



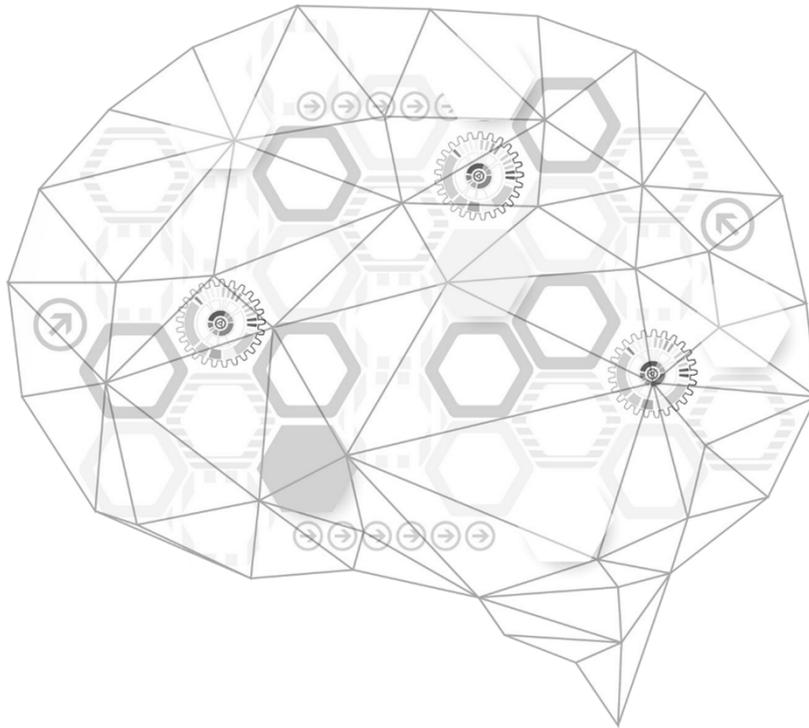
**ACCOUNTANCY  
EUROPE.**

# **FOLLOW-UP PAPER**

The Future of Corporate Reporting –  
creating the dynamics for change

**Cogito Series**

**MARCH 2017**



## **COGITO**

This document is part of the *Cogito* series, a selection of thought-provoking publications by Accountancy Europe.

*Cogito* (i.e. *I think*) is set up to provide new ideas for the European accountancy profession. With this series we aim to enhance innovation and our contribution to business and society.

This publication aims to stimulate debate; the views expressed thus do not reflect the official positions of Accountancy Europe or any of its 50 member bodies.

## **HIGHLIGHTS**

This paper is a follow-up to the 2015 Accountancy Europe Cogito paper, *The Future of Corporate Reporting – creating the dynamics for change*. It presents a summary of the responses received to the paper in writing as well as during several public and private events.

We have identified three main topics for further development to move the future of corporate reporting forward:

- elaborate the CORE & MORE concept
- support the coordination and development of non-financial information reporting
- further research the impact and opportunities of technology as a driver and enabler of reporting change

Each of these topics is briefly presented below, complemented by relevant quotes from respondents. These stakeholders included preparers, users, auditors, regulators, academics, and policy makers from across Europe.

Accountancy Europe's aim is to provide separate contributions and recommendations in the areas mentioned above. We also intend to host an event in the second half of 2017.



---

## INTRODUCTION

The objective of our Cogito paper *The Future of Corporate Reporting – creating the dynamics for change*<sup>1</sup>, published in 2015, was to engage the accountancy profession in an open and dynamic debate with its stakeholders.

