report, but in the management report.

We agree that many annual reports could improve by indicating what amounts are available for distribution in the form of dividend. We see a role for the IASB here for disclosing such amounts. The Accounting Directive could be amended to require narrative on the distribution policy (both dividends and share buybacks) of the reporting entity as these typically are expected to be found in the management report.

There indeed is room for improving the cash flow statement of IFRS reporting entities, however this should be solved by the IASB, not by setting specific EU requirements. For non-listed entities, the Accounting Directive currently omits requiring a cash flow statement. Since the cash flow statement is a key component of any financial report, we urge the EU to require all non-listed entities to include a cash flow statement.

For non-listed entities, the requirements of the Accounting Directive implemented in national law only provides a high level context for individual Member States and National Standard Setters to set more detailed standards. This inevitably results in rather divergent accounting standards between Member States. Also, important globally agreed topics for listed entities, like bringing leases on the balance sheet, are somehow not implemented by the National Standard Setters in the EU.We suggest that the EU would conduct a separate and more thorough evaluation on the effectiveness of the EU Accounting Directive, similar to the evaluation of the IAS 1 Regulation.

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

We refer to our answer to question 17

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

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

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

Please find some examples of critical financial information currently not formally required:

1) For non-listed entities, the Accounting Directive currently omits requiring a cash flow statement. Since the cash flow statement is a key component of any financial report, we urge the EU to require all non-listed entities to include a cash flow statement.

2) Financial debt covenant ratios and how the entity performed on those ratios.
If companies fail, it usually is because they are in breach of financial debt covenants. Therefore it is critical information that a company discloses what minimum financial ratios are required in their covenants, and how the company actually performs on these financial ratios.

3) Reverse factoring arrangements.
Clear disclosures on reverse factoring and a requirement to present reverse factoring as financial debt. The surprise failure of Carillion in the UK was caused by indebtedness resulting from reverse factoring being presented as 'other creditors' instead of debt to financial institutions.

Insofar these topics relate to entities that apply IFRS, there is a role for EFRAG and the EU to urge the IASB to follow-up on.

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

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

- (x) 1 - totally disagree
- ( ) 2 - mostly disagree
- ( ) 3 - partially disagree and partially agree
- ( ) 4 - mostly agree
- ( ) 5 - totally agree
- ( ) Don’t know / no opinion / not relevant

Please explain your response to question 18 and substantiate it with evidence or concrete examples:

APMs play an important role in explaining performance to investors. Investors would like to see the IASB to strictly define certain subtotals: most notable EBIT, EBITDA and gross financial debt and to require a reconciliation to a more loosly defined management performance measure. The IASB has done a lot of outreach on this topic already and is currently evaluating additional subtotals within the financial statements presentation project. The chosen direction seems promising. We urge European constituents with insightful suggestions not to endeavor for a better European lay-out, but to feedback into the global financial statement presentation project of the IASB and help improve the layout of financial statements in all 144 jurisdictions that apply IFRS. A European definition of EBIT that differs from IFRS would cause confusion and reduce comparability with the 100+ other jurisdictions that apply IFRS.

We do expect the IASB to replicate ESMA generic Guidelines for APMs in management commentary to generic guidelines for APMs in the Financial Statements.

There may be scope to further strengthen the enforcement of the existing ESMA Guidelines that relate to APMs in management commentary. Besides that, we see no other role for the EU than to provide feedback to the financial statements presentation project and as soon as this results in a standard, to endorse such standard.

III. The EU financial reporting framework for listed companies

The IAS Regulation and International Financial Reporting Standards (IFRS)

The IAS Regulation adopted in 2005 made the use of IFRS mandatory for the consolidated accounts of listed companies. The Commission Evaluation of the IAS Regulation in 2015 found that the use of IFRS had led to greater transparency and comparability of financial reporting within the single market, but that complexity had increased. It also concluded that the use of IFRS in the EU has significantly increased the credibility of IFRS and its use worldwide.

However, the current level of commitment to IFRS by third country jurisdictions differs significantly. Very few of the major capital markets and large jurisdictions have made the use of IFRS as issued by the IASB mandatory[4]. As a result, the level of global convergence achieved is sub-optimal compared to the initial objective on global use.

Before becoming EU law IFRSs have to be endorsed to ensure that they meet certain technical criteria, are not contrary to the true and fair view principle, and are conducive to the European public good[5]. The current endorsement process prevents the Union from modifying the content of the standards issued by the IASB. Some stakeholders, as mentioned in the final report of the High-Level Expert Group (HLEG), are concerned that this lack of flexibility would prevent the EU from reacting if these standards were to pose an obstacle to broader EU policy goals such as long-term investments and sustainability.

The IASB is addressing the complexity of the standards and the volume of disclosure requirements as part of its Better Communication" project. In addition, the Commission will continue to monitor progress on IASB commitment to improve disclosure, usability and accessibility of IFRS (see the Communication on the Mid-Term Review of the Capital markets Union Action Plan). This initiative is one of the actions set in motion by the Commission in order to make it easier for companies to enter and raise capital on public markets, notably on SME Growth Markets.

[4] As per the Pocket guide to IFRS standards 2017 published by the IFRS Foundation: Very few of the major capital markets and large jurisdictions require the use of IFRS as issued by the IASB. Some allow the use of IFRS by any listed company, or restrict the option to third country issuers. Many others have transposed IFRS into national GAAP which then become "substantially converged" with IFRS issued by the IASB. Several jurisdictions require IFRS as issued by the IASB albeit often relabelled as national GAAP.

[5] The IAS Regulation does not define the criterion "European public good". As a result the Commission has so far followed a pragmatic approach that allows identification of key matters of concern on a case by case basis.

Question 19. Given the different levels of commitment to require IFRS as issued by the IASB around the globe, is it still appropriate that the IAS Regulation prevents the Commission from modifying the content of IFRS?

- (x) Yes
- ( ) No, due to the risk of uneven level playing field for EU companies vis-à-vis companies established in third countries that do not require the use of IFRS as issued by the IASB.
- ( ) No, due to the risk that specific EU needs may not properly be addressed during the IASB standard setting process.
- ( ) No, due to other reasons.
- ( ) Don’t know / no opinion / not relevant

Question 20. Since the adoption of IFRS by the EU in 2005, topics such as sustainability and long-term investment have come to the forefront of the regulatory agenda. Is the EU endorsement process appropriate to ensure that IFRS do not pose an obstacle to broader EU policy objectives such as sustainability and long-term investments?

