European Commission
Directorate-General for Financial Stability, Financial Services and Capital Markets Union
Mr Olivier Guersent
1049 Brussels
Belgium

Date	18 July 2018
Our reference	SnBa-18072387
Page	1 of 29
Subject	Response AFM to Fitness Check on the EU Framework for Public Reporting by Companies

Dear Mr Guersent,

The Dutch Authority for the Financial Markets (AFM) welcomes the initiative of the European Commission (EC) to perform a fitness check of the EU framework on public reporting by companies. The AFM has responded to this consultation through the online questionnaire on the website of the European Commission. In this letter, the AFM wishes to reiterate its reactions made in the online questionnaire. For reasons of transparency, the AFM will publish this letter on its website.

The AFM has contributed to the consolidated answer to the consultation given by the European Securities Markets Authority (ESMA). In this letter, the AFM wants to emphasis specific subjects that are of particular importance to the AFM.

Annex 1, attached to this letter, contains all answers the AFM has provided in response to questions from the consultation document.

Maintain current system of endorsing IFRS with prevention of modifying content of IFRS by EC[1]

The AFM feels strongly that it is still appropriate that the IAS Regulation[2] prevents the EC from modifying the content of IFRS. It is still important that the financial reporting standards applied by European companies participating in financial markets are accepted internationally and are truly global standards. This implies an increasing convergence of accounting standards, with the ultimate objective of achieving a single set of global accounting standards. The current IAS Regulation has an important contribution to the increase in transparency and comparability of financial reporting.

[1] Response of the AFM to questions 19 and 20 of the Consultation Document:

- 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?
- 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?

[2] Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

Dutch Authority for the Financial Markets
Chamber of Commerce Amsterdam, no. 41207759
Reference: SnBa-18072387
Visiting address Vijzelgracht 50
P.O. Box 11723 • 1001 GS Amsterdam
Phone +31 (0)20-7972000 • Fax +31 (0)20-7973800 • www.afm.nl

An alteration of the IAS Regulation that would give the EC the power to modify the content of IFRS, a model often referred to as the use of 'carve-ins', would run counter to the objective of achieving a single set of global accounting standards. As stated in the 2013 Maystadt report[3], the risks resulting from the use of 'carve-ins' include the creation of regional rather than global standards, the possibility that third countries would not recognize the European standards, an increase in cost of capital for European issuers, and the allowance of excessive lobbying for private interests up to the last stage of the endorsement procedure. Therefore, the AFM is of the opinion that the IAS Regulation should not be put into question, as the underlying objectives remain valid.

The AFM feels strongly that the EU endorsement process of IFRS is appropriate and can accommodate further developments in broader EU policy objectives such as sustainability. The AFM would also like to highlight that the primary objective of the IAS Regulation is transparency of financial information, which should not be compromised to meet other policy objectives. The AFM would like to stress that transparency promotes financial stability. Sustainability and long-term investment policy objectives, albeit important, could be addressed via the existing endorsement process for example by adding them as part of the already existing European Public Good criterion and other policy tools.

Strengthening of EU public reporting framework by requiring a cash flow statement, enhancing non-financial reporting requirements, and disclosures of distributable profit[4]

The AFM believes that the current EU public reporting framework (EU framework) would be strengthened by requiring companies to include a cash flow statement in their financial reporting. The information provided in a cash flow statement is relevant for stakeholders, and disclosure of cash flow information promotes financial stability. All Member States, except three, already require a cash flow statement; for comparability of financial reporting, the AFM urges to require all European companies to include a cash flow statement.

Furthermore, the AFM is of the opinion that the current EU framework regarding a company's strategy, business model and value creation is relevant and covered by the NFI Directive[5] and the corresponding non-binding Guidelines on non-financial reporting, but would benefit from a more solid and consistent reporting framework and from strengthening the existing requirements.

Moreover, the AFM wishes to highlight that the EU framework does not require companies to disclose their distributable profits within the EU framework, and that this could be a useful requirement for stakeholders. Any

[3] P. Maystadt, *'Should IFRS standards be more "European"? – Mission to reinforce the EU's contribution to the development of international accounting standards'*, October 2013.

[4] Response of the AFM to question 16 of the Consultation Document:

- <u>Question 16:</u> 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:
  - A company's or group's strategy, business model, value creation;
  - A company's or group's intangible assets, including goodwill, irrespective of whether these appear on the balance sheet or not;
  - A company's or group's policies and risks on dividends, including amounts available for distribution;
  - A company's or group's cash flows.

[5] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

amendments to the current requirements, regarding intangible assets, cash flow statements or others, should be dealt with within the IFRS standard-setting process.

Improving coherence of management report requirements in EU framework[6]

The AFM highlights the fact that the lack of homogeneity of requirements of management reports across Europe, and of the audit to be performed on them, weakens comparability and consistency of public reporting by companies. The Accounting Directive[7] requires Member States to ensure that financial statements and the management report, together with the opinion submitted by the statutory auditor or audit firm, are published within a reasonable period of time. However, Members States may exempt undertakings from the obligation to publish the management report where a copy of all or part of any such report can be easily obtained upon request at a price not exceeding its administrative cost. Only three Member States transposed this exemption in their national law. As the importance of non-financial information, included in the management report is increasing and more and more needed to understand and interpret the financial information, the AFM urges the Commission to remove this exemption from the Accounting Directive.

