

Fitness check on EU framework for public reporting - results of public consultation

IFASS Buenos Aires

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Motivation for the consultation

- Investors require information to assess companies' long term value creation
- IT development and sustainability concerns brought rapid changes to business environment
- Therefore: the EU is conducting a comprehensive check to determine whether the EU framework for public reporting by companies is still:
 - **fit for purpose** (effective, relevant and efficient)
 - **fit for new challenges** (such as sustainability and digitalisation)
 - **coherent**, and
 - **adding value at EU level**

Source: summary report, p.1

The consultation

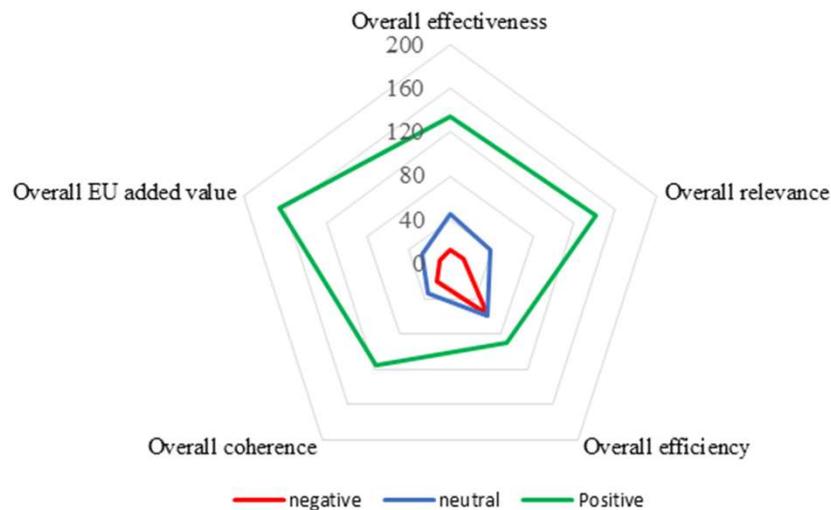
- Internet questionnaire with 67 questions
 - EU public reporting framework overall (7)
 - EU financial reporting framework applicable to all EU companies (11)
 - EU financial reporting framework for listed companies (12)
 - EU financial reporting framework for banks and insurance companies (9)
 - Non-financial reporting framework (17)
 - The digitalisation challenge (10)
 - Other comments (1)
- Open for comment from 21 March to 31 July 2018
- Summary report publishes 31 October 2018
- Results were presented and commented at high level conference on the Future of Corporate Reporting in Brussels, 30 November 2018
- 272 individual responses publicly available

Responses submitted

- Stakeholders from 23 Member States and 25 third countries submitted 338 responses
- Not all respondents responded to all questions
- 82 % of the responses were from organisations and companies, 9 % from public authorities and international organisations and 9 % from private individuals
- 60 % of the responses from entities in Germany (25 %), the United Kingdom (11 %), Belgium (9 %) and France (8 %)
- Respondents were operating a.o. in the accounting area (22%), in information and telecommunication (19%) and in insurance and banking 13%

Source: summary report, p.2

Overall benefits of the EU reporting framework



The EU framework overall **brings added value, is effective and relevant** for achieving its objectives **and is coherent**

For preparers it could be more efficient

Some respondents indicated there is no need for changing the framework

Source: summary report, p.4

The IAS regulation

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?
- Majority of respondents were against carve-ins
 - 172 against (78 %)
 - 49 in favour (22%)
- But clear regional differences
 - 75 % of respondents in France would support carve-ins, against
 - Only 15 % in Germany, the UK and the Netherlands

It should be noted

- That the phrasing of the question led to some false positives
 - E.g. a user responding to be in favour but commenting that he was against
- That the question only allowed additional comments in case of support for carve-ins which appears to have caused some respondents to answer in favour of carve-ins (=disagree) in order to be able to include a comment against carve-ins
 - E.g. LSE answering “disagree” in combination with commenting: “Divergence by the EU away from the content requirements of IFRS would undermine the current position, leading to a greater level of fragmentation and potentially reducing the level of uptake of international standards”