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

Question 21. How could the EU ensure that IFRS do not pose an obstacle to sustainability and long-term investments:

- ( ) By retaining the power to modify the IFRS standards in well-defined circumstances;
- ( ) By making explicit in the EU regulatory framework that in order to endorse IFRS that are conducive to the European public good, sustainability and long term investment must be considered;
- (x) Other
- ( ) Don’t know / no opinion / not relevant

Please specify in what other ways could the EU ensure that IFRS do not pose an obstacle to sustainability and long-term investments:

Whilst we fully support the Commission’s ambition to develop an overarching and comprehensive EU roadmap on sustainable finance, we recommend the highest caution as we believe that sustainability considerations fall well beyond the purpose of accounting. The primary objective of endorsed accounting standards remains to promote transparency and better decision-making in financial markets and, therefore, they should be considered as neutral with respect to other public policy objectives. Such approach is ultimately the most beneficial for the performance of capital markets, including their capacity to support long-term investments.

We see no evidence that there is any lack of market participants that are willing to invest in long term investments in equity, nor a lack of capital available for long term investments in equity.

We do observe that the call for a special treatment tends to come from a number of insurance companies. Insurers typically build their investment portfolio on upfront payments received from their clients that will somehow be redistributed to claims related to those clients at more or less distant future dates. I.e. the core business of these insurance companies generates upfront cash. However, according to EIOPA the liabilities of insurers in Europe are on average 10x the amount of (tier 1) equity capital under Solvency II in 2016. This leverage is a discretionary choice of the sector itself and underlines the need for strong reporting principles. We are convinced that the reporting on financial instruments should be based on principles that foster justified long term trust and accountability to their investors, and for insurance companies also to their clients. If the market prices of the investments change materially, this should be immediately reflected in the valuation of the portfolio, the performance and the book equity for all companies, including insurers. Fully in line with these principles, the IASB has set a world class standard on how to value and disclose financial instruments (IFRS 9) after a long and diligent due process. Systemic risks actually increase if investors cannot distinguish strong insurance companies from weaker ones. If anything, any further special accounting treatment that deviates from the current IFRS 9 for insurers is bound to impair the trust of investors in the sector and would not contribute to sustainable finance.

We would also like to explain here our 'yes' response to question 20:
Long term institutional investors, such as the members of Eumedion, are very familiar with the concept of fair value. It is part of our DNA as most long term institutional investors for many years internally and externally judge their investments based on fair value.

IFRS 9 rightfully recognises a fundamental difference between debt instruments which are characterised by interest payments and ultimately return of capital, and equity instruments which have both unlimited upside and risk full loss. Especially for the insurance sector where investments are made to cover insurance liabilities, debt assets can serve very well to match long(er) dated insurance liabilities. Generally, insurance liabilities cannot be matched by equity instruments since the cash flows of equity instruments are extremely unpredictable and equity instruments do not mature. In that sense, most equity investments that have no true match with insurance liabilities can be regarded and accounted for as equity investments made by any institutional market participant. The resulting volatility in equity instruments in the income statement of insurance companies is a volatility that reflects the economic substance of the investment and is and should attributable to the reporting period in which it occurs. The income statement would not reflect economic substance if such volatility were to be excluded. Eumedion sees no room for special treatment for the insurance industry or any entity reporting under IFRS on the topic of equity instruments.

Institutional investors need decision useful information to allocate capital to invest in insurance companies. Applying the existing fair value treatment of equity instruments contributes to transparency and credibility of financial reporting and therefore serves as an important pillar of trust for institutional investors to provide capital to insurance companies.

Question 22. The True and Fair view principle should be understood in the light of the general accounting principles set out in the Accounting Directive . By requiring that, in order to be endorsed, any IFRS should not to be contrary to the true and fair view principle, a link has been established between IFRS and the Accounting Directive. However, the principle of true and fair view is not laid down in great detail in the Accounting Directive, nor is it underpinned by e.g. a European Conceptual Framework that would translate these principles into more concrete accounting concepts such as recognition and measurement, measurement of performance, prudence, etc. Do you think that an EU conceptual framework should underpin the IFRS endorsement process?

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

If you answered no to question 22, please explain your position:

This response also explains our response to Q19.
We see no merit in creating a European conceptual framework to translate principles in concrete accounting concepts, because we oppose the thought that there is a need for Europe to customise any new or existing standard or draft its own financial accounting standards for listed entities. We also dispute the notion in the preface: 'Very few of the major capital markets and large jurisdictions have made the use of IFRS as issued by the IASB mandatory. As a result, the level of global convergence achieved is sub-optimal compared to the initial objective on global use.' According to continuously updated research by the IFRS Foundation 144

jurisdictions support or require the use for all or most listed entities. Therefore, if Europe were to become the first jurisdiction that after first aiming for global standards now is drawing back to explicitly reserve the right to make amendments to existing and new IFRS standards ('carve in'), this would severely affect global comparability. It may very well trigger other jurisdictions to also make their own amendments given that Europe irresponsibly initiated the demise of global standards. Investors need financial reporting standards to be as global as possible. We consider the IFRS Foundation and the IASB to be the global thought leaders on financial reporting. Europe, especially via EFRAG, currently is one of the most, and probably even the most influential force that influences the IASB because of the current 'all or nothing' endorsement procedure and the leverage that the sheer size of the European Union provides. If certain ideas of European special interest groups do not find their way into the standards, it is very questionable whether such ideas are in the interest of transparency towards long term investors in listed entities and their ultimate beneficiaries. If anything, we expect that allowing carve ins will significantly erode Europe's influence on IFRS. The consequence will be that the IASB will focus less on making sure Europe will support in all details any new IFRS standard, given that with carve ins Europe signals to be no longer committed to global standards and may alter any existing or new IFRS standard anyway.

These consequences should not be unknown, as the 2013 Maystadt report clearly pointed them out. These conclusions were confirmed in another evaluation by the EC in 2015: 'The Maystadt report stated that caution is necessary in this area and most stakeholders supported maintaining the status quo.' There is no merit in making accounting standards more European.