The lack of homogeneity of requirements of management reports across Europe, weakens comparability and consistency of the disclosure of non-financial information (NFI). Despite the very early phase of application of requirements on NFI, which makes the impact of the Accounting Directive difficult to evaluate, the AFM recommends the EC to explore the possibility to reinforce requirements on NFI disclosures which will increase the coherence between the financial and non-financial section, thus allowing a better understanding of the company's overall corporate strategy, value creation, and performance. For example, by enhancing the non-binding Guidelines on non-financial reporting and making them mandatory.

Furthermore, there are several examples of overlaps and repetitions which may contribute to the "disclosure overload" concerning between the above-mentioned components. For instance, disclosures related to financial risks in the management report (Accounting Directive) and financial statements (IFRS 7), disclosures related to acquisition of own shares in the management report (Accounting Directive) and financial statements (IAS 1.79), key management personnel compensation in the financial statements (IAS 24) and the future remuneration report, related-party transactions in the financial statements (IAS 24) and interim management report (Art. 5.4 Transparency Directive[8]). In relation to the requirements from 2020 regarding the European Single Electronic Format (ESEF), the fact that the disclosure of electronic information will only concern annual financial statements, contains the risk of creating another layer of incoherence to the consumption of financial information. After thorough assessment

[6] Response of the AFM to question 5 of the Consultation Document:

- 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?
    - 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).

[7] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC.

[8] Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

following introduction of the ESEF, the EC should consider extending the requirements to half-yearly statements and to the announcements of annual results.

In general, the AFM believes that the EU public reporting framework for financial information is sufficiently coherent. In particular the consolidated financial statements of EU listed entities being prepared in accordance with IFRS has assisted in increasing the comparability and transparency of EU listed entity's financial statements.

However, comparability is still an issue and, even though improvements have been noted in many areas, the issuers of financial statements vary in terms of complexity and understandability. There is a lack of coherence in the preparation of the non-consolidated or separate financial statements that can be prepared either using IFRS or national GAAP based on the Accounting Directive. Comparability of such financial statements (and notably of listed entities that do not have the obligation to prepare consolidated financial statements) needs to be promoted. At the same time, despite progress on the issue, audit of financial statements could be further harmonized, e.g. by adoption of International Standards on Auditing.

In conclusion
The AFM would welcome the opportunity to discuss further the issues raised by our responses to the questions from the consultation document.

Yours sincerely,
The Dutch Authority for the Financial Markets

mr. drs. G.J. Everts
Member of the Executive Board

Annex 1: AFM's responses to the questions from the consultation

Annex 1: AFM's responses to the questions from the consultation

I. ASSESSING THE FITNESS OF THE EU PUBLIC REPORTING FRAMEWORK OVERALL

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	2	3	4	5	Don't know
Ensuring stakeholder protection						x
Developing the internal market						x
Promoting integrated EU capital markets						x
Ensuring financial stability						x
Promoting sustainability						x

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

1. As the public reporting oversight of the AFM is limited to listed companies, the AFM does not know whether the EU public reporting requirements have been effective in achieving the intended objectives for all companies. The AFM limits its response to this question to the effectiveness of the objectives related to public reporting by listed companies.

2. The AFM believes that the EU public reporting framework for listed companies contributed to greater comparability at national, EU and global level through the use, among other things, of IFRS as common accounting standards. We believe that the existing framework for listed companies continues to ensure a high level of transparency of the financial information published by listed companies and a high level of comparability across and within sectors, thus ensuring investors' protection, and contributing to the development of the internal market and the promotion of an integrated EU capital market.

3. The AFM also notes that transparency is an important element to achieve financial stability but it is not enough on its own. Important new IFRS standards entered into force recently, introducing new recognition and measurement criteria (such as IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, and IFRS 16 *Leases*). Introduction of the new standards aims at enhancement of investor protection and increase of transparency thus contributing to financial stability.

4. The AFM believes that it is too early to fully assess whether EU reporting requirements for companies sufficiently promoted sustainability but welcomes the Commission's initiative and the entry into force of the new non-financial information Directive and of the related non-binding Guidelines, whose effectiveness ESMA will be monitoring. The AFM's preliminary view is that the EU requirements for listed companies, albeit relevant and necessary, risk falling short of promoting sustainability because of the persisting lack of a common reporting framework on good corporate governance and sustainable finance. Furthermore, we are of the view that EU reporting requirements cannot, by themselves, achieve the above-mentioned objectives.

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	2	3	4	5	Don't know
Ensuring stakeholder protection						x
Developing the internal market						x
Promoting integrated EU capital markets						x
Ensuring financial stability						x
Promoting sustainability						x

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

5. As the public reporting oversight of the AFM is limited to listed companies, the AFM does not know whether the EU public reporting requirements are relevant for achieving the intended objectives for all companies. The AFM limits its response to this question to the achieving of intended objectives related to public reporting by listed companies.
6. As discussed in our answer to question 1, the AFM believes EU public reporting requirements for listed entities are relevant (necessary and appropriate) for achieving the intended objectives. In particular, it has facilitated free movement of capital, as one of the basic freedoms underpinning the EU single market, and helped companies in the EU compete on a level playing field to attract financial resources in the EU and other capital markets.
7. However, it is too early to assess reporting requirements on sustainability for companies at this stage, but as a preliminary assessment based on expected impact of the non-financial information Directive and the associated non-binding Guidelines, the AFM thinks the reporting requirements are necessary but risk being insufficient to achieve the intended objectives.

