

EVALUATION ROADMAP

Roadmaps aim to inform citizens and stakeholders about the Commission's work to allow them to provide feedback and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to share any relevant information that they may have.	
TITLE OF THE EVALUATION	Fitness check on public reporting by companies
LEAD DG – RESPONSIBLE UNIT	DG FISMA – Unit B.3 "Accounting and financial reporting"
INDICATIVE PLANNING (PLANNED START DATE AND COMPLETION DATE)	Q1 2018 – Q2 2019
ADDITIONAL INFORMATION	Internal market (financial and non-financial reporting) https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en

The Roadmap is provided for information purposes only. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the document, including its timing, are subject to change.

A. Context, purpose and scope of the evaluation

Context	<p>Public reporting by companies aims to inform shareholders, investors, creditors, and any interested party on the companies' affairs with the objectives of ensuring protection, market efficiency, access to capital, facilitation of cross border operations, public confidence, sustainability and accountability.</p> <p>The EU law on public reporting is based on a number of EU legislations that were adopted at different points in time and that underwent continuous changes over the years, with the latest improvements in 2013 and 2014 aiming to address specific issues.</p> <p>With a view to build on hindsight after implementation in the Member States, to assess the performance and consistency of the different developments of EU legislation in the last 10 years, and to respond to a number of specific review clauses, the Commission is set to conduct a comprehensive fitness check.</p> <p>In addition, reporting by companies faces important longer-term challenges which may affect the current setting, such as emerging calls for more reporting on sustainability and digitalisation. First, there is significantly increased awareness among many different parties that the focus of public reporting by companies needs to be broadened beyond (short term) financial information to mainly capital providers, to providing also insights in companies' long term value creation, and companies' impact on ESG (Environmental, Social, Governance) factors in the interest of society as a whole and to support the move towards more sustainable finance. Second, digitalisation has the potential to modernise the way this public information is disseminated by companies and accessed by investors and the broader public. In other words digitalisation could be a way to make public reporting more efficient and effective for all stakeholders.</p> <p>The Commission will pay particular attention in identifying synergies and interactions with a number of policies which will not be specifically examined in this Fitness Check. These include, inter alia, Company Law (corporate governance, capital maintenance, mergers, new disclosures to come by virtue of the Shareholders' Rights Directive), digitalisation (eIDAS, Free Flow of non-personal Data Regulations, forthcoming proposals on the life-cycle of companies), corporate tax reforms, rules on conflict minerals. In parallel, the Commission is conducting a Fitness Check on supervisory reporting in the financial sector i.e. reporting by EU regulated entities towards supervisory authorities.</p>
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Purpose and scope

This fitness check exercise will assess whether the public reporting obligations including financial and non-financial reporting requirements for the EU companies with limited liability are meeting their objectives (effectiveness, relevance and EU added value), whether the different adaptations to the public reporting acquis are consistent with one another (coherence of current legislation taken as a whole) and finally whether the cost and burden stemming from the various legal reporting obligations are reasonable and proportionate (efficiency).

It will cover the various reporting requirements as of today taking into account the latest amendments of the Accounting Directive and the Transparency Directive in 2013 and the evaluation of the IAS regulation in 2015.

Note that this Fitness check is of a different nature from the ongoing Fitness check on supervisory reporting requirements which addresses the reporting requirements to supervisory authorities in the financial sector.

First the Commission will assess whether the EU financial reporting framework is still fit for purpose. It will look at issues such as whether this framework is suitable for cross border businesses in the frame of a more integrated Single Market and well-functioning capital markets, how to deal with the emergence of new business models combined with the increasing importance of intangibles in the digital economy, whether the simplifications brought in for small undertakings work properly including the accounting regime for micro-companies, the role of International Financial Reporting Standards and its interaction with the broader EU accounting framework, as well as specific disclosures requirements for listed companies. As part of this exercise, the Commission will address its legal obligation to review the accounting regime for micro-companies, as well as the revision of size-criteria defining SMEs¹, and the latest amendments to the Transparency Directive.

More specifically with respect to the financial sector, the Commission will assess whether the specific accounting framework for financial institutions and insurance companies is still coherent with other financial reporting legislations and with the EU strengthened prudential and supervision framework.

Second there is an increasing demand for public reporting on a broader range of topics by a wider audience. Corporate reporting on sustainability issues has acquired increasing importance as a means to enable financial market participants to properly assess companies' long term value creation and their sustainability risk management. As part of this Fitness check, the Commission will as required by the Non-Financial Reporting Directive review its functioning taking into account the recent developments on Sustainable Finance. In addition the Commission will also look at other reporting requirements such as the reports on payments to governments by extractive/logging industries.