A key question that deserves thorough follow up from the European Commission is an investigation whether there are any special interest groups that are so powerful that they are able to relaunch the flawed idea of carve ins and whether it is possible to limit the influence of these groups on most notably the accounting standards setting process going forward.

Institutional investors need decision useful information to allocate capital to invest in insurance companies. Applying the existing fair value treatment of equity instruments contributes to transparency and credibility of financial reporting and therefore serves as an important pillar of trust for institutional investors to provide capital to insurance companies.

Institutional investors see no fundamental difference between realised and unrealised results on equity investments, especially since insurance companies have full discretion to transfer any unrealised result to realised by quickly selling and immediately buying back the equity instrument. A counter party in such transaction can relatively easily support such transactions as they pose very little risk for them. Such transactions bear no economic substance, but would trigger a therefore meaningless ‘realised result’. The primary financial statements should not be cluttered with highly manageable and meaningless line items.

We observe there are ample market participants and there is ample capital available for equity markets.

Based on the above, Eumedion see no need for the EC, or the IASB to revise/amend/carve in IFRS 9 to create a different regime for insurance companies or other long term investors. Any amendment in such direction will make financial reporting less useful, less transparent, further away from economic substance, reduce institutional investors’ appetite to invest in insurance companies.

IFRS serves the global investment community. Any regional deviations come at great costs of reducing global comparability, a key reason for the adoption of IFRS in Europe. Europe should not act in isolation on accounting standards. We have faith in the due process of the IASB and urge the EC and EFRAG to remain involved in influencing standard setting at the IASB. In line with the conclusions of the Maystadt report, we urge the EC and EFRAG to be extremely reluctant to deviate, or advise to deviate, from IFRS.

Question 23. The EU has not endorsed the IASB Conceptual Framework for Financial Reporting. The conceptual framework is a set of concepts used to develop IFRSs but can also be helpful in interpreting how IFRS standards have to be understood and applied in specific circumstances. This could enhance a common application of IFRSs within the EU.

Should the EU endorse the IASB Conceptual Framework for Financial Reporting?

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

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

The conceptual framework itself is not a standard of the IASB, and standards set by the IASB are allowed deviate from the conceptual framework. Eumedion considers the conceptual framework as set by the IASB as state of the art for setting standards for financial reporting by listed entities. We only expect the EU to consider endorsing standards; we do not expect the EU to draft or amend IFRS standards for financial reporting by listed entities. Therefore the EU is not in need of a conceptual framework for listed entities. If the conceptual framework were to be endorsed for this purpose, there is a risk that it would serve as a new set of endorsement criteria. The conceptual framework was not developed for serving such purpose. The EU already has high level endorsement criteria which in our view work very well and need no alteration.

However, we can imagine that the conceptual framework of the IASB also has merit for setting standards for the non-listed SME in Europe, as it could inspire alterations to the accounting directive. So only if the conceptual framework is adopted in full as soft guidance for setting standards for only those companies that do not apply IFRS, we see merit in endorsing IASB's conceptual framework.

Question 24. Contrary to the Accounting Directives the EU endorsed IFRSs do not require companies to present financial information using a prescribed (minimum) lay-out for the balance sheet and income statement. Mandatory use of minimum layouts could enhance comparability of human readable financial statements (Electronic structured data reporting based on the IFRS taxonomy have an implicit layout as relationships between elements for which amounts shall be presented are defined).

Do you agree that prescribed (minimum) layouts enhance comparability of financial statements for users and should therefore be introduced for companies using IFRS.

- (x) 1 - totally disagree
- ( ) 2 - mostly disagree
- ( ) 3 - partially disagree and partially agree
- ( ) 4 - mostly agree
- ( ) 5 - totally agree
- ( ) Don’t know / no opinion / not relevant

Please explain your response to question 24 and substantiate it with evidence or concrete examples:

The question seems to imply that the EU should prescribe a minimum layout. We would be against such initiative, both on principle grounds and because of bad timing. The principle ground is that investors do not benefit from having different guidelines for layouts for IFRS financial statements around the world. The IASB has done a lot of outreach on this topic already and is currently progressing towards creating additional subtotals in the financial statements. We urge European constituents with insightful suggestions not to endeavour for a better European lay-out, but to feedback into the global financial statement presentation project of the IASB and help improve the layout of financial statements in all 144 jurisdictions that apply IFRS.

Transparency Directive

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

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

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

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

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

Cross-border investment is hampered by 'gold plating' and numerous Member State options in the Transparency Directive. Therefore, institutional investors with a pan-European focus have to take into account 28 separate regulatory regimes when investing in listed companies which have their statutory seat in one of the 28 Member States. This is burdensome for large institutional investors who – for reasons of diversification – invest in many listed companies seated in various countries. We are of the opinion that the effectiveness of the transparency requirements could be enhanced by incorporating them in a detailed regulation – instead of a directive – without Member State options.

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

			3			Don't know /

	1 (totally disagree)	2 (mostly disagree)	(partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	no opinion / not relevant
Reducing administrative burden, notably for SMEs	○	○	○	●	○	○
Promoting long-term investment (i.e. discouraging the culture of short-termism on financial markets).	○	○	●	○	○	○
Promoting long-term and sustainable value creation and corporate strategies	○	○	●	○	○	○
Maintaining an adequate level of transparency in the market and investors' protection	○	○	●	○	○	○

Please explain your response to question 26 and substantiate it with evidence or concrete examples:

Eumedion has always been supportive of the underlying objectives of the abolishment of the quarterly reporting requirement (e.g. reducing administrative burden, discouraging short-termism and promoting long-term investment by investors). Eumedion agrees with the European Commission that the decision whether or not to continue publishing voluntary quarterly reports should lie with the listed companies. Quarterly reports often contain information that is valuable for investors when making investment decisions. Hence, we would be against any ban on the voluntary publication of quarterly reports. However, those reports should in our view be more focused on providing information on the strategy aimed at long-term value creation and the relevant key performance indicators.