The Cogito paper raised several major topics:

- The audience for corporate reporting seems to be growing continually and therefore the question arises whether corporate reporting should address the needs of this wider audience. The paper questions whether addressing this wider stakeholder audience by using multiple reports is sustainable and notes that there is also a need for a two-way communication with stakeholders.
- Financial information reporting is seen to be losing its relevance, at least in relative terms, because of the increasing number of information sources available to economic decision makers.
- Non-financial information reporting is key for a complete picture of the performance of an entity; communicating on the long term value drivers would enhance the connection between financial and non-financial information. The paper notes the proliferation of disclosure frameworks around non-financial information and calls for decisive leadership to develop a global principles-based reporting framework.
- The paper sets out a possible way of presenting and linking information to be reported, through the CORE & MORE concept. The CORE report is envisaged as an overarching report or executive summary. From this CORE report links would be included, enabled by technology, to MORE reports, which include more detailed information. To address the concerns about the timeliness of reporting, the paper suggests the updating of the different building blocks at different moments (dynamic, periodic, and ad-hoc).
- The paper argues that barriers to innovation should be removed. A possible way to foster innovation is parallel experimental reporting. The efforts of preparers, policy makers, standard setters, enforcers, and stakeholders should also be coordinated.

Finally, the paper highlights that technology underpins all the above topics and will play an important role in the evolution of corporate reporting, both as a driver and an enabler for change.

Furthermore, some additional points were raised either in the questions or via thought-provoking statements in the paper.

---

<sup>1</sup> <https://www.accountancyeurope.eu/wp-content/uploads/FEECogitoPaper - FutureofCorporateReporting.pdf>

“CIMA agrees that there is a greater audience for reports than there used to be. However, it is clear that investors are still the primary readership and there is widespread evidence that investors value a report as a control mechanism which confirms officially what may already be known.”

Chartered Institute of  
Management Accountants  
(CIMA)

“The full and unabbreviated annual accounts are of critical importance to the providers of financial capital. It should always remain part of the statutory report. We therefore disagree with the thought that financial statements are losing relevance.”

Eumedion

## EXECUTIVE SUMMARY

This paper presents a summary of the responses received to the Accountancy Europe Cogito paper<sup>2</sup>, as well as some of the topics highlighted during several events that took place in 2015 and 2016<sup>3</sup>. During these events, Accountancy Europe engaged with a wide range of stakeholders comprising preparers, users, auditors, regulators, academics, and policy makers from across Europe.

Overall, respondents and attendees at the events indicated that:

- although there is a growing audience for corporate reporting, investors are still seen as the primary users of such reporting; Some respondents proposed to provide financial and non-financial information to the capital providers through the CORE report, and use the MORE reports to cover information needs of other stakeholders
- financial reporting is not losing absolute relevance: it still has significant confirmatory value, and as such, should be as timely as practicably possible

We will therefore not further consider these two areas for the time being.

However, respondents and attendees at the events also emphasised that:

- the CORE & MORE concept should be clarified, redefined, and further fine-tuned and explained how it relates to integrated reporting
- it is of the utmost importance that one party (or parties) take(s) firm ownership of a global principles-based non-financial information reporting framework to ensure a certain level of quality and discipline in non-financial information reporting
- technology will significantly change the preparation and presentation of corporate reporting going forward

---

<sup>2</sup> See Appendix for further details

<sup>3</sup> See Appendix for further details

## MAIN AREAS OF FEEDBACK

### ELABORATING THE CORE & MORE CONCEPT

Stakeholders requested a clarification of the CORE & MORE concept. The MORE component could be interpreted incorrectly, i.e. entailing a request for an increased level of information. The proposed model is on the contrary aiming at a more coordinated – integrated – corporate reporting approach to respond adequately to a more demanding audience. CORE & MORE could focus more on quality instead of quantity, and as such, probably even result in **shorter** reports compared to today's practice. It could also aim at reporting relevant entity-specific information instead of a rule-based check-the-box exercise resulting in boilerplate disclosures.

CORE & MORE could bring all relevant information on the entity together in one hub, consisting of a well-structured summary (CORE) and providing the possibility to dive into more detail on specific domains if requested (MORE). Different standalone reports, which lack an overarching summary and structure (siloe reporting), might unfortunately be the practice today.

The CORE pillar is envisaged as a short and concise report, covering relevant and material key information of the entity, important to all involved stakeholders. More detailed information (e.g. country-by-country reporting, detailed sustainability information, etc.) would be captured in the MORE reports which have a more specific audience. A digital report making the use of hyperlinks would enable stakeholders to access more detailed information (the MORE reports) via drilling down vertically.

