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**Markets Union**  
European Commission  
Building SPA 2  
B-1049 Brussels, Belgium

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### **Fitness Check on Public Corporate Reporting**

Dear Sir,

ACTEO, Afep and MEDEF are the main professional organisations representing interests of private and public companies in France, which are preparers of corporate reporting.

We welcome the consultation launched by the Commission on the European public corporate reporting framework (the Fitness Check). **Reporting requirements have significantly increased** over the last decade with, in particular, additional layers of reporting on Environment, social and governance (ESG) topics. As a consequence, there is today a huge amount of information on companies available to all stakeholders but **no assurance that the growing flow of data is useful**. It is therefore high time the Commission assessed the reporting framework with, from our perspective, the objective to streamline the requirements.

First of all, we wish to insist on several points regarding the Commission's Better Regulation Policy and, generally speaking, public reporting.

**As a better regulation principle, it should be possible to amend one specific point in a directive or regulation without necessarily reviewing the entire text.** Furthermore, in order to significantly relieve companies from the administrative burden, the Commission should **introduce a “one in, one out” principle:** before considering any new legislative proposal, the Commission should determine whether there are any existing legislations that would achieve the same objectives and repeal one legislation for any new proposal.

**As regards the existing reporting requirements, we consider that the EU reporting framework is, overall, effective and consistent and delivers meaningful information to stakeholders.** Modifications made to the framework to further address the specific characteristics of micro enterprises and SMEs were appropriate and have enhanced its intrinsic coherence for this layer of entities. At the same time, the reinforcement of the requirements for PIEs added a significant level of complexity and burden – especially when taken in conjunction with the additional requirements for the audit of financial statements – which may be overwhelming for small PIEs.

Regarding listed companies, issuers are committed to improving the quality of information disclosed through a constant process of self-assessment and benchmarking with peers, as well as dialogue with shareholders and investors. Although there are new needs expressed by stakeholders and new topics to report on, the existing framework is robust. **Issuers should not have to address all needs of all stakeholders on a prescribed basis, and indeed cannot do so.** The role of the Commission, in consultation with issuers, should be to filter and prioritise demands for disclosure in order to ensure that the reporting framework remains consistent and its objectives are respected. Only in this way can the risk of multiplication and fragmentation of information be avoided.

**Issuers play a key role as preparers in achieving a reporting of high quality in conformity with the Commission’s objectives** (stakeholder protection, market integration, development of the internal market). Therefore, they must be involved in the reflections regarding corporate reporting and, in particular, in the group of experts, mentioned in the roadmap, which the Commission is intending to establish in the second half of 2018. As a matter of fact, we consider that **there is a bias towards investors (both institutional and retail) and potential end-users which leaves little opportunity to take into account the needs and constraints of preparers.** Involvement of companies is necessary in order to ensure that reporting requirements are fit for purpose and proportionate. Such a bias is apparent in the international accounting standards setting process and also, more generally speaking, in the reporting standards setting process, including in the field of ESG and climate risks reporting.

Hence, we consider that the Commission should supplement the objectives mentioned above and consider that **the purpose of corporate reporting is also to facilitate access to capital markets for companies as well as allow the financing of the EU economy.**

Regarding more specifically the issues raised by the Fitness Check:

- **We support the Commission’s initiative to collect data on the costs of reporting**, both financial and non-financial. However, in practice, it has proven difficult to collect data due to a lack of methodology: external costs (audit fees, for instance) can be easily identified whereas internal costs are more difficult to assess; the scope also needs to be precisely defined since there can be additional requirements imposed by member states. Issuers are concerned that without a clear and harmonised methodology, they will not be able to perform an exhaustive assessment of the costs incurred. The data provided would therefore be incomplete and could lead to underestimating the costs linked to the reporting requirements. One way forward would be to **request the expert group mentioned above to define a methodology and then to proceed on a separate data collection regarding costs.**
  
- **In order to assess the effectiveness and relevance of the corporate reporting framework, other legislations should be taken into account:** the prospectus and market abuse regulations. In France, for instance, nearly half of the issuers listed on Euronext Paris have chosen on a voluntary basis to publish, every year, a registration document (Document de reference) based on the disclosure requirements of the Prospectus Directive and its implementing measures. The large majority of these companies do not use the registration document to issue securities. It has become a best practice to provide meaningful information to shareholders and investors. This Document de reference includes more information than required by the Transparency and Accounting Directives and offers insight for understanding the business model and strategy of the company. Thus, **the Document de reference can address the needs of many stakeholders in terms of information.**
  
- The Accounting Directive was transposed into French legislation in 2015. **We are therefore not in favour of a revision of the directive.** Options in the directive should be maintained in order to take into account the specificities of each Member State. Companies consider that national GAAPs should be preserved considering the links with domestic tax regime and provisions of Company Law. Moreover, the potential differences in accounting treatment are only a minor consideration when cross-border transactions and establishment are contemplated. Revision of the Directive for this sole purpose is not necessary.
  