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

			3			Don't know /

	1 (totally disagree)	2 (mostly disagree)	(partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	no opinion / not relevant
Strengthening investor protection	○	○	○	●	○	○
Preventing possible market abuse situations	○	○	○	●	○	○

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

Currently the initial thresholds for the notification of major holdings differ from Member State to Member State. This is burdensome for large institutional investors who – for reasons of diversification – invest in many listed companies seated in various Member States. Consequently, investors have to make substantial costs to a) monitor the notifications that follow from national legislation and b) to maintain an adequate and up to date notification system. Eumedion takes the view that lower initial thresholds at Member State level should be avoided and calls for full harmonisation of the thresholds for the notification of major holdings in listed companies. Furthermore there are differences between Member States with respect to – among other things – the deadlines for making the notifications, the scope of the notification requirement and the channels for submitting notifications (see ESMA's practical guide 'National rules on notifications of major holdings under the Transparency Directive', ESMA31-67-535, 3 February 2017). We are of the opinion that also those areas should be fully harmonised. Furthermore, we suggest introducing one central EU-register and to develop one applicable form for notifications to national competent authorities.

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Coherent with EU company law	○	◉	○	○	○	○
Coherent with the shareholders' rights directive	○	○	○	○	◉	○
Coherent with the obligation to disclose managers' transactions under Article 19 of the Market Abuse Regulation (Article 19(3) of MAR sets out the following disclosure obligations: The issuer (…) shall ensure that the information [on transactions carried out by managers or persons closely associated to the managers] is made public promptly and no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis)	○	○	○	○	◉	○
Coherent with other EU legislation	○	○	○	○	○	◉

Please explain your response to question 28 and substantiate it with evidence or concrete examples:

Currently the initial thresholds for the notification of major holdings not only differ from Member State to Member State (see answer to question 27) but they can also differ from listed company to listed company. This is caused by the fact that the Transparency Directive does not prohibit issuers to introduce additional notification thresholds in their articles of association. In several Member States (e.g. the Netherlands, France and Belgium) issuers are allowed to set additional notification thresholds through a provision in their articles of association. As a consequence investors have to check the articles of association of the issuers seated in those Member States to find out what the first notification threshold is. This is burdensome for large institutional investors who – for reasons of diversification – invest in many listed companies seated in various Member States. Therefore, investors have to make substantial costs to a) monitor the notifications that follow from national legislation and, if at all possible, from the articles of association and b) to maintain an adequate and up to date notification system. Eumedion calls for full harmonisation of the thresholds for the notification of major holdings in listed companies, including a ban on the introduction of additional thresholds in the articles of association.

Question 29. As regards the following areas, did you identify a lack of coherence of legislation from one Member State to another that could jeopardise to some extent the objectives of investor protection, integrated capital markets and cross-border investment?

- [x] Yearly and half-yearly financial information
- [x] 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
- [ ] Don't know / no opinion / not relevant

Please explain your response to question 29 and substantiate it with evidence or concrete examples:

As already mentioned above, the main rules and practices in relation to making and publishing notifications of major holdings under national law in accordance with the Transparency Directive differ from Member State to Member State (see ESMA's practical guide 'National rules on notifications of major holdings under the Transparency Directive', ESMA31-67-535, 3 February 2017). Therefore, we are of the opinion that the rules with respect to the notifications of major holdings should be fully harmonised. Additionally it could be considered to collect the notifications of major holdings in a central EU-register. This would facilitate a more rapid analysis of the shareholder structure for potential investors in a European listed company. Furthermore, we are of the opinion that the public reporting of listed companies could be improved by harmonised European formats (like XBRL).

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

Eumedion is in favour of harmonised European formats (like inline XBRL) for the filing of financial information by listed companies. These filings should be collected in a central EU-register. This would facilitate a more rapid analysis of that information by investors.

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

Bank Accounts Directive (BAD)

All banks (credit institutions) and groups of banks established in the EU - irrespective of their legal form - have to prepare and publish annual financial statements in order to achieve comparability of financial statements. Member State accounting laws, regulations and standards for the preparation of banks' financial statements must incorporate EU law on bank accounting: the Bank Accounts Directive (BAD) adopted in 1986.

Following the endorsement of IFRS by the EU in 2002 all large banks, accounting for more than 65% of total European banking assets, are obliged to use EU endorsed IFRS for their consolidated financial statements. In addition to the mandatory use of IFRS for the consolidated accounts by listed banks, 15 Member States currently require IFRS for the consolidated accounts of non-listed banks and 12 Member States *require* IFRS for the individual accounts of non-listed banks instead of national GAAP (See for more details the table on page 64 of the Staff Working Document on the evaluation on the IAS Regulation)
.

The use of IFRS has reduced the relevance of the Bank Accounts Directive for achieving harmonised financial statements. The BAD has also lost relevance over time as it has not been updated to include more recent accounting treatments, for example on expected credit losses, (operational) leases or revenues from digital business models.

Harmonising banks' financial statements is not only important for the comparability of banks' financial statements. Bank prudential requirements and capital ratios are based on accounting values. Differences between national GAAPs or between national GAAPs and IFRS lead to different prudential outcomes, which hamper the comparability of capital ratios.

Question 31. Do you agree with the following statements:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
The BAD is still sufficiently **effective** to meet the objective of comparability	○	◉	○	○	○	○
The BAD is still sufficiently **relevant** (necessary and appropriate) to meet the objective of comparability	○	◉	○	○	○	○
The costs associated with the BAD are still **proportionate** to the benefits it has generated	○	◉	○	○	○	○
The current EU legislative public reporting framework for banks is sufficiently **coherent**	○	◉	○	○	○	○

Please explain your response to question 31 and substantiate it with evidence or concrete examples:

Due to the BAD some banks still use one of the many national GAAPs and therefore do not produce IFRS financial statements. The BAD thereby hampers comparability as IFRS has become the common reporting ground for banks in the EU.

Question 32. Do you agree with the following statement:

The BAD could be suppressed and replaced by a requirement for all EU banks to use IFRS 1.

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

Please explain your response to question 32 and substantiate it with evidence or concrete examples:

Not applicable.

