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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:

Institut der Wirtschaftsprüfer in Deutschland (IDW) e.V.

Contact email address:

The information you provide here is for administrative purposes only and will not be published

coenen@idw.de

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

- ○ Yes
- ● No

*Type of organisation:

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

*Please specify the type of organisation:

Professional Institution for Chartered Accountants

* 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?

Germany

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

at least 1 choice(s)

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

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

Professional Institution for Chartered Accountants

Important notice on the publication of responses

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

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

2. Your opinion

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

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

The questionnaire is structured as follows:

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

- The digitalisation challenge (Section VI; Questions 57-66)
- Other comments
- Acronyms and Abbreviations

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

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

- **Publication of individual and consolidated financial statements in accordance with national GAAP (Generally Accepted Accounting Principles)** by any limited liability company established in the EU. By virtue of the Accounting Directive 2013/34/EU Member States must ensure that any company in their jurisdiction with a legal form that limits its liability must prepare financial statements and a management report. These shall be audited / checked by a statutory auditor and published in the relevant business register according to national law that is compliant with this Directive. For companies other than a public-interest entity (bank, insurance company or company with securities listed), EU requirements are proportionate to the company's size.
- **Publication of consolidated financial statements in accordance with the International Financial Reporting Standard (IFRS) adopted** by the EU and other specific items by any company established in the EU that has securities (e.g. shares, bonds) listed on an EU regulated market by virtue of the IAS Regulation (EC) No 1606/2002, the Transparency Directive 2004/109/EC and the Market Abuse Regulation (EU) No 596/2014. The use of IFRS makes company accounts comparable within the single market and globally. Companies established in third countries may use their national standards (e.g. US GAAP) if these are accepted on the basis of EU equivalence decisions. The Transparency Directive (2004/109/EC) makes the issuers' activities more transparent, thanks to regular publication of yearly and half-yearly financial reports, as well as the publication of major changes in the holding of voting rights and ad hoc inside information which could affect the price of securities. Issuers have to file such information with the national Officially Appointed Mechanisms (OAMs).
- **Publication of individual and consolidated financial statements in accordance with sectoral layouts and principles** by any bank or insurance company in the EU by virtue of the Bank Accounting Directive (86/635/EEC) and the Insurance Accounting Directive (91/674/EEC). Unless they prepare IFRS financial statements, any bank or insurance company in the EU must publish financial statements in compliance with national accounting rules that are in line with these sectoral

Accounting Directives. Specific sectoral rules provide for, inter alia, layouts (balance sheet and Profit and Loss Account) and accounting treatments for e.g. loans, repurchase agreements or technical provisions.

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

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

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

MAIN OBJECTIVES	OPERATIONAL OBJECTIVES	EU LEGAL INSTRUMENTS *				
		AD	IAS	TD	BAD	IAD
Stakeholder protection	→ Shareholder protection	X	X	X		
	→ Creditor protection	X				
	→ Depositor protection				X	
	→ Policy holder protection					X
Internal market	**Facilitate:**					
	→ Cross border investments	X	X	X	X	X
	→ Cross border establishment	X			X	X
Integrated EU capital markets	**Market efficiency:**					
	→ Access to capital	X	X	X		
	→ Capital allocation		X	X		

	→ Integrated securities market		X	X		
Financial stability	→ Public confidence in company reporting	X	X	X		
	→ Trust in the resilience of specific sectors (banking and insurance)				X	X
Sustainability	→ Enhanced corporate responsibilities / accountability/ good corporate governance	X		X		
	→ Empower stakeholders	X		X		
	→ Foster globally sustainable activities	X				
	→ Foster long term investments	X				
	→ Fight corruption	X		X		

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

General questions

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don’t know / no opinion / not relevant
Ensuring stakeholder protection	○	○	○	●	○	○
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:

Financial Reporting

In general, we do not have specific evidence that the current EU public reporting requirements – as far as financial reporting is concerned – are not effective, relevant and efficient in achieving the first 3 objectives mentioned above.

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.
Concerning the promotion of sustainability, we share the view that the achievement of sustainability goals is desirable. The Commission's development of the Non-Financial Information Directive is a first step to promote sustainability. Nevertheless, in our opinion, as a matter of principle, the promotion of sustainability should not be attempted through an intervention in accounting requirements (in the sense of recognition and measurement rules), so that this should not be a main objective for the accounting rules of the Accounting Directive and the Transparency Directive taken as a whole. Rather, specific public reporting elements should be provided to achieve the goal.

Also ensuring financial stability is not an objective, which can primarily be reached by means of reporting requirements.

Nevertheless, there is also some need for improvement – especially concerning the reporting by listed companies. Some stakeholder groups are increasingly criticizing both the past orientation, as well as the information overload of current (financial and non-financial) reporting.

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	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 2 and substantiate it with evidence or concrete examples of any requirement that you think is not relevant:

> Please see our answer to question 1.