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	2	3	4	5	Don't know
Financial statements (preparation, audit and publication)				x		
Management report (preparation, consistency check by a statutory auditor, publication)			x			
Non-financial information (preparation, auditor's check and publication)			x			

Country-by-country reporting by extractive/ logging industries (preparation, publication)				x		

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

8. The AFM highlights the fact that the lack of homogeneity of requirements of management reports across Europe, and of the audit to be performed on them, weakens comparability and consistency of public reporting by companies. The Accounting Directive[9] requires Member States to ensure that financial statements and the management report, together with the opinion submitted by the statutory auditor or audit firm are published within a reasonable period of time. However, Members States may exempt undertakings from the obligation to publish the management report where a copy of all or part of any such report can be easily obtained upon request at a price not exceeding its administrative cost. Only three Member States transposed this exemption in their national law. As the importance of non-financial information, included in the management report is increasing and more and more needed to understand and interpret the financial information, the AFM urges the Commission to remove this exemption from the Accounting Directive.

9. The lack of homogeneity of requirements of management reports across Europe, weakens comparability and consistency of the disclosure of non-financial information (NFI). Despite the very early phase of application of requirements on NFI, which makes the impact of the Accounting Directive difficult to evaluate, the AFM recommends the EC to explore the possibility to reinforce requirements on NFI disclosures which will increase the coherence between the financial and non-financial section, thus allowing a better understanding of the company's overall corporate strategy, value creation, and performance. For example, by enhancing the non-binding Guidelines on non-financial reporting and making them mandatory.

10. Furthermore, there are several examples of overlaps and repetitions which may contribute to the "disclosure overload" concerning between the above-mentioned components. For instance, disclosures related to financial risks in the management report (Accounting Directive) and financial statements (IFRS 7), disclosures related to acquisition of own shares in the management report (Accounting Directive) and financial statements (IAS 1.79), key management personnel compensation in the financial statements (IAS 24) and the future remuneration report, related-party transactions in the financial statements (IAS 24) and interim management report (Art. 5.4 Transparency Directive[10]). In relation to the requirements from 2020 regarding the European Single Electronic Format (ESEF), the fact that the disclosure of electronic information will only concern annual financial statements, contains the risk of creating another layer of incoherence to the consumption of financial information. After thorough assessment following introduction of the ESEF, the EC should consider extending the requirements to half-yearly statements and to the announcements of annual results.

---

[9] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC.

[10] Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.

11. In general, the AFM believes that the EU public reporting framework for financial information is sufficiently coherent. In particular the consolidated financial statements of EU listed entities being prepared in accordance with IFRS has assisted in increasing the comparability and transparency of EU listed entity's financial statements.

12. However, comparability is still an issue and, even though improvements have been noted in many areas, the issuers of financial statements vary in terms of complexity and understandability. There is a lack of coherence in the preparation of the non-consolidated or separate financial statements that can be prepared either using IFRS or national GAAP based on the Accounting Directive. Comparability of such financial statements (and notably of listed entities that do not have the obligation to prepare consolidated financial statements) needs to be promoted. At the same time, despite progress on the issue, audit of financial statements could be further harmonized, e.g. by adoption of International Standards on Auditing.

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	2	3	4	5	Don't know
Ensuring stakeholder protection				x		
Developing the internal market					x	
Promoting integrated EU capital markets					x	
Ensuring financial stability				x		
Promoting sustainability				x		

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

13. The AFM believes that for all the above-mentioned objectives, and in particular in order to achieve the benefits of a fully integrated single market for capital, the EU is the right level to design policies in order to obtain valuable results.

14. Unilateral actions by Member States would endanger comparability of the information disclosed by EU public entities. Endorsing financial reporting standards issued by IASB at EU level, instead, is the most cost-efficient solution in terms of rule-making effort and for the achievement of a level playing-field for preparers and investors.

II. THE FINANCIAL REPORTING FRAMEWORK APPLICABLE TO ALL EU COMPANIES

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?

- o Differences seriously hinder the ability to do business within the EU
- o Differences hinder to some extent
- o Differences do not hinder the ability to do business within the EU / are not significant
- o Don't know

Answer:

- o **Differences hinder to some extent**

Response and/or explanation:

15. The AFM believes the differences in national reporting rules hinder to some extent the ability to do cross-border business within the EU single market. Differences in national reporting requirement may arise due to Member State options in implementing the various Directives of the EU reporting framework (e.g. measurement rules, whether all entities within a group must use IFRS). Differences in the language of publication of financial information also hinder comparability.
16. The AFM calls for a greater level of harmonisation between the national reporting rules. Today's difference between the IFRS and the national accounting standards may make it more difficult for small and medium entities to go to the market as the step to IFRS may be considered a high burden. Therefore the AFM strongly recommends that in future amendments to EU accounting directives further convergence with IFRS should be sought.
17. Furthermore, the AFM wishes to highlight that even in the application of a single set of norms such as the IFRS, divergences in national interpretation and applications of the standards may arise. ESMA's EECS (European Enforcers Coordination Sessions) plays its part in aiding convergence in enforcement of IFRS across the EU by providing a forum for European accounting enforcers to discuss and share experience on the application and enforcement of IFRS. The AFM strongly believes that a single accounting language contributes to increasing transparency and investor protection.
18. Differences in financial reporting are not however the most important hindrance to cross-border business at the moment for listed companies. Divergence in some provisions of fiscal and company laws, such as dividend's requirements, needs to be addressed as a matter of priority in order to ensure a level playing field between businesses operating cross-border.

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?

	1	2	3	4	5	Don't know
Areas covered by EU requirements						
Differences and lacunas in accounting standards or principles				x		
Differences in corporate governance standards		x				
Differences and overlaps arising from the presentation of the financial statements (balance sheet, etc.)		x				
Differences arising from publication rules / filing with business registers (publication deadlines, publication channels, specifications)		x				
Differences arising from audit requirements		x				
Differences arising from dividends distribution rules or capital maintenance rules				x		
Areas not covered by EU requirements						
Differences arising from specific bookkeeping requirements such as charts of accounts, audit trail requirements, data storage and accessibility				x		
Differences arising from language requirements (Bookkeeping documentation, publication of financial statements)				x		
Differences arising from the determination of taxable profit				x		
Differences arising from digital filing requirements (for instance taxonomies used)			x			
Differences arising from software specifications			x			
Other (please specify)…………..						

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

19. The AFM notes that for the areas covered by EU requirements, no major hindrances to cross-border establishment in the EU exist. We consider however that initiatives aimed at homogenizing reporting frameworks of corporate governance would be beneficial to investors, who are increasingly more interested in entities' corporate governance structure, and to preparers, for whom it is at times problematic and burdensome to comply or explain different corporate governance standards when conducting cross-border business.

20. We are of the view that the differences in accounting standards for non-consolidated listed issuers and lacunas in the Accounting Directive have 'to some extent' impact on the cross-border activity. However, this is mitigated by the requirement for all listed issuers preparing consolidated financial statement to prepare those under IFRS as adopted by the EU.

21. The AFM also wishes to strongly highlight the need to carry on harmonisation in term of audit standards and audit supervision within Europe in order to foster a single set of auditing standards and practices applicable within the EU in the near future. In this respect, the AFM emphasises the need for endorsement of the International Standards on Auditing, in accordance with the provisions of the Audit Directive and further strenghthen European coordination of the audit supervision.

22. As for areas not covered by EU requirements, differences arising in financial reporting may be considered by companies in decisions such as the establishment of new subsidiaries, although it is not expected to be a determinant factor.

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	2	3	4	5	Don't know
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				x		

in the Accounting Directive (leases, deferred taxes, etc.)						
The EU should reduce the variability of standards from one Member State to another by establishing a "pan-EU GAAP" available to any company that belongs to a group. Such "pan-EU GAAP" may be the IFRS, IFRS for SMEs, or another standard commonly agreed at the EU level.				x		
Do nothing (status quo)		x				
Other (please specify)						

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

23. The AFM notes that the Accounting Directive is very high level and contains a number of options which create a high level of variability in the standards from one Member State to another. Removal of as much of such options as possible could facilitate the analysis of Financial Statements by investors and ease the access to non-regulated markets.

24. We are of the view that development of a separate conceptual framework for the Accounting Directive might be one of the routes to be explored for reducing variability of standards in different member states. However, further convergence of national GAAPs, removing options currently available in the Accounting Directive and addressing current lacunas in the Accounting Directive were considered to be preferable. For example, options which are hardly used, like the possibility for Member States to exempt an undertaking from the obligation to publish the management report where a copy of all or part of any such report can be easily obtained upon request at a price not exceeding its administrative cost. This exemption, which is rather peculiar in view of the increased importance of non-financial information and the digitalisation, is only used by three Member States.

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	2	3	4	5	Don't know
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				

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

25. The AFM believes that the current EU public reporting framework (EU framework) would be strengthened by requiring companies to include a cash flow statement in their financial reporting. The information provided in a cash flow statement is relevant for stakeholders, and disclosure of cash flow information promotes financial stability. All Member States, except three, already require a cash flow statement; for comparability of financial reporting, the AFM urges to require all European companies to include a cash flow statement.

26. Furthermore, the AFM is of the opinion that the current EU framework regarding a company's strategy, business model and value creation is relevant and covered by the NFI Directive[11] and the corresponding non-binding Guidelines on non-financial reporting, but would benefit from a more solid and consistent reporting framework and from strengthening the existing requirements.

27. Moreover, the AFM wishes to highlight that the EU framework does not require companies to disclose their distributable profits within the EU framework, and that this could be a useful requirement for stakeholders. Any amendments to the current requirements, regarding intangible assets, cash flow statements or others, should be dealt with within the IFRS standard-setting process.