Question 33. Do you think that the objective of comparability of financial statements of banks using national GAAP could be improved by including accounting treatments in the BAD for:

	Yes	No	Don't know / no opinion / not relevant
Expected Credit risk provisioning		X	
Leases		X	
Intangible assets		X	
Derivatives		X	
Other		X	

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

The public interest and comparability is best served by forcing EU banks to report financial statements based on IFRS.

Question 34. Do you agree with the following statement:

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

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

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

> The BAD hampers comparability as IFRS has become the common reporting ground for banks in the EU.

Question 35. Do you agree with the following statements:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant
Mandatory use of national GAAPs for the preparation of individual financial statements of bank subsidiaries reduces the efficiency of preparing consolidated financial statements	◯	◯	◯	◉	◯	◯
Allowing the use of IFRS for the preparation of individual financial statements by (cross border) banking	◯	◯	◯	◉	◯	◯

subsidiaries, subject to consolidated supervision, would increase efficiency						

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

The BAD thereby hampers comparability as IFRS has become the common reporting ground for banks in the EU. Instead of allowing IFRS as an option, the EU could require IFRS for such subsidiaries of banks.

Question 36. Do you agree with the following statement:

Cross border bank subsidiaries of an EU parent should be allowed not to publish individual financial statements subject to

1. being included in the consolidated financial statements of the group,
2. consolidated supervision and
3. the parent guaranteeing all liabilities and commitments of the cross border subsidiary?

- (x) 1 - totally disagree
- ( ) 2 - mostly disagree
- ( ) 3 - partially disagree and partially agree
- ( ) 4 - mostly agree
- ( ) 5 - totally agree
- ( ) Don’t know / no opinion / not relevant

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

Individual financial statements contain information that is typically useful for creditors, either trade creditors or financial creditors to a subsidiary. The exemption is in some jurisdictions allowed under the assumption that the parent has a better credit profile than the subsidiary. However, this is, especially with banks, not always the case. Subsidiaries can have a better credit profile than the parent. Therefore, investors could be deprived of essential information if subsidiaries are allowed not to publish individual financial statements if the debt is guaranteed by a less creditworthy parent.

We are convinced that the filing of financial statements adds to the rigor, timeliness and general quality of the process. We see little administrative costs saved, as the filing itself is not that expensive. The true cost of filing is in creating the financial statements in the first place, which still needs to be done.

If financial statements are no longer filed, it is impossible for investors to gauge if and to what extent outdated financial statements are used to put together the consolidated financial statements. Filing of financial statements of subsidiaries can be helpful for investors to find out to what extent the consolidated financial statements include certain liabilities specific to a subsidiary.

Insurance Accounting Directive (IAD)

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

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

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

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

Question 37. Do you agree with the following statements:

	1	2	3 (partially disagree	4	5	Don't know / no opinion /

	(totally disagree)	(mostly disagree)	and partially agree)	(mostly agree)	(totally agree)	not relevant
The Insurance Accounting Directive meets the objective of comparable financial statements within the European insurance industry (the Insurance Accounting Directive is **effective**)	●	○	○	○	○	○
The Insurance Accounting Directive is still sufficiently **relevant** (necessary and appropriate) to meet the objective of comparable financial statements	●	○	○	○	○	○
The costs associated with the Insurance Accounting Directive are still proportionate to the benefits it has generated (the Insurance Accounting Directive is **efficient**)	●	○	○	○	○	○

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

Currently the objective of comparable financial statements is not met for insurance companies. Even under IFRS, listed insurance companies use very different local GAAPs for measuring insurance liabilities in their financial statements, because the current IFRS 4 insurance contracts effectively refers to local GAAP. Only when IFRS 17 Insurance Contracts will be endorsed and becomes effective, together with IFRS 9 Financial Instruments, comparability becomes feasible. We expect the insurance industry as a whole and their investors to significantly benefit from increased comparability as it reduces the current widespread accounting uncertainty. Unfortunately, the insurance sector seems not very enthusiastic towards embracing IFRS 17 and IFRS 9.

For non-listed insurance companies, the combined use of IFRS 17 together with IFRS 9, when both are endorsed and effective, should be made possible.

Question 38. Do you agree with the following statements:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant
There are contradicting requirements between the IAD and IFRS 17 which prevent Member States from electing IFRS 17 for statutory and consolidated accounts	○	○	○	○	○	◉
The Insurance Accounting Directive should be harmonized with the Solvency II Framework	◉	○	○	○	○	○
The Insurance Accounting Directive should be harmonized with the IFRS 17 Standard	○	○	○	○	◉	○
Preparers should be allowed to elect for a European-wide option to apply Solvency II valuation principles in their financial statements	◉	○	○	○	○	○

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

The primary purpose of the solvency framework is a prudential one. It helps regulatory bodies to monitor and set risk taking boundaries for the insurance sector. Regulatory bodies have their own direct lines to fulfill their information needs from insurance companies, mostly irrespective of any barriers in the Insurance Accounting Directive.
The purpose of IFRS and IFRS 17 is to serve investors' information needs. Investors need to rely on public sources. Insofar the Insurance Accounting Directive will impair the ability for companies to publicly report according to IFRS 17 when it becomes effective, it is critical that the Insurance Accounting Directive is harmonised with IFRS 17.

Question 39. Do you think that the current prudential public disclosure requirements and general public disclosure requirements applicable to insurance and reinsurance undertakings are **consistent** with each other?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
For European insurance and reinsurance companies under the scope of the mandatory application of IFRS according to the IAS regulation	◉	○	○	○	○	○
For European insurance and reinsurance companies required to apply IFRS according to Member States options	◉	○	○	○	○	○
For European insurance and reinsurance companies not required to apply the IFRS Standards	◉	○	○	○	○	○

Please explain your response to question 39 and substantiate it with evidence or concrete examples:

Investors eagerly await the effective dates of IFRS 9 and IFRS 17. In the mean time, it is nearly impossible to provide an accurate European wide consistency analysis between prudential and general public disclosure requirements as the latter differs per country. Due to the lack of comparability in general disclosure requirements, investors in insurance companies have become an atypical user of prudential disclosure requirements, which is more harmonised.