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:

In general, in our view, the EU public reporting requirements are efficient.

For further information please refer to our responses to the following questions:
• question 14 on SMEs and micro companies
• question 37 on insurance companies
• question 44 re NFI Directive
• question 51 on extractive and logging industries
• questions 54 & 55 re integrated reporting

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 overall intrinsic coherence of the EU public reporting framework to be high. There are, however, certain specific matters that reveal a lack of consistency. Specifically, the approach to the preparation and reporting of financial and non-information information differs and both are not fully integrated, also the auditor's role in respect of different reporting components is different.

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.

EU Added value

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

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

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

EU regulations can significantly help to obtain valuable results in achieving the above mentioned objectives, compared to unilateral and uncoordinated action by each Member State.

In the long-term, with regard to the objectives of ensuring financial stability and promoting sustainability, global solutions should be reached. However, in our opinion both are goals that cannot be achieved primarily through accounting requirements (in the sense of recognition and measurement rules). Rather, specific public reporting elements should be provided to achieve the goal (please see our answer to question 1).

We refer to our response to question 12 regarding the extent to which EU harmonization should be sought.

II. The financial reporting framework applicable to all EU companies

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

Companies operating cross-border

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

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

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

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

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

- ○ Differences seriously hinder the ability to do business within the EU
- ○ Differences hinder to some extent
- ● Differences do not hinder the ability to do business within the EU / are not significant
- ○ Don't know / no opinion / not relevant

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

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	○	●	○	○	○	○

Areas not covered by EU requirements

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

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

Differences in company law, insolvency law

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

Differences arising from audit requirements

We mostly disagree, that differences in audit requirements are significant impediments to cross-border establishment in the EU.

The differences mainly arise from the application of various Member State options.

As far as financial statements are concerned, there are differing audit exemption thresholds between Member States.

Also, the level of the financial statement auditor's involvement in regard to other information published by entities in the EU, including non-financial information, differs. In some Member States there is a requirement to include the management report in the audit of the financial statements, whereas in other cases, such non-financial information would be subject to ISA 720. In addition, for certain information EU law prescribes only an "existence check" by the financial statement auditor, but Member States' national laws may add to this.

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

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

We do not have precise evidence on the impact of hindrances to cross border business on costs relating to public reporting by companies.

The cost (for instance of training regarding the local accounting rules of another country) will in general be proportionately more significant for smaller entities compared to larger entities. However, this also applies to the local provisions of company law, insolvency law etc. (we refer to our answer to question 9). In any case, the costs do not exceed the benefits of cross border business.

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

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

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

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

> Financial reporting and tax reporting have different objectives so (complete) convergence between the two is neither possible nor desirable.
>
> The specific tax reporting rules vary considerably across the EU. Such variances add to the administrative burden of businesses that wish to have a permanent establishment in other Member States, but we do not believe that this significantly affects cross-border operations. Indeed, it is the tax regime of a Member State that has more influence on the place of establishment, not its tax reporting requirements.

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	( )	(x)	( )	( )	( )	( )

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	X					
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.)	X					
The EU should reduce the variability of standards from one Member State to another by establishing a "pan-EU GAAP" available to any company that belongs to a group. Such "pan-EU GAAP" may be the IFRS, IFRS for SMEs, or another standard commonly agreed at the EU level.	X					
Do nothing (status quo)					X	
Other approaches (please rate here and specify below)						

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

In principle, we support the objective of harmonization of the public reporting framework in the EU, in no case there should be any development towards a fragmentation into national reporting regulations. On the basis of the current Accounting Directive, a certain level of harmonization has already been achieved, especially within the scope of the IAS Regulation the level of harmonization achieved is sufficient, i.e. in the most important cases of listed entities. Nevertheless, there are some limits. There might be some logical reasons for some Member State options, e.g. differences in national tax and company law.

As mentioned in questions 8 and 9, differences in national reporting rules do not significantly hinder the ability to do business within the EU. For this reason and in the context of the IAS Regulation, the harmonization limits in the Accounting Directive appear acceptable at the time being – provided that the IAS Regulation is completely retained.

Removing options currently available in the EU accounting legislation
For these reasons, the EU should not reduce the variability of standards from one Member State to another through more converged national GAAPs by removing options currently available in the EU accounting legislation.

Converging national GAAPs based on a European Conceptual Framework
For the same reasons, we do not agree with reducing the variability of standards by converging national GAAPs on the basis of a European Conceptual Framework.

Addressing current lacunas in the Accounting Directive
Furthermore, the EU should not reduce the variability of standards by addressing current lacunas in the Accounting Directive (leases, deferred taxes, etc.). A rules-based approach to addressing "lacunas", e.g. leases and deferred taxes, is not consistent with the principles-based approach of the EU Accounting Directives.