CORE & MORE would just be a presentation model; it would not determine the content. Interconnected financial and non-financial information would be covered in the CORE & MORE report. Implementing this principle should ultimately be a catalyst, between people working on financial information and those focusing on non-financial information, to cooperate. We refer to the following section for a more in-depth discussion of financial and non-financial information reporting.

We believe that integrated reporting is consistent with the CORE & MORE concept, i.e. both concepts recommend to report what is really crucial to the value creation of the entity involved. Integrated reporting is probably the most developed and promising initiative in trying to improve the interconnectivity of various strands of reporting (financial statements, strategic reports, country-by-country reporting, etc.). Entities might use integrated reporting to communicate a clear, concise, integrated story that could explain how all of their resources are creating value.

*“We welcome the CORE & MORE concept. Applied to the reporting portfolio as a whole, it has the potential to simplify reporting and increase relevance and consistency.”*

KPMG Network

*“The MORE reports can be used to provide more detailed information to all stakeholders, but the CORE report should provide financial and non-financial information relevant to shareholders' assessment of the business and its prospects and the stewardship by management of resources entrusted to it by the shareholders.”*

Financial Reporting Council  
(FRC)

*“FAR believes that technology will play an integral part in developing the CORE & MORE model. In FAR's opinion, one of the benefits with the CORE & MORE model is that it allows for information to be presented on a "when available-basis". This would allow for information to reach the different stakeholder groups on a timelier basis. In order for this to occur, technology will be both a driving factor as well as a necessity.”*

Accountancy Profession in  
Sweden (FAR)

*“Non-financial information has become a bigger part of corporate reporting. And, given that such information may well help to improve investment decisions, this development is welcome.”*

Chartered Financial Analyst  
Institute (CFA)

*“We also see higher demands from the companies’ surroundings for increased transparency about the company’s values from a social perspective in the light of a growing understanding that society’s resources, which companies make use of, are very limited.”*

Danish Auditors (FSR)

*“Some other financial and non-financial information disclosed in other reports (such as in the management’s or Corporate Social Responsibility reports) are very important and need reading at the same time as financial information to get a complete picture of the corporate affairs of a company and its value creation.”*

Statutory Auditors’ Company  
(France) (CNCC) and the Order  
of Certified Accounts (France)  
(CSOEC)

Several respondents also indicated that the auditability of the MORE pillar might need some attention as well, assuming that the CORE pillar is currently already to a great extent within the review/audit scope. It is believed that stakeholders would benefit from a certain assurance over the completeness, existence, accuracy, and measurement of the disclosed information.

## **SUPPORTING THE COORDINATION AND DEVELOPMENT OF NON-FINANCIAL INFORMATION REPORTING**

Respondents and participants to the events acknowledged the increasing importance of non-financial information. Non-financial information might, in some cases, also be more forward-looking compared to financial information, and as such could be very valuable.

The financial statements (financial information) would continue to be an important part of corporate reporting, in particular because of their confirmatory value. Stakeholders would benefit from higher quality, less voluminous financial reporting: what is relevant to address, considering a specific reporting entity. Regulators and policy makers could take related initiatives forward in a constructive and open-minded manner.

It is important to clarify that non-financial information goes well beyond Environmental, Social and Governance key performance indicators (ESG). Indeed, non-financial information could also address operating performance metrics which are indicators of long term value creation. Some specific examples of such indicators could include for example the number of trademarks registered, customer loyalty, customer satisfaction scores, and employee motivation.

Financial information combined with non-financial information would assist stakeholders in getting a more complete picture of the performance of an entity. State of the art corporate reporting, i.e. reporting covering interconnected financial and non-financial information, would give an opportunity to communicate better with the audience based on the information the entity currently already holds. Academics also highlighted the positive relationship between the disclosure of non-financial information and capital markets.

Respondents recognise that non-financial information is a complex domain as it covers a lot of topics of different natures. Materiality might be an important concept considering the large scope of non-financial information. The inherent link between financial information and non-financial information might also add to the complexity.