Question 17

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

- Yes
- No
- Don't know

Answer:

- **Yes**

Response and/or explanation:

28. Depending on the experiences that will arise from the implementation of the non-financial information Directive, the AFM believes that requirements on disclosures of non-financial information could be strengthened and a common reporting framework for non-financial information be identified. For example,

[11] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

climate related information (along the lines of the FSB TCFD recommendations) are currently not mandatory disclosures although they constitute very relevant information.

29. The AFM also wishes to highlight that the current framework on non-financial information leaves excessive leeway for companies not to include relevant information (for example, the extension of payment terms to creditors, climate-related disclosures etc). The existing requirements do not allow all regulators to challenge companies on their disclosures.

Question 18

	1	2	3	4	5	Don't know
Do you think that the EU framework should define and require the disclosure of the most commonly used alternative performance measures?				x		

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

30. The AFM believes that it would be helpful if the IASB provided guidance and definitions of subtotals and most commonly used Alternative Performance Measures (APMs) to be used in the IFRS financial statements. Similar efforts could be envisaged as part of the revisions to the Accounting Directive. The AFM wishes to highlight however that if subtotals are included and defined in the financial reporting framework for the preparation of financial statements, then those measures will no longer qualify as APMs. An EU framework to be applied in addition to the current accounting standards should focus on requiring disclosures rather than providing definitions on APMs.

31. ESMA's APM Guidelines already assist in closing the gap in the presentation and interpretation of APMs and improve comparability and consistency. The EC may wish to consider any lessons learned once the new Prospectus regime comes in given the difficulties faced in defining what are the historical measures of performance most useful to investors which should be presented in the prospectus summary.

III. THE EU FINANCIAL REPORTING FRAMEWORK FOR LISTED COMPANIES

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?

- o Yes
- o 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.
- o No, due to the risk that specific EU needs may not properly be addressed during the IASB standard setting process.
- o No, due to other reasons.
- o Don't know

Answer:

o **Yes**

Response and/or explanation:

32. The AFM feels strongly that it is still appropriate that the IAS Regulation[12] prevents the EC from modifying the content of IFRS. It is still important that the financial reporting standards applied by European companies participating in financial markets are accepted internationally and are truly global standards. This implies an increasing convergence of accounting standards, with the ultimate objective of achieving a single set of global accounting standards. The current IAS Regulation has an important contribution to the increase in transparency and comparability of financial reporting.

33. An alteration of the IAS Regulation that would give the EC the power to modify the content of IFRS, a model often referred to as the use of 'carve-ins', would run counter to the objective of achieving a single set of global accounting standards. As stated in the 2013 Maystadt report[13], the risks resulting from the use of 'carve-ins' include the creation of regional rather than global standards, the possibility that third countries would not recognize the European standards, an increase in cost of capital for European issuers, and the allowance of excessive lobbying for private interests up to the last stage of the endorsement procedure. Therefore, the AFM is of the opinion that the IAS Regulation should not be put into question, as the underlying objectives remain valid.

34. The AFM feels strongly that the EU endorsement process of IFRS is appropriate and can accommodate further developments in broader EU policy objectives such as sustainability. The AFM would also like to highlight that the primary objective of the IAS Regulation is transparency of financial information, which should not be compromised to meet other policy objectives. The AFM would like to stress that transparency

---

[12] Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

[13] P. Maystadt, '*Should IFRS standards be more "European"? – Mission to reinforce the EU's contribution to the development of international accounting standards*', October 2013.

promotes financial stability. Sustainability and long-term investment policy objectives, albeit important, could be addressed via the existing endorsement process for example by adding them as part of the already existing European Public Good criterion and other policy tools.

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?

- o Yes
- o No
- o Don't know

Answer:

- o **Yes**

Response and/or explanation:

35. The AFM feels strongly that it is still appropriate that the IAS Regulation[14] prevents the EC from modifying the content of IFRS. It is still important that the financial reporting standards applied by European companies participating in financial markets are accepted internationally and are truly global standards. This implies an increasing convergence of accounting standards, with the ultimate objective of achieving a single set of global accounting standards. The current IAS Regulation has an important contribution to the increase in transparency and comparability of financial reporting.

36. An alteration of the IAS Regulation that would give the EC the power to modify the content of IFRS, a model often referred to as the use of 'carve-ins', would run counter to the objective of achieving a single set of global accounting standards. As stated in the 2013 Maystadt report[15], the risks resulting from the use of 'carve-ins' include the creation of regional rather than global standards, the possibility that third countries would not recognize the European standards, an increase in cost of capital for European issuers, and the allowance of excessive lobbying for private interests up to the last stage of the endorsement procedure. Therefore, the AFM is of the opinion that the IAS Regulation should not be put into question, as the underlying objectives remain valid.

37. The AFM feels strongly that the EU endorsement process of IFRS is appropriate and can accommodate further developments in broader EU policy objectives such as sustainability. The AFM would also like to highlight that the primary objective of the IAS Regulation is transparency of financial information, which

[14] Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

[15] P. Maystadt, *'Should IFRS standards be more "European"? – Mission to reinforce the EU's contribution to the development of international accounting standards'*, October 2013.

should not be compromised to meet other policy objectives. The AFM would like to stress that transparency promotes financial stability. Sustainability and long-term investment policy objectives, albeit important, could be addressed via the existing endorsement process for example by adding them as part of the already existing European Public Good criterion and other policy tools.