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

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

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

SMEs

Since 2016, EU law has required 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 the regime for micro companies even further, and reducing this to only a super simplified balance sheet, a super simplified profit or loss statement and a 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 for micro companies with limited liability (FISMA/2017/046/B)). These simplifications are not available to banks, insurance companies or listed companies which are considered public-interest entities. Therefore, the benefit to the stakeholders derived from having individual financial statements exceeds the costs of the companies preparing these individual financial statements, so extending the exemption seems not to be appropriate.

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:

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:

Single definition and unified metrics to identify SMEs across all the EU policy areas Different pieces of EU legislation might follow different objectives so that a one-size criterion applicable for all policy areas could hinder the achievement of these differing objectives. Moreover, the extent to which the thresholds are implemented by Member States largely depends on the size of the national economy and the relative sizes of companies within a Member State. Align the SME definition metrics in the Accounting Directive with those in Recommendation 2003/361/EC For these reasons, the EU should not strive to align the SME definition metrics in the Accounting Directive with those in Recommendation 2003/361/EC.

Relevance of the content of financial reporting

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

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

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

A company's or group's **strategy, business model, value creation**		X				
A company's or group's **intangible assets**, including goodwill, irrespective of whether these appear on the balance sheet or not		X				
A company's or group's **policies and risks on dividends**, including amounts available for distribution			X			
A company's or group's **cash flows**			X			

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

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

The current EU framework does not encourage a company or a group to disclose information about their strategy, business model or value creation. We would encourage a move towards more integrated reporting and – at least concerning the reporting of listed companies – the disclosure of all relevant value drivers.

Such integrated reporting should go so far as the environmental, social and governance implications pose risks to a company or a group.

However, this should not be a one-size-fits-all report, because this would probably lead to an overly comprehensive report that none of the stakeholder groups would use. Rather, there should be investor-oriented reporting on the current and future economic situation and additional reporting to the wider stakeholder group on the impact of the business in the sense of a transparency report. The overall picture could be given in an Integrated or Core-Report.

Furthermore we would support a mandatory recognition of internally-generated intangible assets. The market values of companies differ, in some cases, significantly from their book values: This gap between the fair value and the book value of a company or a group could be reduced by a recognition requirement for internally-generated intangible assets. In addition, the concept of value reporting for listed companies within their management reports could be considered.

Cash Flow Statement
In our opinion there should be no regulation for a scheme for company's or group's cash flows.

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:

We refer to our answer to question 16.

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?

- ( ) 1 - totally disagree
- (x) 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:

In our view, no mandatory disclosure requirements of alternative performance measures (APM) should be introduced. It would be better if the companies or groups are free in the choice of their APM. If a company or group makes use of reporting APM, the definition and reasons for the respective performance measures should have to be explained for reasons of transparency and comparability. Due to the encroachment of digitalization, a company's or group's strategy, business model and value creation becomes more and more uncertain so that comparability of financial performance measurements in isolation will decrease. Instead, the relevance of operational value drivers (customer/market-orientation etc.) of a company or group will increase.

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?

- (selected) 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?

- (selected) 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;
- (selected) Other
- Don’t know / no opinion / not relevant

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

> The phraseology of this question implies that the EU Commission has already decided that the IFRS should be used to achieve the current European political goals of ‘sustainability’ and ‘long-term investments’. We disagree with this implication. The purpose of IFRS is not to incentivize or disincentive sustainability and long-term investments. IFRS financial statements generally provide all users information about the current business transactions of an entity, independently from their investment strategy. Information on sustainability aspects and long-term investments should be provided by way of other information sources (e.g. management commentary, other reports within non-financial reporting).

Question 22. The True and Fair view principle should be understood in the light of the general accounting principles set out in the Accounting Directive . By requiring that, in order to be endorsed, any IFRS should not to be contrary to the true and fair view principle, a link has been established between IFRS and the Accounting Directive.

However, the principle of true and fair view is not laid down in great detail in the Accounting Directive, nor is it underpinned by e.g. a European Conceptual Framework that would translate these principles into more concrete accounting concepts such as recognition and measurement, measurement of performance, prudence, etc. Do you think that an EU conceptual framework should underpin the IFRS endorsement process?

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

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

The questionnaire does not clarify what is meant by a European Conceptual Framework. Should a European Conceptual Framework be developed in order to assist in interpreting/ implementing the standards or for endorsing the IFRS? What would be the status of such a European Conceptual Framework (especially in relation to the IFRS)? What consequences would it have for the endorsement process of the IFRS?

We do not agree with a European Conceptual Framework that results in not endorsing specific requirements of the IFRS if they are not in line with political goals of the European Commission (at present: sustainability and long-term investments). Moreover, we perceive a risk that a single European Member State might use a European Conceptual Framework to develop specific national requirements. This would decrease the comparability of IFRS financial statements within Europe.

In our view, instead of developing a European Conceptual Framework, the IFRS Conceptual Framework developed by the IASB should be endorsed in the EU (see question 23.).