V. Non-financial reporting framework

Non-Financial Reporting Directive

Directive 2014/95/EU on disclosure of non-financial Information and diversity information (the NFI Directive) requires around 6.000 large companies with more than 500 employees listed on EU regulated markets or operating in the banking or insurance sectors to disclose relevant environmental and social information in their management report. The directive also requires the large listed companies to make a statement about their diversity policy in relation to the composition of their boards. The first reports have to be published in 2018 regarding financial year 2017. In addition to the NFI Directive, the Commission adopted guidelines in June 2017 to help companies disclose relevant non-financial information in a consistent and more comparable manner. The Commission is required to submit a review report on the effectiveness of the Directive by December 2018.

Question 40. The impact assessment for the NFI Directive identified the quality and quantity of non-financial information disclosed by companies as relevant issues, and pointed at the insufficient diversity of boards leading to insufficient challenging of senior management decisions. Do you think that these issues are still **relevant**?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
The quality and quantity of non-financial information disclosed by companies remain relevant issues.	○	○	○	●	○	○
The diversity of boards, and boards' willingness and ability to challenge to senior management decisions, remain relevant issues.	○	○	○	●	○	○

Please explain your response to question 40 and substantiate it with evidence or concrete examples:

We agree with the view that the quality and quantity of non-financial information disclosed by companies remain relevant issues. Although the NFI directive and the accompanying non-binding guidelines are a step in the right direction, the standardization and the external assurance of non-financial information is not yet the same as financial information. Therefore, Eumedion is of the opinion that the non-financial information framework should be further harmonised. Additionally the EU could take a further step by requiring (reasonable) external assurance for non-financial reporting.

We also agree with the view that the diversity of boards, and boards' willingness and ability to challenge to senior management decisions remain relevant issues. We believe that directors are likely to make better decisions and create value in the long term if the appropriate mix of competences is present in the boardroom. This includes the appropriate mix of gender, age, (personal) skills, professional experience, knowledge and socio-cultural background. Companies should therefore strive for a well-balanced board. The aforementioned aspects should be reflected in the company's diversity policy and be taking into account in the hiring practice.

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Enhancing companies' performance through better assessment and greater integration of non-financial risks and opportunities into their business strategies and operations.	○	○	○	●	○	○
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	○	●	○	○	○	○

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

In general, academic research indicates that the integration of non-financial risks and opportunities has a positive effect on the long-term performance of companies. The material non-financial information provided by companies enables institutional investors to integrate that information in their investment decision-making process. This improves the risk-return profile of the investment portfolio, especially for those investors with a long- term investment horizon. Taking non-financial information into account also contributes to more responsible capital markets. Furthermore, it increases the flow of capital towards a more sustainable economy which is in the interest of the ultimate beneficiaries of institutional investors.

Regarding diversity and gender balance, we refer to our explanation on question 40.

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion /

						not relevant
Material	○	○	●	○	○	○
Balanced	○	○	○	●	○	○
Accurate	○	○	●	○	○	○
Timely	○	○	○	●	○	○
Comparable between companies	○	○	●	○	○	○
Comparable over time	○	○	●	○	○	○

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

> The NFI Directive and the accompanying non-binding guidelines are a step in the right direction. Nevertheless, the standardization and the external assurance of non-financial information is not yet the same as financial information. Therefore, Eumedion welcomes further work on the harmonisation of the non-financial information framework. Additionally the EU could take a further step by requiring (reasonable) external assurance for non-financial reporting.

Question 43. Do you agree with the following statement:

The current EU non-financial reporting framework is sufficiently **coherent** (consistent across the different EU and national requirements)?

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

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

> The EU non-financial reporting framework is sufficiently coherent. However, international developed standards such as the Financial Stability Board’s Task Force on Climate Related Financial Disclosures

(TCFD) include stricter (voluntary) guidelines for companies regarding the reporting on climate related risks and opportunities. We are of the opinion that the NFI Directive and accompanying guidelines should be reviewed an amended in due time in order to become state of the art.

Question 44. Do you agree with the following statement:

The costs of disclosure under the NFI Directive disclosure framework are proportionate to the benefits it generates.

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

Please explain your response to question 44 and substantiate it with evidence or concrete examples:

In order to be able to incorporate non-financial factors into the investment process, institutional investors need clear information on governance and the sustainability performance of companies. We believe that the benefits of more transparency outweigh the costs that come with that.

Question 45. Do you agree with the following statement:

The scope of application of the NFI Directive (i.e. limited to large public interest entities) is appropriate
("Public-interest entities" means listed companies, banks, insurance companies and companies designated by Member States as public-interest entities).

- 1 - far too narrow
- (x) 2 - too narrow
- 3 - about right
- 4 - too broad
- 5 - way too broad
- Don’t know / no opinion / not relevant

Please explain your response to question 45 and substantiate it with evidence or concrete examples:

In our view, the scope of the application of the NFI Directive should be broadened. The directive should in our view be applied to large public interest entities and all listed companies.

Question 46. It has been argued that the NFI Directive could indirectly increase the reporting burden for SMEs, as a result of larger companies requiring additional non-financial information from their suppliers.

Do you agree that SMEs are required to collect and report substantially more data to larger companies as a result of the NFI directive?

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

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

We can imagine that the NFI Directive could indirectly increase the reporting burden for SMEs. This is caused by the fact that large companies need information from their suppliers in order to be able to publish an adequate and reliable non-financial report.

Question 47. Do you agree with the following statement?

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

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

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

As already mentioned in our answer to question 40, we believe that the NFI Directive and the accompanying non-binding guidelines are a step in the right direction. We are of the opinion that the standardization and the external assurance of non-financial information is not yet the same as financial information. This leaves room for improvement. The EU could take a further step by requiring (reasonable) external assurance for non-financial reporting.

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

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

Question 49. If you are a preparer company, could you please estimate the **increased cost** of compliance with national laws on non-financial disclosure that were adopted or amended following the adoption of the NFI Directive in 2014, compared to annual non-financial disclosure costs incurred before the adoption of the NFI Directive?

Increased amount in Euros of cost of compliance with national laws - **one-off costs of reporting for the first time**:

Increased amount as a % of total operating cost of compliance with national laws - **one-off costs of reporting for the first time**:

%

Increased amount in Euros of cost of compliance with national laws - **estimated recurring costs**:

Increased amount as a % of total operating cost of compliance with national laws - **estimated recurring costs**:

%

Question 50. How would you assess, overall, the impact of the NFI Directive disclosure framework on the competitiveness of the reporting EU companies compared to companies in other countries and regions of the world?

