BETTER FINANCE's comments to the current legislative framework on the Public reporting by companies

***BETTER FINANCE**, the European Federation of Investors and Financial Services Users, is the dedicated representative of financial services users at European level. It counts about fifty national and international members and sub-member organizations in turn comprising about 4.5 million individual members. Our organization acts as an independent financial expertise centre to the direct benefit of the European financial services users (shareholders, other investors, savers, pension fund participants, life insurance policy holders, borrowers, etc.) and other stakeholders of the European financial services who are independent from the financial industry. As such its activities are supported by the European Union since 2012.*

***BETTER FINANCE** is the most involved European end user and civil society organisation in the EU Authorities' financial advisory groups, with experts participating in the Securities & Markets, the Banking, the Occupational Pensions and Insurance and Reinsurance Stakeholder Groups of the European Supervisory Authorities; as well as in the European Commission's Financial Services User Group (FSUG), and in the European Financial Reporting advisory Group (EFRAG). Its national members also participate in national financial regulators and supervisors bodies when possible.*

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BETTER FINANCE welcomes this opportunity to comment on the current legislative framework on the public reporting of companies. As a representative for individual investors and financial services users in Europe, BETTER FINANCE will focus its answer for this feedback on the financial reporting framework for **listed companies** and for **banks and insurance companies.**

1. For **listed companies,** it is essential to have one common set of **"Global IFRS"**, including for companies reporting in the EU, in order to ensure comparability of financial information and performance between European companies reporting under IFRS as adopted by the EU and non-EU companies reporting under IFRS. We would not encourage the use of so-called "carve-outs" as currently permitted and "carve-ins". Such EU distinct IFRS would not only make comparisons between companies increasingly difficult but they would also make it difficult for individual investors and financial service users (even those with a good knowledge of accounting standards) to understand these differences. Clarity (and comparability) of financial reporting needs to remain a key principle in reporting requirement and differences between full IFRS and IFRS as adopted by the EU would run against these objectives. Furthermore, we understand that for EU companies having a second listing on stock exchanges outside the EU and more specifically on stock exchanges in the USA, it would be necessary to prepare a second set of financial statements (or a reconciliation) to the full IFRS as adopted by the IASB. This increases costs for these companies and their investors.

   We would therefore recommend that the **EU is increasingly involved at the IASB** for setting IFRS and represented at the IFRS Foundation and IFRS Advisory Council for overseeing the IFRS strategy and overall goals of financial reporting. We believe the EU, as one of the largest

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geographical areas using IFRS, should have a special role in these organisations and as a consequence make the "Global IFRS" fully applicable for listed companies within the EU. Such a reinforced presence should be used to follow the overall objective that financial reporting standards need to be conductive to the Public Good and comply with such priorities as "Financing sustainable growth" and other worthwhile objectives instead of risking the use of carve-outs and carve-ins.

In the meantime, instead of using carve-outs and carve-ins, we believe the best alternative for the EU would be to require additional disclosures such as specific Non-Financial Reporting information to follow its objectives and priorities with regards to listed company reporting.

2. It is essential that all individual investors receive the relevant information on a listed company in an **integrated annual report** including all the information required by Financial and Non-Financial Reporting standards and directives. Management comments, especially Non-Financial information, are currently reported with reference to a multitude of different frameworks and are not audited. We believe a **global standard for Management Commentary for listed companies,** with the objective of delivering consistent, comparable, verifiable and audited information to investors should be considered as a priority in the current review of the financial reporting framework in Europe. This should involve discussions and cooperation with the IASB which is reviewing its Practice Statement on Management Commentary.

   For listed companies we need a standard or a directive on comprehensive management reporting requirements with a focus on long-term value creation, risks and opportunities for the company, environmental, social and governance factors as well as on sustainable investment including financial and non-financial KPIs. This information should be part of an integrated document or report, including financial statements, and be subject to a limited review or audit by independent accountants.

   Despite the digitalisation of the global economy enabling more frequent and different forms of company reporting to all stakeholders, we view the reporting in an annual report, integrating all these elements, as the key investor information document, allowing reflections on and a review of the listed companies' overall situation, progress and performance during any given year.

3. Furthermore, for **listed companies**, in addition to the current reporting framework in the EU, we want to highlight the importance of the **Enforcement** of Financial Reporting Standards and Non-Financial Reporting requirements and directives. Too often investors have lost their savings because companies did not comply with rules and regulations. Stricter enforcement rules and independent controlling organisations are a key element of a solid reporting framework.

4. On the reporting framework for **banks and insurance companies**, these entities being the main vehicles for the deposit and safekeeping of investors long term savings, it is essential for private savers to assess the soundness and solvability of these institutions. This is of utmost importance

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since in case of failings by these institutions, savings of private individuals beyond a guaranteed deposit amount are at risk. National deposit guarantee schemes only guarantee a capped amount. However, it is fair to say that most individuals in the EU have not the means to perform such an assessment of their bank's or insurance company's solvability. Annual reports and financial statements of these institutions are far too complex for the general public. We believe a way around this complexity would be to oblige all financial institutions to inform their customers in a short and comprehensive document, including a limited number of mandatory required financial KPIs. This annual document should be based on a EU requirement and be consistent across the EU based on a mandatory standard format. This document should be concise, clear and comprehensible. This document should be audited and institutions should be obliged to send it to their customers and publish it on their website.

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