Taking into account the increased importance of non-financial information, respondents and participants believe it is important that one party (or parties) take(s) firm ownership of a global principles-based non-financial information reporting framework. This framework would ensure a certain level of quality and discipline in reporting non-financial information, which are already present today in the case of financial information reporting.

The principles underpinning this non-financial information framework should be comparable to those currently existing regarding financial reporting. Stakeholders know that different non-financial information reporting frameworks already exist today, but they think that these are not yet well developed.

## RESEARCHING THE IMPACT AND OPPORTUNITIES OF TECHNOLOGY

Respondents and participants anticipate that corporate reporting will, amongst other things, be web-based in the future; meaning that we expect to gradually move away from the traditional paper/PDF format. Technology can enhance both the preparation and presentation of reports. Innovation could for instance result in a better overview of the information (structured reporting) and greater user-friendliness. Technology as such can be both a driver and enabler of change in corporate reporting.

Stakeholders also acknowledge that the technological revolution in the corporate reporting scene creates new challenges for the audit profession as well. Consequently, it could be critical for the audit profession to evolve its traditional processes and to make use of advanced technology tools.

*“ We think that the level of cooperation between key parties (including standard setters) needs, at least, to be enhanced significantly in order to develop a single set of international, generally accepted non-financial reporting standards. We would even go further: in the long run, the development of such standards should ideally lie in the hands of one single organisation.”*

Accounting Standards  
Committee of Germany (DRSC)

*“ We believe new technology can help companies to evolve their reporting from a minimalistic compliance-based approach to providing useful well thought through information.”*

Institute of Public Auditors in  
Germany (IDW)

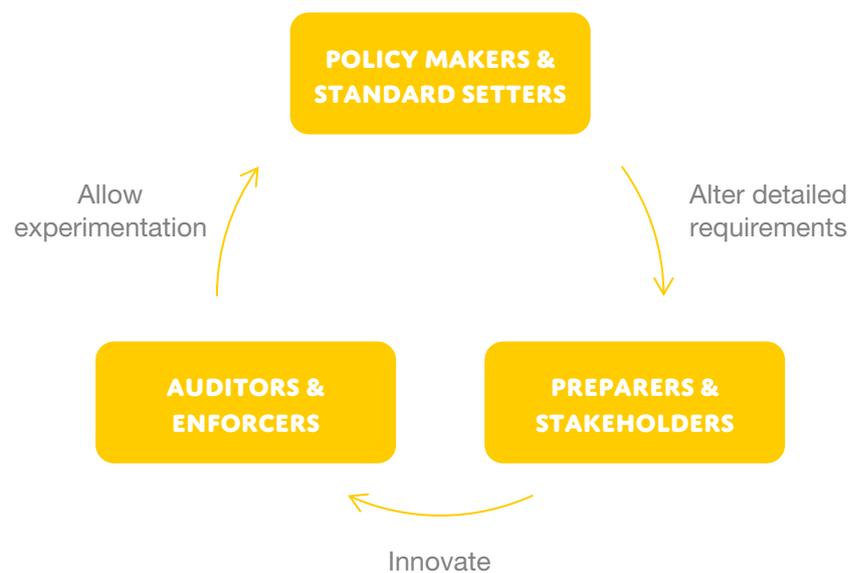
“The principles-based approach and room for preparers to make own judgements and assessments is essential for fostering incentives for experiment and change.”

Swedish Enterprise Accounting Group (SEAG)

## FORMULATING OVERALL POLICY RECOMMENDATIONS

Respondents also supported the general approach to policy making and innovation put forward in the 2015 paper. In the paper it was identified that

- preparers and users of corporate reporting will only innovate if auditors and enforcers allow experimentation
- auditors and enforcers will only allow experimentation if policy makers alter some of the detailed requirements
- policy makers will alter detailed requirements only if preparers and users are willing to innovate



There is an overarching view that standards and regulation should be based on principles to allow for flexibility and innovation. This message might not have always been taken to heart by policy makers and standard setters.