- ○ Very positive impact on competitiveness
- ◉ Somewhat positive impact on competitiveness
- ○ No significant impact on competitiveness
- ○ Somewhat negative impact on competitiveness
- ○ Very negative impact on competitiveness
- ○ Don’t know / no opinion / not relevant

Please explain your response to question 50 and substantiate it with evidence or concrete examples:

We believe that responsible and sustainable investments can help to promote corporate social responsibility bycompanies. Institutional investors are increasingly incorporating environmental, social and governance (ESG) factors into their investment decision making process. This is demonstrated by the fact that the area of so-called impact investments is rapidly growing, as well as investments in renewable energy and social impact bonds. A perquisite for incorporating ESG factors into investment decisions by institutional investors is transparency by companies about their relevant and material sustainability risks and opportunities.

Country-by-country reporting by extractive and logging industries

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

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

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

value (as compared to actions at Member State level)						

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

Eumedion believes that the public reporting requirements on payments to governments by extractive and logging industries should be broadened to other industries. We are of the opinion that all listed companies should give investors insightful information on identified tax risks and should provide an overview of where taxes are paid. More transparency about taxes paid per country increases overall transparency and allows for a more detailed analysis by investors. Those investors can also use this information in their dialogues with companies.

Question 52. As a preparer company, could you please indicate the annual recurring costs (in € and in relation to total operating costs) incurred for the preparation, audit (if any) and publication of the "country-by-country report":

Total amount in Euros of **one-off costs of reporting** for the first time for the "country-by-country report":

Amount as a % of total operating costs of **one-off costs of reporting for the first time** for the "country-by-country report":

%

Total amount in Euros of annual recurring costs for the "country-by-country report" - **estimated recurring costs**:

Amount as a % of total operating costs of annual recurring costs for the "country-by-country report" - **estimated recurring costs**:

%

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

- ○ Very positive impact on competitiveness
- ● Somewhat positive impact on competitiveness
- ○ No significant impact on competitiveness
- ○ Somewhat negative impact on competitiveness
- ○ Very negative impact on competitiveness
- ○ Don't know / no opinion / not relevant

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

Eumedion participants believe that it is the responsibility of the board to strike an appropriate balance between the financial benefits of reducing tax expenses and any heightened reputational and regulatory risks that accompany specific tax practices. Any possible short-term financial benefits of engaging in excessive tax planning may not outweigh in the long term negative outcomes to brand value, stakeholder relations and the social license to operate. The latter mentioned factors are critical for a company's long-term success. Improved transparency on tax-related information will enable investors to better understand and model a company's tax position and make better informed investment decisions.

Integrated reporting

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

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

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

More efficient allocation of capital, through improved quality of information to capital providers					X	
Improved decision-making and better risk management in companies as a result of integrated thinking and better understanding of the value-creation process					X	
Costs savings for preparers			X			
Cost savings for users					X	
Other differences (please rate here and specify below)						X

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

The consultation paper refers to integrated reporting as a concept and does not explicitly mention the Integrated Reporting (<IR>) Framework established by the International Integrated Reporting Council (IIRC). The <IR> Framework had been a major catalyst over recent years to achieve global acceptance of value driven reporting. It makes use of interconnected financial and non-financial information, covering six capitals, to communicate a clear, concise, and integrated story that could explain how an entity’s resources are creating value. The <IR> Framework for is an excellent principle based framework that addresses very well most of the information needs of investors for all companies in all sectors. In the Netherlands, a third of all listed companies now produce an integrated report. It is not cheaper to produce an integrated report, however companies that do produce an integrated report tend to become more aware of the needs of their stakeholders, and their contribution to their different stakeholders and to society as a whole. The six capitals concept at the heart of the <IR> Framework provides a format for companies to think about, plan and report on value creation in an inclusive and connected way. Eumedion is convinced that <IR> supports long term value creation by companies and investors' ability to make better investment decisions and improve their engagement with companies. The IIRC shares on their website some evidence showing the benefits of <IR> which we consider worth looking at.

Question 55. Do you agree with the following statement?

			3			Don’t know /

	1 (totally disagree)	2 (mostly disagree)	(partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	no opinion / not relevant
A move towards more integrated reporting in the EU should be encouraged	○	○	○	○	●	○
The costs of a more integrated reporting would be proportionate to the benefits it generates (would be efficient)	○	○	○	○	●	○

Please explain your response to question 55 and substantiate it with evidence or concrete examples:

We refer to our answer to question 54.

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

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

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

The EU Framework on reporting by companies could be more ambitious than just not posing an obstacle towards moving freely towards more integrated reporting. Instead it could somehow promote the use of the framework of the IIRC as a basis for Management Commentary.

VI. The digitalisation challenge

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

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

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

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

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

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

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

The impact of electronic structured reporting

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
improve transparency for investors and the public	○	○	○	○	●	○
improve the relevance of company reporting	○	○	○	○	●	○
reduce preparation and filing costs for companies	○	○	●	○	○	○
reduce costs of access for investors and the public	○	○	○	○	●	○
reduce other reporting costs through the re-use of companies' public reporting of electronic structured data for other reporting purposes (e.g. tax authorities, national statistics, other public authorities)	○	○	●	○	○	○

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

There are very significant costs associated with 3rd party data enrichers like Bloomberg, Factset, CapitalIQ. Investors pay thousands of euros per employee annually for fundamental data. ESEF will make access to data much cheaper and easier to process, also for the data enrichers themselves.

We therefore acknowledge the growing importance of the use of technology and digitalisation in the communication between companies and their stakeholders. Digitalization of (non-)financial information is a development that cannot and must not be ignored.

We do not think that current EU legislation provides an obstacle for developments in this area, but we also do not see that it stimulates innovation. Governments could provide incentives for best practices to develop further, for instance by providing subsidies or supporting an EU financial reporting Lab.