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;
- Other, please specify
- Don't know

Answer:

- **Other, please specify**

Response and/or explanation:

38. The AFM believes that the EU should ensure that IFRS do not pose an obstacle to sustainability and long-term investments by actively participating in the IASB due-process and promoting any common European position at an early stage of the standard setting process. Additionally, rather than introducing an additional endorsement criterion, it would be important to better articulate the concept of 'European public good'- one of the criteria already assessed in the endorsement process- including consideration to long-term and sustainability aspects.

39. Whilst we fully support the Commission's ambition to develop an overarching and comprehensive EU roadmap on sustainable finance, we recommend the highest caution as we believe that sustainability considerations fall well beyond the purpose of accounting. In accordance with ESMA's recent comment letter[16], the AFM believes that the primary objective of endorsed accounting standards remains to promote transparency and better decision-making in financial markets and, therefore, they should be considered as neutral with respect to other public policy objectives. We believe that this approach is ultimately the most beneficial for the performance of capital markets, including their capacity to support long-term investments. We strongly believe that the current endorsement process already provides the necessary safeguards to the European public good, by providing the possibility for the non-endorsement of a standard which runs contrary to it and to the EU policy objectives as a whole.

[16] ESMA32-61-259, ESMA response to the European Financial Reporting Advisory Group (EFRAG) on the Discussion Paper Equity Instruments: Impairment and Recycling , 23 May 2018.

Question 22

Do you think that an EU conceptual framework should underpin the IFRS endorsement process?

- Yes
- No
- Don't know

Answer:

- **No**

Response and/or explanation:

40. The AFM is strongly opposed to the EU having a conceptual framework other than the IASB's conceptual framework. It would be very difficult to enforce financial statements if there were more than one conceptual framework.

41. The AFM notes that the IAS Regulation already provides in Article 3(2) a set of criteria for adoption and use of IFRS, namely the principle of true and fair value as outlined in Accounting Directive, the criteria of conduciveness to European public good, and the criteria of relevance, reliability, understandability, and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

42. EFRAG already makes detailed assessments for the endorsement of IFRS on the basis of these criteria, which further reinforces the conviction that the development of an EU conceptual framework is not required.

43. The AFM points out that there is no Conceptual Framework for the Accounting Directive and would see merit in developing one for that purpose rather than for the Transparency Directive which can leverage on the IASB Conceptual Framework instead.

Question 23

	1	2	3	4	5	Don't know
Should the EU endorse the IASB Conceptual Framework for Financial Reporting?			x			

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

44. The AFM believes that the IASB Conceptual Framework should be given a stronger legal status by the EU than is the case today, because this would be helpful in the enforcement of financial information in circumstances in which no specific IFRS is applicable, for instance IAS 8.10. However, it should not be given the same legal status as a Standard because that risks creating conflict of law.

45. Indeed the IASB Conceptual Framework underpins all the Standards, but it is not an IFRS standard and cannot be given the same legal weight as IFRS, most notably because in some circumstances it might

contradict IFRS Standards and thereby give rise to legal uncertainty. A clear distinction needs to be made between the legal status of the IFRS Standards (fully applicable law) and that of the Conceptual Framework (a useful reference for preparers and regulators that can provide guidance on accounting policies whenever no specific standard applies to particular transactions/circumstances).

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	2	3	4	5	Don't know
Protect investors				x		
Contribute to integrated EU capital markets				x		
Facilitate cross border investments				x		

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

46. The AFM believes that the Transparency Directive (TD) has significantly increased harmonisation across the EU and allowed significant steps forward in achieving the objectives mentioned above. However, the TD only sets minimum harmonisation requirements and the AFM believes there is room for further harmonisation.

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	2	3	4	5	Don't know
Reducing administrative burden, notably for SMEs				x		
Promoting long-term investment (i.e. discouraging the culture of short-termism on financial markets).				x		

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

47. The AFM considers that notifications of major holdings of voting rights in their current form is mainly effective, but wishes to point to the following three outstanding issues: (1) there is still no mandatory standard form which makes it difficult for notifiers to comply with notification requirements and for investors to compare notifications. (2) Member States have implemented Art. 21(1) and (3) of the TD differently and a clarification would be needed as otherwise excess to information would be differently

regulated which goes against investor interests, and (3) Home Member State-regime established by TD is not efficient and it remains complicated for investors to have a clear understanding of which NCA is supervising an issuer. An ESMA coordination would be beneficial.

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	2	3	4	5	Don't know
Coherent with EU company law				x		
Coherent with the shareholders' rights directive				x		
Coherent with the obligation to disclose managers' transactions under Article 19 of the Market Abuse Regulation				x		
Coherent with other EU legislation – please specify						x

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

48. The AFM wishes to highlight that coherence between the TD and EU company law and Shareholders' Rights Directive results from the fact that duties under the different law provisions are not overlapping and are to be fulfilled independently. Therefore provisions are not in collision.