Source: published responses

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?
- 129 yes (68%)
- 37 no (20%)
- 22 don't know (12%)

Source: published responses

Sustainability and long term-investing

- Large majority of respondents agreed with the importance of **sustainability and long-term investing**
- Several asserted that there **was no evidence** that the current IFRS framework would hamper sustainability and long-term investing
- Several respondents pointed out that the broad criterion of “being conducive to the EU public good” should be adequate for considering sustainability and long-term investing concerns
- Few respondents saw the need to add specific endorsement criteria

Question 21

- How could the EU ensure that IFRS do not pose an obstacle to sustainability and long-term investments?
- 19 by retaining the power to modify IFRS standards in well-defined circumstances (11 %)
- 27 by making explicit that To be conducive to the European public good, sustainability and long-term investment must be considered (16 %)
- 95 other (56 %)
- 28 don't know (17 %)

Source: published responses

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 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?**
- 25 Yes (13%)
- 142 No (76 %)
- 21 Don't know (11 %)

Source: published responses

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?
- 29 totally disagree (16 %)
- 19 mostly disagree (10 %)
- 35 partially disagree/agree (19 %)
- 24 mostly agree (13%)
- 64 totally agree (34 %)
- 15 don't know (8 %)

Source: published responses

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. Do you agree that prescribed (minimum) layouts enhance comparability of financial statements for users and should therefore be introduced for companies using IFRS?
- 64 totally disagree (34 %)
- 30 mostly disagree (16 %)
- 37 partially disagree/agree (19 %)
- 26 mostly agree (14%)
- 16 totally agree (9 %)
- 15 don't know (8 %)

Source: published responses

Endorsement and layout

- Large majority of respondents questioned whether **an EU conceptual framework should underpin the IFRS endorsement**, as it would be time consuming, and would add complexity and bureaucracy
- There was not much support for the EU to endorse the IASB conceptual framework
- Very mixed views about setting a **mandatory minimum layout** for IFRS financial statements
 - Users were mostly in favour
 - Preparers who were mostly against

Next steps

- Commission will report on the overall fitness check in a Commission Staff Working Document by mid-2019

fd.
het financieele dagblad

Maandag 17 september 2018 • Nummer 219 • 32 pagina's
'Al het geene tot het financieele eenige betrekking heeft' - sinds 1796

Tegenslag
'Ik was de kroonprins, maar werd keihard gepasseerd'

PAGINA 18 & 19

Femke de Vries
'Wetgever doet er goed aan kritisch te kijken naar de drempels voor klant'

Overzicht ?

ACCOUNTANCY

Ernstige zorgen over Brussels gemorrel aan boekhoudregels

Beursbedrijven en beleggers verwerpen EU-plan om van IFRS-standaard af te wijken

Jeroen Piersma
Amsterdam

Beursgenoteerde bedrijven en grote beleggers in Nederland zijn faliekant tegen een plan van de Europese Commissie om internationale boekhoudregels

weten helemaal niets in het plan te zien. Begin oktober moet duidelijk worden hoe de krachtsverhoudingen in Europa liggen, als alle reacties op het plan van de Commissie openbaar worden. Begin volgend jaar zou Brussel dan een besluit moeten nemen

144
Wereldwijd gebruiken 144

ken van de regels in andere IFRS-landen. En daarmee gaat het kernidee van IFRS, wereldwijde vergelijkbaarheid van jaarrekeningen, verloren, zeggen de tegenstanders van het Commissieplan. IFRS geldt overigens alleen voor beursgeno-

ard

Serious concerns about Brussels tinkering with accounting rules

Comments of Dutch Government

- The Netherlands attach great importance to international comparability of financial information of listed companies
- Possible amendments to international accounting standards at a European level would be counter-productive and undermine trust of international investors in European companies

Reply by Wopke Hoekstra, Finance Minister,
to questions in Parliament 15.10.2018