To harvest the benefits of electronic reporting there will be a need to prescribe a mandatory structured format, such as inline XBRL. However, not all possible structured format address a number of key concerns:
- Structured formats not always allow for providing entity specific information, which could in the end lead to

less relevant information for stakeholders. For example, management discussions and analyses on the strategy and performance of the company, are very entity and industry specific which can hardly be captured in structured data formats.
- We do not support structured formats for financial reporting if these formats will not contribute to the true and fair view principle of financial reporting, for example when the (im)possibilities of the underlying technique is considered more relevant than the true and fair view of financial statements. Or if entity specific important information can only by added by making a lot of efforts or costs, such as the need for building preparer extensions at the costs of the preparers.
- Structured formats that have a the tendency to focus on ‘numbers only’. Not allowing enough prominence /attention to the specific accompanying disclosures and clarifications can lead to incorrect or incomplete reporting, interpretations and decisions.

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

Financial reporting

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant
Half-yearly interim financial statements	○	○	○	○	●	○
Management report	○	○	○	○	●	○
Corporate governance statement	○	○	○	○	●	○
Other disclosure or statements requirements under the Transparency Directive such as information about major holdings	○	○	○	○	●	○

Non-financial reporting and other reports

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Non-financial information	○	○	○	○	●	○
Country-by-country report on payments to governments	○	○	○	○	●	○
Other documents (please rate here and specify below)	○	○	○	○	○	●

Question 61. Once the ESEF is fully developed and in place for listed companies, would this EU language add value as a basis to structure the financial statements, management reports etc. published by any limited liability company in the EU?

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

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

Yes, in many jurisdictions it is costly and/or cumbersome to retrieve the annual reports of non-listed annual reports of limited liability companies.

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

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

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

We refer to our response to question 59.

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

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

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

Not applicable.

Data storage mechanisms – data repositories

Today, the self-standing national databases maintained by each Officially Appointed Mechanisms (OAMs) are not interconnected to each other, or to a central platform.

The European Financial Transparency Gateway (EFTG) is a pilot project funded by the European Parliament that aims to virtually connect the databases using the distributed ledger technology in order to provide a single European point of access to investors searching for investment opportunities on a pan-EU basis. The European Financial Transparency Gateway could be used as a basis for achieving a single European Electronic Access Point (EEAP).

Question 64. Considering the modern technologies at hand to interconnect databases on information filed by listed companies with the OAMs, do you agree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
A pan-EU digital access to databases based on modern technologies would improve investor protection	○	○	○	○	●	○
A pan-EU digital access to databases based on modern technologies would promote cross border investments and efficient capital markets	○	○	○	○	●	○
The EU should take advantage of a pan-EU digital access to make information available for free to any user	○	○	○	○	●	○

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

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

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

Not applicable.

Coherence with other Commission initiatives in the field of digitalisation

On 1 December 2017, the Commission launched a Fitness Check on the supervisory reporting frameworks. In parallel, the financial data standardisation (FDS) project, launched in 2016, aims for a 'common financial data language' across the board for supervisory purposes. The Commission will report by summer 2019 (for more details, see Commission report on the follow up to the call for evidence - EU regulatory framework for financial services, December 2017 section 3.3).

Question 66. Should the EU strive to ensure that labels and concepts contained in public reporting by companies are standardised and aligned with those used for supervisory purposes?

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

Other comments

Question 67. Do you have any other comments or suggestions?

Experimentation in the market over time would be instrumental to develop new concepts. A Corporate Reporting Lab at EU level is likely to help foster experimentation and innovation in the corporate reporting arena. It is appreciated that this idea has been picked up by the Commission in the context of its Action Plan Financing Sustainable Growth.

With regard to question 48, we would like to make the following remark. We agree with the action plan that the non-binding guidelines on non-financial reporting should be amended regarding the disclosures on other sustainability factors. Nevertheless, we are of the opinion that the definition of other sustainability factors in question 48 is too limited. In our view, sustainability relates to all relevant aspects that impact a company's ability to create long-term value for its stakeholders. Which aspects are relevant and material to a company depends for example on the nature of its business, its strategy, its stakeholders and the geographical scope of its operations.

With regard to question 66, supervisory information needs can differ significantly from general public information needs. If there are needless or insignificant differences, indeed there is scope for alignment. However, because of the different information needs, alignment should not be the primary aim.

Acronyms and Abbreviations

AD

Accounting Directive

BAD

Bank Accounts Directive

CEP

Centre for European Studies

CBCR

Country by Country Reporting

CLD

Company Law Directive

CMD

Capital Maintenance Directive

CMU

Capital Markets Union

CRD

Capital Requirements Directive

CRR

Capital Requirements Regulation

DG FISMA

Directorate General Financial Stability, Financial Services and Capital Markets Union

DLT& API

Distributed Ledger Technology & Application Programme Interface

EC

European Commission

EFRAG

European Financial Reporting Advisory Group

EFTG

European Financial Transparency Gateway

EITI

Extractive Industries Transparency Initiative

ESG

Environmental, Social & Governance factors

ESMA

European Securities and Markets Authority

ESRB
: European Systemic Risk Board

FSB
: Financial Stability Board

GAAPs
: General Accepted Accounting Principles

HLEG
: High-Level Expert Group

IAD
: Insurance Accounts Directive

IAS
: International Accounting Standards

IASB
: International Accounting Standards Board

IFRS
: International Financial Reporting Standards

IFRS 4
: International Financial Reporting Standards on Insurance contracts

IFRS 9
: International Financial Reporting Standards on Financial Instruments

IFRS 17
: will replace IFRS 4 as of 1 January 2021

IIRC
: International Integrated Reporting Council

KPIs
: Key Performance Indicators

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

NGOs
: Non-governmental Organisation

OAMs
: Officially Appointed Mechanisms

OECD
: Organization for Economic Co-operation and Development

PIE
: Public Interest Entities

P&L
: Profit and Loss account

SMEs
: Small and Medium Enterprises

SRB
: Single Resolution Board

SSM
: Single Supervisory Mechanism

TCFD
: Task Force on Climate-related Financial Disclosures

TD
: Transparency Directive

3. Additional information

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

Useful links

Consultation details (http://ec.europa.eu/info/consultations/finance-2018-companies-public-reporting_en)

Specific privacy statement (http://ec.europa.eu/info/files/2018-companies-public-reporting-consultation-document_en)

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

Contact

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