---

## NEXT STEPS

Accountancy Europe is grateful for all the feedback we received on our Cogito paper. The high level and quality of engagement in the discussions so far around Europe, and internationally, tell us that the future of corporate reporting is a subject worth pursuing further. There is also an ongoing role for the profession to play in continuing the debate about future directions.

More specifically, we commit to provide more clarity around, and fine-tune, the CORE & MORE concept and how integrated reporting and CORE & MORE relate to each other. We will also follow-up on the auditability of the MORE pillar.

Accountancy Europe would like to further support the development of non-financial information reporting by stimulating and participating in the ongoing debate, bearing in mind that non-financial information goes beyond Environmental, Social and Governance key performance indicators (ESG) to also include, for example, operational performance measures.

In the discussion we had on non-financial information, the proliferation of disclosure frameworks and initiatives around non-financial information were highlighted as a concern. As such, we aim to support the coordination of the different initiatives to ultimately result in a single global principles-based non-financial information reporting framework, which takes the interconnectivity with financial information into account.

Accountancy Europe would also like to further research the various impacts of technology on corporate reporting, including online reporting and social media, both from the perspective of the reporting entity and the users of corporate reporting

Our aim is to make contributions and recommendations in the areas mentioned above. They are clearly interconnected and crucial to further enhancing corporate reporting of the future. We plan to organise an event in the second half of 2017 and look forward to continuing this important debate.

## APPENDIX

### QUOTES FROM RESPONDENTS TO 2015 PUBLICATION

David J Hackett, Policy & Technical Manager, Chartered Institute of Management Accountants (CIMA) (p. 2)

Rients Abma, Executive Director, Eumedion (p. 2)

Mark Vaessen, KPMG IFRG Limited (p. 3)

Paul George, Executive Director Corporate Governance & Reporting, Financial Reporting Council (FRC) (p. 3)

Pernilla Lundqvist, Accounting Policy Group Chairman of the Accountancy Profession in Sweden (FAR) and Dan Brännström, Secretary General of the Accountancy Profession in Sweden (FAR) (p. 3)

Vincent Papa, Director Financial Reporting Policy of Chartered Financial Analyst Institute (CFA) and Richard Schreuder, Member of the Corporate Disclosure Policy Council (CDPC) of Chartered Financial Analyst Institute (CFA) (p. 4)

Brian Wessel, Director Department of Professional Affairs, Danish Auditors (FSR) (p. 4)

Denis Lesprit, President of Statutory Auditors' Company (France) (CNCC) and Philippe Arraou, President of the Order of Certified Accountants (France) (CSOEC) (p. 4)

Andreas Barckow, President, Accounting Standards Committee of Germany (DRSC) (p. 5)

Klaus-Peter Nauman, Chief Executive Officer, Institute of Public Auditors in Germany (IDW) (p. 5)

Sofia Bildstein-Hagberg, Senior Advisor Financial Reporting, Swedish Enterprise Accounting Group (SEAG) (p. 6)

### LIST OF RESPONDENTS TO OUR 2015 PUBLICATION<sup>4</sup>

Preparers:

- Swedish Enterprise Accounting Group (SEAG)
- Novo Nordisk
- Association pour la participation des entreprises françaises à l'harmonisation comptable internationale (ACTEO)
- Association française des entreprises privées (AFEP)
- Mouvement des entreprises de France (MEDEF) and Business Europe

---

<sup>4</sup> <https://www.accountancyeurope.eu/publications/list-of-responses-for-the-cogito-paper-the-future-of-corporate-reporting/>

---

Standard Setters:

- Deutsches Rechnungslegungs Standards Committee (DRSC)
- Financial Reporting Council (FRC)
- Dutch Accounting Standards Board (DASB)

Accountancy Europe Members:

- Institute for the Accountancy Profession in Sweden (FAR)
- Chartered Institute of Management Accountants (CIMA)
- Danish Auditors (FSR)
- Norwegian Institute of Public Accountants (DnR)
- Association of Chartered Certified Accountants (ACCA)
- Institute of Chartered Accountants of Scotland (ICAS)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Statutory Auditors' Company (France) (CNCC)
- the Order of Certified Accountants (France) (CSOEC)
- Institute of Public Auditors in Germany (IDW)
- Institute of Chartered Accountants of Spain (ICJCE)