- **We support the idea to introduce a carve-in mechanism in the IFRS endorsement process** but are not supportive of the establishment and adoption of an EU conceptual framework. As regard a would be carve-in, the purpose is not to develop an EU set of standards diverging from the IFRS published by the IASB but to restore the EU’s sovereignty. **The implementation of the carve-in should be strictly framed and use as last resort** to ensure that EU’s concerns and objectives are taken into account in the standard setting process. In addition, the EU’s influence should be reinforced further upstream in the process of the development of new standards, including amendments to standards and interpretations. The EU should therefore reiterate our demand for

greater European representation in the different decisional bodies of the IASB and the IFRS Foundation.

- **We do not support a definition of alternative performance measures (APMs) and a standardisation of the lay-out of primary financial statements.** Companies should be able to choose what APMs are relevant as long as they comply with ESMA's guidelines. Defining and requiring the disclosure of the most commonly used APMs would result in issuers making public non-relevant and/or immaterial information which would be contrary to the objective to enhance transparency. APM are by nature non-GAAP measures and should not be standardised.
- It is difficult to assess the effectiveness of the Non-financial Reporting Directive considering that it has only just been transposed. **Companies need time and stability of the framework** to implement in an efficient manner the requirements of the Non-financial Reporting Directive. Therefore, **we are not in favour of reviewing the directive and the Commission's guidelines.** We also consider that implementation of the TCFD's recommendations should be on a voluntary basis: risks related to climate change, in particular, are a complex and sensitive topic that needs to be addressed on a stepwise and voluntary basis. European institutions and authorities should pay close attention to competition issues and to the need for ensuring a level playing field between EU companies and third-country companies. **Any step forward on sustainable finance needs to be implemented on a consistent basis in all G20 countries to avoid a situation where only EU companies would have to comply with reporting requirements that would negatively impact their competitiveness.**
- Likewise, **a move towards integrated reporting should only be on a voluntary basis.** The concept of integrated reporting should be clearly distinguished from the integrated report model proposed by the IIRC (International Integrated Reporting Council): many companies make their best efforts to establish summary information by gathering or combining financial, environmental and social matters, without actually being willing or able to use the IIRC Framework which raises many issues. Companies want to continue to have the flexibility in this area and do not subscribe to the idea of a mandatory or standardised integrated report. The Corporate Reporting Lab the Commission intends to establish could be the place to discuss and experiment new practices.
- **Electronic Structured European Format for reporting (ESEF) should not be extended to other reports and to non-financial information.** Implementing ESEF to financial statements established in accordance with the IFRS will already be a challenge for small and medium companies and a burden for all companies considering that the costs of implementation are likely to outweigh the benefits. Furthermore, French companies are still opposed to the format of reporting selected by the Commissions (iXBRL).
- **Finally,** and although not addressed in the Fitness Check, we wish to reiterate that **French companies are opposed to a public country-by-country reporting (CBCR) of tax-related information,** which would be imposed on European companies alone. European companies would

be placed at a competitive disadvantage compared to companies in third countries if they were compelled to disclose CBCR of profit, taxes and subsidies to the public. Competitive disadvantage means fewer markets won, decreased investments and lower employment.

**In conclusion, the EU reporting framework taken as a whole (legislation included in this fitness check and other related texts such as Prospectus, Market abuse or CBCR... ) is very complex. All of these texts have been recently revised. Companies need time and stability to draw conclusions on possible improvements and streamlining. Therefore, we reiterate that it is essential to stop adding new layers of information to the reporting framework and to reinforce proportionality and simplification in order to preserve the attractiveness of capital market financing for European companies.**

If you require any further information on any of the topics or views expressed in this response, please do not hesitate to contact us.

Yours faithfully,

**Patrice Marteau**  
Chairman  
Acteo



**François Soulmagnon**  
Director General  
Afep



**Michel Guilbaud**  
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Medef