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:

We totally agree with the proposed EU Endorsement of the IASB Conceptual Framework. It is unclear to us why the IASB Conceptual Framework has not been endorsed in the past, as, from stakeholders’ perspectives, it contains and describes the underlying concepts of the IFRS It underpins both the understanding and interpretation of IFRS and constitutes an important source for preparers having to apply judgement in developing and applying an accounting policy for transactions where no specific standard exists or is applicable (we refer to IAS 8.11 et seq.). There are also a few more standards that explicitly refer to the IASB Conceptual Framework. Technically speaking, if European entities do not actually apply the IASB Conceptual Framework, their financial statements would not comply with the IFRS (we refer to IAS 1.15 et seqq.).

If the European Commission decides to endorse the IASB Conceptual Framework, it will be necessary to ensure that the Framework is accorded the same status and purpose as that provided by the IASB (see CF (2018) SP1.1 et seqq.). This means, for example, that the IASB Conceptual Framework is neither a Standard nor does it override a Standard or any requirement within a Standard.

However, the European Commission has to pay attention that the revised IASB Conceptual Framework issued in 2018 is not valid in relation to all IFRS. Certain IFRS (e.g. IAS 38, IFRS 3) still refer to the IASB Conceptual Framework as issued in 1989 or 2010 respectively.

In addition, it will be necessary to ensure that EU Endorsement of the IASB Conceptual Framework will not have any consequences for the European Accounting Directive.

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 IFRS already contain minimum layout requirements for the statement of financial position (see IAS 1 para. 54 et seqq.) and the statement of comprehensive income (see IAS 1 para. 81 et seqq.).

The reason for developing ‘only’ minimum requirements for the layout of these statements is that IASB intends to increase the informative value of financial statements by giving entities some kind of flexibility, i.e. allowing entities to present their financial statements in the most transparent and accurate way based on the applicable facts and their circumstances (e.g. business sector, business model, typical transactions of the entity, information interests of the main stakeholder group(s) of the entity …). Consequently, entities need to be given the opportunity to add, to aggregate or disaggregate or even to omit items if it is necessary from their point of view. The decisive criteria are generally materiality, relevance and faithful representation. Additional (EU) layout requirements would counter the efforts of the IASB in this respect. We strongly advise the Commission to contribute to the current IASB's project on primary financial statements.

Moreover, in the future the digital preparation of financial statements (e.g. by using XBRL-formats) will allow users to quickly access information irrespective of whether it is located in a separate item or in the notes.

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:

No further explanations to the response.

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
Reducing administrative burden, notably for SMEs	○	○	●	○	○	○
Promoting long-term investment (i.e. discouraging the culture of short-termism on financial markets).	○	●	○	○	○	○
Promoting long-term and sustainable value creation and corporate strategies	○	●	○	○	○	○
Maintaining an adequate level of transparency in the market and investors' protection	○	○	○	●	○	○

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

The changes to the TD in 2013 have, indeed, allowed the national legislators of EU Member States not to require issuers of securities traded on one of their regulated markets to continue to prepare quarterly financial reports. Nevertheless, stock exchanges operators are still allowed to require the issuers – on a contractual basis – to prepare quarterly financial reports. In Germany, this is applicable for issuers whose shares were admitted to trading on the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. In these cases, the aim of reducing the administrative burden is mitigated or even negated. The same applies to discouraging the culture of short-termism on financial markets. Therefore, the responses to the first three sub-questions must be differentiated as to whether the issuer concerned is fully exempt from any requirement to prepare quarterly financial reports or continues to be required to do so on a contractual basis.

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

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

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

No further explanations to the response.

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:

We are not aware of any inconsistencies/conflicts between the TD and the other EU legal acts mentioned above. However, since we have not undertaken any in-depth analysis or comparisons of those legal acts, we cannot be certain that there actually are no such inconsistencies/conflicts. Consequently, we have answered with “Don’t know”.

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

- [ ] Yearly and half-yearly financial information
- [ ] On-going information on major holdings of voting rights
- [ ] Ad hoc information disclosed pursuant to the Market Abuse Directive
- [ ] Administrative sanctions and measures in case of breaches of the Transparency Directive requirements
- [ ] Don’t know / no opinion / not relevant

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

We do not have any such comparative information.

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

No.

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:

All of the following answers have been given in consideration of the particularities of the German banking sector (e.g. small and medium-sized savings and cooperative banks prepare their financial statements under the German Commercial Code (HGB), only – especially with regard to the fulfilment of further accounting objectives, e.g. dividend distribution, tax calculation basis):

• Effectiveness/relevance: Overall, we believe that the BAD is still an effective, relevant and proportionate
basis for banks to prepare their financial statements (with domestic/national reasons) within the EU.
Nevertheless, we acknowledge, that in some areas the BAD has not been updated so as to be in line with
the
current EU Accounting Directive; therefore, we support harmonization of both directives in these well-
defined
topics.
• Cost/benefit analysis (i.e. efficiency): Unfortunately, we are unable to respond to this question as we lack
valid data.
• Coherence: We do not see any conflict within the current EU legislative public reporting framework for
banks,
mainly due to the fact that the BAD provides high-level guidance with adequate options.