Question 29

As regards the following areas, did you identify a lack of coherence of legislation from one Member State to another that could jeopardize 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

Answer

- **On-going information on major holdings of voting rights**

Response and/or explanation:

49. The AFM notes that a lack of coherence of legislation exists in relation to mandatory minimum thresholds applicable to shareholders communications, to administrative sanctions and to measures deriving from breaches of the TD requirements that could result from the intrinsic capital markets dimensions.

50. The European Commission could also refer to ESMA Practical Guide (ESMA 31-67-535) on the subject of ad hoc information disclosed pursuant to the MAD, which already identifies the main differences in national law.

Question 30

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

Response and/or explanation:

51. The AFM suggests that Guidelines on financial forecasts prepared and published by issuers and on the role of auditors in verifying assumptions in such cases could be useful. Furthermore the EC could consider whether public reporting for listed entities on regulated markets should be extended, with modifications if considered necessary, to entities that raise funds on non-regulated markets and from the public.

V. NON-FINANCIAL REPORTING FRAMEWORK

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	2	3	4	5	Don't know
The quality and quantity of non-financial information disclosed by companies remain relevant issues.				x		
The diversity of boards, and boards' willingness and ability to challenge to senior management decisions, remain relevant issues.				x		

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

52. At present, the NFI Directive does not prescribe the use of a standard to report NFI. As there are many standards available the comparability of the provided NFI is harmed, as well as the understandability and even the relevance. The AFM acknowledges there is some guidance of the EU, however, this guidance is non-mandatory.

53. The AFM believes that the quality and quantity of non-financial information disclosed by companies remain relevant issues, although national regulators are not in a position to properly assess the impact of the NFI Directive which is only entering into force for 2017 annual reports that are only started being reviewed in the current year.

54. ESMA's Public Statement on the European Common Enforcement Priorities for 2017 IFRS financial statements includes a specific topic stressing the importance of the disclosure of non-financial and diversity information by issuers in the 2017 year-end. The AFM encourages issuers to meet those requirements in a way that provides useful information to users, corroborating the relevance of this issue.

Question 41

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

	1	2	3	4	5	Don't know
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			

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

55. The AFM believes that the NFI Directive has been a very relevant first step in the right direction. It effectively achieves the high level of harmonisation the legislator set itself as an objective.

56. However, the AFM also thinks it is too early at this stage to assess whether its disclosure framework is effective in absolute terms. Although a full impact assessment will only be possible following the first years of implementation, national regulators think at this stage that probably the effectiveness of the disclosure framework would have been greater had the NFI Directive set up a specific global framework and provided a complete internationally accepted set of standards to report this type of information. The diversity of frameworks allowed by the Directive will most probably affect the comparability of disclosures and the usefulness of this information for all stakeholders.

Question 42

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

	1	2	3	4	5	Don't know
Material			x			
Balanced			x			
Accurate			x			
Timely			x			
Comparable between companies		x				
Comparable over time			x			

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

57. As mentioned in the answer to question 41, since the NFI Directive does not provide a common framework for reporting, the AFM believes that comparability between companies will be negatively affected. It is

worth noting that companies who will also apply the EC's non-binding Guidelines are more likely to produce more effective non-financial information disclosures, however from the enforcement perspective, it might be difficult to assess on a comparable basis issuers providing the required disclosures by following the Guidelines vis-à-vis the entities which do not follow the Guidelines. While we believe that the Guidelines go into the right direction, a more prescriptive – still principles-based – approach should be considered.

58. However, as mentioned earlier, national regulators struggle to assess at this early stage of application of the NFI Directive the effectiveness of the disclosure framework provided for therein.

Question 43

Do you agree with the following statement?

	1	2	3	4	5	Don't know
The current EU non-financial reporting framework is sufficiently coherent (consistent across the different EU and national requirements)?		x				

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

59. The AFM does not yet dispose of sufficient evidence to perform a thorough analysis of the coherence of the non-financial reporting framework adopted by Member States in their transposition of the Directive. However, the Directive itself does not provide one single framework for reporting and the Guidelines are non-binding. Therefore, the AFM mostly disagrees that the current EU non-financial reporting framework is sufficiently coherent. Against this backdrop, it is unlikely that reporting will be consistent across or even within different Member States.

Question 45

Do you agree with the following statement?

	1	2	3	4	5	Don't know
The scope of application of the NFI Directive (i.e. limited to large public interest entities) is appropriate		x				

(1 = Far too narrow, 2 = Too narrow, 3 = about right, 4 = too broad, 5 = way too broad))

Response and/or explanation:

60. The AFM mainly agrees with the current scope of application especially in this first phase of application. At this stage, extending requirements to smaller companies would seem disproportionate and unduly burdensome. However, following a thorough assessment of the costs and benefits of application of the Directive and of the non-binding Guidelines, the European Commission could consider extending the requirements to other smaller companies if deemed beneficial. From the perspective of ensuring investor

protection and promoting the orderly functioning of financial markets, as sustainable investing becomes "mainstream", NFI should be progressively regarded as part of the ordinary set of disclosures provided by all issuers irrespective of their size and business activity.

61. The European Commission could also consider whether additional entities should be included within the scope of the NFI Directive such as listed entities on non-regulated markets, regulated financial service providers that raise funds from the public and any entity that cannot avail itself of the audit exemption and reduced disclosure provisions of the Accounting Directive.