Third there are ongoing market developments to address the interaction and integration of the different sets of public reporting by companies (financial, non-financial and other reports). The Commission will look at whether these developments could be conducive to a more effective and efficient EU reporting framework.

Fourth digitalisation also raises important long-term challenges as well as opportunities. With investors and the public at large calling for enhanced public access to information, technological developments could lead to important simplifications for public reporting and reduction of the administrative burden for companies.

For this Fitness Check, companies mean limited liability companies of the type listed in the Accounting Directive, companies that have issued securities on an EU regulated market as well as banks and insurance companies subject to the Bank and Insurance Accounts Directives.

This Fitness check will cover in a holistic manner the Accounting Directive including the Non-Financial Reporting, the Regulation on International Accounting Standards (IAS Regulation), the Transparency Directive (TD), the Banks Accounts Directive, and the Insurance Accounts Directive. The recent evaluation of IFRS will

¹ The revision of SMEs definition in Recommendation 2003/361/EC.

be factored in.

The assessment will cover both the level 1 and the level 2 legislations².

The open consultation is expected to be launched in 1st quarter of 2018 and will last for a period of at least 12 weeks.

The final deliverable would be a Staff Working Document to be published in the 2nd quarter of 2019.

B. Better regulation

Consultation of citizens and stakeholders

The consultation strategy will consist mainly in an open public consultation, a hearing, bilateral meetings with stakeholders, ad hoc debates with experts and outsourced studies currently on-going regarding micro undertakings and the country-by-country reporting for extractive / logging industries .

The public consultation will aim to obtain evidence from a wide range of stakeholders, including large companies, SMEs, financial institutions, regulatory and supervisory bodies, accounting and audit firms, investors, as well as any other relevant party – commercial, public, academic or non-governmental, including private individuals, and civil society on the existing legislation. This evidence will include whether the existing reporting requirements achieve the intended objectives, strike the right balance between the different stakeholders' needs, and are still fit for purpose.

In particular, participants will be asked for their views on the following:

1. Whether the current financial reporting framework meets its objectives and will continue to do so in the digital economy, whether the level of harmonisation and simplification meets the needs of respectively the large cross border groups and the SMEs, the role of IFRS for non-listed and listed companies including governance aspects to ensure these are not detrimental to long term and sustainable investments, and the coherence of sectoral accounting legislation for banks and insurance companies with other EU reporting and prudential legislations;
2. Whether the financial and non-financial disclosures in the area of Environmental, Social and Governance (ESG) reporting by companies are fit for purpose, including as regards sustainability disclosures;
3. Whether to encourage experimentation with integrated reporting as a way to make the EU reporting framework more effective and efficient and if yes how;
4. Whether public corporate reporting does take enough consideration of – and at least is not a hindrance to – technological progress and how to make the best use of these new tools to do more with less.

The open public consultation would be launched in 1st quarter of 2018 and would last for a period of 12 weeks. It will be available in the three working languages of the EU (English, French and German), and respondent will be able to provide their contributions in any of these languages. Stakeholders will be able to access the consultation via the Commission's central [public consultation page](#).

In addition to the open public consultation, a conference on financial and non-financial reporting is being organised in the 2nd semester of 2018. The panellists will be comprised of experts from EU supervisory and regulatory bodies, and will also include national authorities, industry stakeholders, preparers, users and academics with relevant experience in this field. Depending of the information obtained from the consultation and the conference, informal group of experts might be invited on an ad hoc basis, to provide valuable practical

² Note however that the substantive IFRS requirements are outside the scope of this exercise.

knowledge and experience in the public reporting of companies.

The synopsis report (a summary of all consultation activities' results) will be published on the consultation page once all consultation activities are closed.

Data collection and methodology

The fitness check will incorporate evidence and data mainly, but not exclusively, from the following sources:

- A public consultation;
- A conference to be held in the spring of 2018;
- Studies commissioned to external contractors, including ongoing studies concerning the reporting of payments to governments by extractive industries and the accounting requirements for smaller (micro) companies;
- Conclusions drawn up from work currently being carried out by the High Level Group of Experts on Sustainable Finance, which was set up in 2016 by the Commission;
- Relevant items, if any, of the Fitness check of supervisory reporting requirements. It addresses the regulatory reporting of the financial sector and is therefore of a different nature;
- The evaluation of the IAS Regulation (COM(2015) 301 final);
- The results of the Commission's assessment of the national transposition measures for the Transparency Directive and the Accounting Directive, as announced in the Call for Evidence Communication of 23 November 2016 (COM(2016) 855 final).

The quantification costs and benefits will be drawn from all above-mentioned sources as well as estimates provided in previous impact assessments (the review of the Accounting Directive including the non-financial reporting and the reporting of payments to governments by extractive industries, the review of the Transparency Directive).