Question 32. Do you agree with the following statement:

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

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

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

We would disapprove of introducing the mandatory use of IFRS for all banks in Germany, because the current IAS Regulation is basically appropriate and adequate to cover the field of necessary IFRS application. With regard to listed (international) banks, IFRS seem to be an adequate basis for emphasizing investors' perspectives/ information needs. Despite the possible advantages of using (solely) IFRS based reporting schemes for reporting to EU banking authorities (e.g. FINREP), we strongly support the application of national GAAP for (small and medium-sized) non-listed banks, operating on a domestic market (see question 35). In particular, national particularities and necessary proportionality in the German banking sector can be met more efficiently, if the established HGB/BAD (e.g. no extensive disclosure requirements) remains applicable.

Therefore, we suggest the following for banks within the EU:

• Listed entities: Mandatory use of IFRS for the preparation of consolidated financial statements with an option
  to use IFRS for the preparation of individual financial statements (parent companies/subsidiaries, as well as financial statements of banks without subsidiaries)

• Non-listed entities: Option to use IFRS (in consolidated financial statements and in individual financial statements by banking subsidiaries whose parent companies prepare their consolidated financial Statements
  mandatory or voluntarily according to IFRS).

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

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

Please specify for what other elements the inclusion of accounting treatments in the BAD could improve the objective of comparability of financial statements of banks using national GAAP:

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

According to our understanding, the current BAD does not preclude the use of (selected) IFRS accounting principles (e.g. expected-credit-loss model under IFRS 9). Therefore, we do not see any need for changes in general. On the other hand, we would not support any (merely) “EU IFRS interpretations” (e.g. with regard to IFRS 9 Financial Instruments), if they were to remove or limit existing areas of discretion under the BAD, provided they are already prudent to an adequate degree.

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:

From our point of view, the number of options in the current BAD seems to be appropriate and adequate in the context of the comparability of financial statements.

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:

We do not support any broadening of the range of IFRS application in the EU (e.g. mandatory use of IFRS for banks in Germany). On the other hand, we would appreciate the introduction of an option for banking subsidiaries included in consolidated financial statements according to IFRS to prepare their individual financial statements under IFRS, solely (i.e. instead of preparing these individual financial statements under national GAAP). This might increase efficiency, amongst other benefits (see question 32).

Question 36. Do you agree with the following statement:

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

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

- ○ 1 - totally disagree
- ◉ 2 - mostly disagree
- ○ 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:

We believe that banks, including cross border bank subsidiaries of an EU parent, should be required to publish individual financial statements with view to an overall transparency (e.g. investors/creditors perspective), because those banks are considered as “Public Interest Entities” (PIE) in a regulated industry. In this regard, the aforementioned, possible efficiency gains or cost reductions have to be considered as secondary in favor of more transparency.

Insurance Accounting Directive (IAD)

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

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

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

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

Question 37. Do you agree with the following statements:

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

			and partially 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:

When the IAD was adopted in 1991, in order to set a common European Framework consistent with the Accounting Directives, it granted various Member States options for the annual and consolidated accounts of insurance undertakings. These Member States options impair the objective of comparable financial statements. To compensate for impaired comparability of the primary financial statements, the IAD requires additional disclosures in the notes. Overall, we believe that the IAD has proven itself to be an effective and relevant accounting framework for insurance undertakings in general and consequently there is no need to introduce major changes to this framework.

Question 38. 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
There are contradicting requirements between the IAD and IFRS 17 which prevent Member States from electing IFRS 17 for statutory and consolidated accounts				X		
The Insurance Accounting Directive should be harmonized with the Solvency II Framework	X					
The Insurance Accounting Directive should be harmonized with the IFRS 17 Standard	X					
Preparers should be allowed to elect for a European-wide option to apply Solvency II valuation principles in their financial statements	X					

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

With regard to the first statement, we are unsure as to the intended meaning of the statement. One reason might be that the German legislator considers it necessary to emphasis the prudence principle for statutory accounts: In Germany it is (legally) not permissible to elect the IFRS for the statutory accounts instead of German GAAP for the purpose of determining distributable profits to shareholders, nor for taxes and policyholder participation. In this context, we agree with the statement. Before a discussion can start on IFRS 17, the EU endorsement of IFRS 17 needs to take place as a first step.

We disagree that IAD should be harmonized with Solvency II. Solvency II is a special purpose framework for prudential supervisory purposes, with the main objective of assessing the risk bearing capacity of insurance undertakings, whereas the IAD is a general-purpose framework with different objectives (i.e. useful information for the stakeholder (shareholder, supplier customer etc.)).