Question 47

Do you agree with the following statement?

	1	2	3	4	5	Don't know
The non-binding Guidelines on Non-Financial Reporting issued by the Commission in 2017 help to improve the quality of disclosure			x			

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

62. The AFM expects that the Guidelines will help improve the quality of disclosures since they complement typical (existing) disclosure requirements which were previously mostly neglected or missing. However, the Guidelines are non-binding, which will harm its effectiveness. This expectation, however, will need to be further corroborated by the outcome of the reviews of the 2017 Annual Reports.

Question 48

Which other sustainability factors should be considered for amended guidance as a priority?

	1	2	3	4	5	Don't know
Environment (in addition to climate change already included in the Action Plan)					x	
Social and Employee matters				x		
Respect for human rights				x		
Anti-corruption and bribery					x	

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

63. The AFM believes that focusing on the factors mentioned above would be worthwhile. We believe that more detailed guidance on disclosures relating to anti-corruption and bribery could be especially well suited for NFI reporting.

VI. THE DIGITALIZATION CHALLENGE

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

Answer:

- **No**

Response and/or explanation:

64. The AFM is of the opinion that existing EU legislation is not an obstacle to the development and free use by companies of digital technology. If anything, EU legislation tries to facilitate digital technology and reporting. Indeed, the Transparency Directive was amended in 2013 to introduce a European Single Electronic Format (ESEF) for annual financial reports which will become effective in 2020.

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

Answer:

- **No**

Response and/or explanation:

65. The AFM would like to highlight that EU law requires the disclosure of information by companies, and whether this information is disclosed in a paper format or in an electronic format does not at all diminish the relevance of EU laws on public reporting. In our view, digitalisation may enhance the degree of investor protection of some existing reporting requirements, by allowing automation in phases where human errors can be avoided and increasing the accessibility of financial information, thus improving – all other things being equal – the level of transparency of reported disclosures.

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	2	3	4	5	Don't know
Improve transparency for investors and the public				x		
Improve the relevance of company reporting				x		
Reduce preparation and filing costs for companies			x			
Reduce costs of access for investors and the public				x		
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)				x		

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

66. The AFM wishes to highlight that the ESEF and EEAP by themselves will not change the relevance of reporting but will increase accessibility and comparability of financial information.
67. On the ESEF in particular, the Cost Benefit Analysis and the Field Tests carried out have demonstrated that costs of implementation for issuers are expected to be limited and mainly related to first time implementation[17]. It has been suggested by some stakeholders that the ESEF might even allow for some savings in subsequent periods and provide the opportunity to optimize IT reporting infrastructures. As for investors, the development of specialized software to consume XBRL data is expected to lower the costs of accessing and consuming large amount of financial information, which will be of relevance especially for non-professional investors.
68. On the subject of the EEAP, the AFM believes that the creation of a single access point will provide significant savings to investors and for the public at large in accessing regulated information.

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?

[17] Please see ESMA's Feedback statement on the Consultation Paper on the Regulatory Technical Standard on the European Single Electronic Format (ESEF) published on 21 December 2016 and available here. In relation to EEAP, please see ESMA's final report on the Draft Regulatory Technical Standard published on 25 September 2015 and available here.

	1	2	3	4	5	Don't know
Financial reporting						
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						
Non-financial information			x			
Country-by-country report on payments to governments				x		
Other, please specify: ...**MAR Article 19 information**......................				x		

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

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

Answer:
- **Yes**

Response and/or explanation:

69. The AFM believes that full digitalisation of financial reporting could bring significant benefits to European issuers and investors. However, as the ESEF has not yet come into force, the AFM believes it is too early to extend the current requirements to firms other than those under the scope of the Transparency Directive and that the European Commission should first carry out an evaluation of the ESEF after implementation in 2020.

70. However, the AFM would also like to point out that the draft RTS on ESEF allows on a voluntary basis for the extension of the tagging to parts of the AFR other than the Financial Statements and of individual financial statements prepared according to National GAAP, provided that the home Member State has made a national taxonomy available to preparers. Indeed in several European countries non-consolidated financial statements are already being required in structured format. Such experiences, both from the point of view of the issuers and from the point of view of the investors, should also be taken into account by the

Commission when considering extension of the current requirements as well the benefits of associated to the existing requirements to prepare financial statements in ESEF.

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	2	3	4	5	Don't know
Facilitate access to information by users				x		
Increase the granularity of information disclosed				x		
Reduce the reporting costs of preparers			x			

(1 = totally disagree, 2 = mostly disagree, 3 = partially disagree and partially agree, 4 = mostly agree, 5 = totally agree)

Response and/or explanation:

71. The AFM thinks that digital reporting always has the potential to facilitate access of information by user, increase the granularity of information, and possibly reduce the cost of preparers in the long run.
72. However, we note that the preparation of structured reporting for NFI would not achieve its full potential unless a more harmonized framework of reporting than that currently established by the NFI Directive is established.

Question 63

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

Answer:

- **Yes**

Response and/or explanation:

73. The AFM considers that security of information is an essential dimension of the digitalisation challenge and that electronic signatures of electronic reporting would contribute to create trust in the information disclosed by companies in digital format.