We disagree that the IAD should be harmonized with IFRS 17. IFRS 17 is a complex standard with extensive requirements. Here once again, the EU endorsement of IFRS 17 needs to take place as a first step.

As outlined above, Solvency II is a special purpose framework for prudential supervisory purposes. Therefore, we question how insurers could be allowed to apply Solvency II valuation principles in preparing their financial statements.

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				X		
For European insurance and reinsurance companies required to apply IFRS according to Member States options						X
For European insurance and reinsurance companies not required to apply the IFRS Standards			X			

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

Although not harmonised, we are not aware of inconsistencies between prudential and general public disclosures. This does not preclude the fact that efforts could be made to integrate both.

Second statement: In Germany no insurance and reinsurance companies are required to apply IFRS according to Member States options. Therefore, we do not provide any feedback in regard to this statement.

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:

Sustainable development can significantly impact both business models and the extent to which companies are future-proof. We support the idea of integrated reporting, i.e., that financial reports (especially management reports) should include ESG information relevant to an understanding of the company's position and future development. However, we do not support the idea of "one report" fit for shareholders and other stakeholders, as their information needs usually differ significantly.

Board diversity is important in future-proofing companies. However, discussions tend to be too focused on gender diversity, whereas digitalisation and ESG skills seem to be underrepresented at board level: the focus should also be on diversity of necessary skills and experience.

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.			X			
Enhancing companies’ accountability, for example with respect to the social and environmental impact of their operations.			X			
Enhancing the efficiency of capital markets by helping investors to integrate material non-financial information into their investment decisions.		X				
Increasing diversity on companies’ boards and countering insufficient challenge to senior management decisions			X			
Improving the gender balance of company boards			X			

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

Some companies have indeed taken this occasion to (re-)consider non-financial aspects in their operations to enhance their performance, while others have seen it merely as a compliance and reporting exercise. The obligation in Germany for the supervisory board to express an opinion on the non-financial statement enhances accountability.

Although Art. 19a of the Accounting Directive obliges companies to report non-financial information “necessary for an understanding of the undertaking's development, performance, position (…)” the regulatory frame for such information differs significantly from “traditional” management report content, especially with regards to timeframe (up to six months after the balance sheet date), publication and is not included specifically as subject to the statutory audit. This framework should be aligned with the “traditional” management reporting framework.

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:

Re. “material”: As only information “necessary for an understanding of the undertaking's development, performance, position and impact of its activity” has to be reported, the definition of “materiality” (as well as the definition of “risk”) seems to be narrower than the definitions for the “traditional” management report in Art. 19 (1) of the Accounting Directive. Additionally, different thresholds seem to have been applied by companies for the undertaking’s development, performance and position, with some companies appearing to concentrate on those topics that also feature in existing financial frameworks based on high monetary values; other companies are also considering the more general impact on business development including potential for efficiency gains. As a consequence, the list of material topics as defined by legislation is rather short for some companies, and more comprehensive for others.

Re. “balanced”: Though it is too early to assess after only one reporting cycle, the possibility of omitting certain information (Art. 19a (1) Accounting Directive) might hamper balanced reporting.

Re. “accurate”: Without external independent assurance on a comparable level as that for “traditional” management reporting (in Germany the full required content of the “traditional” report is subject to a reasonable assurance opinion by the auditor) the accuracy of reporting might be questionable, especially as companies cannot usually rely on well-developed reporting systems and internal controls in the ESG field.

Re. “timely”: As Art. 19a (4b) Accounting Directive allows for report to be published up to six months after the balance sheet date (Sec. 289b (3) No. 2 lit. b) HGB: four months), thus consistently timely reporting is not ensured.

Re. “comparable between companies” and “comparable over time”: It seems to be too early to assess the comparability of non-financial reports. The first impression, however, is that much of the reported information remains at a qualitative and rather policy-driven level, which hampers comparability. We believe that the “alignment” of non-financial and financial reporting frames as advocated above would foster quantitative reporting, thus increasing comparability between companies and over time.

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 newly introduced category (large company with more than 500 employees) and the different regulatory frame with regards to “traditional” management report contents (see above: questions 41 & 42) impair coherence.

Question 44. Do you agree with the following statement:

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

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

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

> Companies adopting non-financial reporting for the first time will inevitably suffer costs in implementing reporting systems and may not see an immediate benefit from doing so. Indeed, it is possible that the reporting of certain information may have short-term negative impacts on the reporting company. In the long-term, however, we believe that such reporting will bring benefits to the company, including improved risk and opportunity management systems, better access to finance and greater competitiveness.
>
> One should expect that the information reported would, in general, align with management’s own information needs. Therefore, in our view the costs of the NFI Directive should be proportionate to the benefits if implemented in this way.

Question 45. Do you agree with the following statement:

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

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

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

> To align and mainstream non-financial reporting with “traditional” management reporting we would recommend that all large entities and all PIEs listed in relevant national indices provide information necessary for an understanding of the undertaking's development, performance, position and the impact of its activity.
>
> There are some large non-listed (family-owned) companies which are not required to report, but arguably

have big impacts on non-financial matters due to the nature of their business. Additionally, there are companies included in relevant indices that do not have to publish a non-financial statement because they have less than 500 employees (10 companies in SDAX, which equals 20%, and 3 companies in TecDAX, equalling 10%).

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:

Our impression is that key suppliers (not all suppliers) have to provide key ESG information (not full non-financial statements). We believe this is an acceptable market-driven approach.

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:

In our view, the non-binding guidelines provide only little guidance beyond the EU CSR Directive and they have had almost no influence on the preparation of non-financial statements in Germany.

The emphasis on and listing of thematic areas in the guidance encourages a checklist approach to meeting the minimum requirements of the Directive. We think it is essential that companies focus on the full range of factors that affect the long-term prospects of their business.

This explains our low scores for question 48 (which offers no comment opportunity). We believe the regulatory framework for non-financial reporting should be aligned with the “traditional” management reporting framework (see above, questions 40 & 41) and the definitions of “materiality” and “risk” should be clarified.

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 the CSR Directive helped to raise awareness amongst management and supervisory boards and investors, especially as the German implementation law mandates supervisory boards obtain an opinion on the faithfulness of the non-financial information with the same depth as for financial statements.

Country-by-country reporting by extractive and logging industries

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

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

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

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

We support the objective of the country-by-country (cbc) report to enhance the transparency of payments made to governments by entities active in certain sectors. However, in Germany only a few companies are required to prepare and publish the cbc report. In our view, considering German companies, the effort and (recurring) costs of implementation and of updating new reporting processes and for collecting relevant data from all over the world exceed the benefits generated by the report. Furthermore, many companies struggle to gather relevant information needed to prepare and publish cbc reports in time. Taking into account that an audit of cbc reporting is not prescribed yet (in Germany), there is a significant risk that cbc reports will contain material misstatements. This could have a negative impact on achieving the objectives of the cbc report.

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:

> We believe that cbc reporting encourages companies to further improve their monitoring of payments to prevent corruptive, illegal payments to governments, especially in countries rich in natural resources. Furthermore, cbc reporting enhance transparency which can strengthen the reputation of EU companies.
>
> On the other hand, cbc reports – based on Chapter 10 of the Accounting Directive – include hardly any explanatory notes. Consequently, users of the information provided in cbc reports might misinterpret the reported figures. This could have a negative impact on the competitiveness of EU companies.
>
> We further believe that certain rules in Chapter 10 of the Accounting Directive could disadvantage EU companies: Based on Art. 42, Art. 44 and Art. 46 of the Accounting Directive, companies are not required to prepare (consolidated) cbc reports if they meet certain criteria. More specifically, Art. 46 exempts undertakings referred to in Art. 42 and 44 that prepare and make public a report complying with third-country reporting requirements assessed, in accordance with Art. 47, as equivalent to the requirements of Chapter 10 from the requirements of Chapter 10, except for the obligation to publish this report as laid down by the laws of each Member State in accordance with Chapter 2 of Directive 2009/101/EC (see the Commission Implementing Decision (EU) 2016/1910 of 28 October 2016). In our opinion, this exemption should also apply to (parent) entities which are themselves a subsidiary undertaking, if the ultimate parent undertaking prepares and makes public a report complying with third-country reporting requirements assessed, in accordance with Art. 47, as equivalent to the requirements of Chapter 10, except for the obligation to publish this report as laid down by the laws of each Member State in accordance with Chapter 2 of Directive 2009/101/EC. Without such exemption, EU companies could have a competitive disadvantage in comparison to those third-country companies that are exempt from preparing (consolidated) cbc reports in such cases (i.e., parent undertaking in a Member State and subsidiary in a third country).

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**?

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

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

The reasoning behind integrated reporting explicitly is better allocation of capital (understood in a wide sense) over the short, medium and long term (instead of a short term focus), which leads to better risk management. Integrated reporting also leads to improved reporting of financial capital (narrower understanding of capital), as research shows. Whereas separate financial and non-financial reporting leads to socially responsible investors in particular taking ESG into account, integrated reporting leads to mainstream investors considering these value drivers. Integrating ESG into enterprise risk management systems is necessary as far as e.g. the following risk categories are concerned: 1. Event risks (e.g., long tail risks, such as Deepwater Horizon or Fukushima), 2. Legal risks (e.g. US tobacco companies were sentenced to fines >300 bn USD), 3. Regulatory risks (e.g., German Energiewende (exit from nuclear and fossil fuel energy) and its impact on utility companies), 4. Reputational risks (e.g., Bayer‘s Monsanto purchase). Also from an investor perspective, it does not make sense to separate such information from „traditional financial information“.

However, we would like to emphasize that the term „integration“ should only relate to information that is relevant to a company‘s (financial) position. Reporting on how future-proof its business model is and on risks and opportunities to its future development should be included in a management report (i.e., other information can only be combined with financial information, but not connected to it).

Moreover, we would like to emphasize that integrated reporting can lead to better capital allocation, but there are far more promising, market-driven approaches, such as appropriate emissions trading schemes or green taxes. If such mechanisms lead to internalization of externalities, they would go directly into P&L accounts and would be considered immediately by all active Investors.

Question 55. Do you agree with the following statement?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know / no opinion / not relevant
A move towards more integrated reporting in the EU should be encouraged				✓		
The costs of a more integrated reporting would be proportionate to the benefits it generates (would be efficient)				✓		

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

Reasoning see above (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:

No, since the EU CSR Directive and its implementation into German GAAP allow for integrated, combined and separated reporting. The information to be provided is not within the scope of the statutory audit. The IDW German Auditing Standard for Management Reports explicitly acknowledges that when such information is included in the management report, it may be specifically labelled „not audited". The current legislation allows for experimentation with integration, which is not followed by companies in practice. For example, 27 of the DAX30 companies have had to prepare non-financial statements for FY2017 thus far. To our knowledge, only five used the „integration option", most used the „separate reporting option".

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...):

The estimated magnitude or qualitative dimensions of such cost reductions are essentially dependent on the question of whether the use of digital reporting creates an additional publishing obligation for the entities, or whether existing home jurisdictional disclosure requirements can also be fulfilled by the digital disclosures.

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					X	
Management report		X				
Corporate governance statement		X				
Other disclosure or statements requirements under the Transparency Directive such as information about major holdings		X				

Non-financial reporting and other reports

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

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

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

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

> The availability of financial information in a structured format could benefit limited liability companies and particularly SMEs e.g. by increasing their attractiveness to investors.
>
> XBRL has been developed specifically for financial information and also facilitates linking this to other information about the company, sustainability reporting frameworks used, level of reliability, etc. Even such narrative information presented outside of the financial statements, for example in the management report, should be company-specific information that can be reported in a structured format, by tagging.
>
> Structured electronic reporting with XBRL requires a taxonomy, that does not include by default industry-specific presentation but instead allows the company-specific extension of tags. Inevitably, some European jurisdictions have their own reporting taxonomies to reflect local accounting and other reporting requirements.

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

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

Reduce the reporting costs of preparers	○	○	○	○	○	●

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

Digitalization not only improves access to financial information, but also access to related non-financial information. In addition, digitalization provides the ability to analyse this information automatically and present the results more intuitively than is the case for text-only data, linking non-financial information to financial information and providing more detailed analysis results.

Regarding the standardization of data formats, this is more difficult for non-financial information than for financial information, especially as there is no agreement as to what constitutes a standard or minimum value for the disclosure of NFI. Data analytics based on structured data constitute an important source of information, providing users with full transparency. They can structure the data in order to best benchmark against other areas of the organization, and over time. Thus, digitization enables greater integration of financial and non-financial information, facilitating integrated thinking.

Artificial Intelligence based expert systems are the next step for companies that will enable them to enhance their NFI reporting, thereby enabling continuous improvements in NFI reporting.

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
- ○ Don’t know / no opinion / not relevant

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

Not only do we consider that the security and accountability of digital reporting should be an obligation of the reporting company, but also that existing and future OAM should have to ensure the authenticity and reliability of the digital reporting provided.

Hence we agree, that electronic reporting should be secured by the reporting company. Which electronic mechanism and techniques are used depends on the design of the reporting process and the realized IT-related security controls at a company level and an OAM level.

However, we recognize that creators must rise to the challenge of overcoming any initial resistance to the transition from a paper-based (traditionally signed) document-centric process to electronic documents (e.g.

signed by electronic signatures). For auditors, this has the implication that they are faced with the legal and technical challenges of using electronic signatures or other digital authentication techniques.

In the context of publishing and providing XBRL-based financial reporting, we also encourage ESMA to start the debate on the security and accountability of structured electronic reporting information, as there is currently no international standard addressing this issue.

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:

> In principle we agree that the re-use of public reporting data in the form of structured electronic reporting data submitted by listed companies can reduce the burden (in terms of timing and cost) resulting from companies nowadays having to file similar reports with different authorities. However, an essential aspect of this question is whether the reporting obligations in the home jurisdiction can be fulfilled without additional reporting efforts.

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?

Yes, we would like to add some further comments on selected questions of the questionnaire.
We refer therefore to the seperately uploaded document (see additional Information).

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:

5916d9c1-6bb6-4fc8-b2c2-804d6ce23c17/Appendix_to_EU_Fitness_Check_19072018.pdf

Useful links

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

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

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

Contact

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