Audit/Accountancy firms:

- Crowe Horwath
- Deloitte
- KPMG

Investors:

- Eumedion
- Society of Investment Professionals in Germany (DVFA)
- Chartered Financial Analyst Institute (CFA)

Other stakeholders:

- an individual academic
- International Federation of Accountants (IFAC)
- European Confederation of Institutes of Internal Auditing (ECIIA)
- International Integrated Reporting Council (IIRC)

Private individuals: 2

## **OVERVIEW OF EVENTS HELD ACROSS EUROPE IN THE CONTEXT OF THE 2015 PUBLICATION (PUBLIC AND PRIVATE EVENTS)**

### Preparers:

- Event for preparers, organised by Statutory Auditor's Company (France) (CNCC) in Paris (3 May 2016)
- Accounting Groups meeting, organised by Business Europe in Brussels (24 May 2016)

### Standard Setters:

- IFRS Advisory Council Meeting, organised by IASB in London (23 February 2016)
- Corporate Reporting Forum, organised by Austrian Financial Reporting and Auditing Committee (AFRAC) in Vienna (9 March 2016)
- Presentation organised by Autorité des Normes Comptables (ANC) in Paris (15 March 2016)
- Periodic meeting organised by International Forum of Accounting Standard Setters (IFASS) in Toronto (6 April 2016)
- Presentation and discussion, organised by the Dutch Accounting Standards Board (DASB) in Amsterdam (20 April 2016)
- Event organised jointly by Deutsches Rechnungslegungs Standards Committee (DRSC) and Institute of Public Auditors in Germany (IDW) in Berlin (29 November 2016)

### Accountancy Europe Members:

- Accountancy Europe Members Assembly, organised by Accountancy Europe in Amsterdam (22 September 2015)
- International Conference on Enhancing the credibility of financial statements, organised by the Chamber of Financial Auditors of Romania (CAFR) in Bucharest (11 November 2015)
- Event with investors and major companies, organised by the Danish Auditors (FSR) in Copenhagen (25 November 2015)
- IFRS committee, organised by the Institute of Certified Public Accountants of Cyprus (ICPAC) in Nicosia (26 November 2015)
- Forum for Public Interest Entities' Auditors, organised by The Norwegian Institute of Public Accountants (DnR) in Norway (1 December 2015)
- Event organised by the Institute for the Accountancy Profession in Sweden (FAR) in Stockholm (6 April 2016)
- Roundtable discussion organised by the Danish Auditors (FSR) in Copenhagen (14 April 2016)
- Event organised by Statutory Auditor's Company (France) (CNCC) in Paris (3 May 2016)
- Annual national Institute of Chartered Accountants of Spain (ICJCE) Conference, organised by the Institute of Chartered Accountants of Spain (ICJCE) in Sitges (7-8 July 2016)

### Investors:

- Event, organised jointly by the Central Council of Accounting Bodies (CCAB), the Chartered Financial Analyst Institute (CFA) and Accountancy Europe in London (16 May 2016)

#### Universities and academics:

- The Beyond Financial reporting conference at Budapest Business School, organised by Budapest Business School (BGF) in Budapest (24 September 2015)
- Visit from the University of Maryland (USA) in Brussels (18 January 2016)
- Accountancy Europe sponsored Symposium at the European Accounting Association (EAA) Congress, organised by the European Accounting Association (EAA) in Maastricht (11 May 2016)
- Visit from the University of Maastricht (MARC) in Brussels (20 October 2016)

#### Other stakeholders:

- National Competent Authorities meeting, organised by ESMA in Paris (16 November 2015)
- Presentation of the paper to the EFRAG Board, organised by EFRAG in Brussels (16 December 2015)
- Event focusing on technology, jointly organised by The International Integrated Reporting Council (IIRC) and Accountancy Europe in Brussels (6 April 2016)
- European SMEs – new business and financing logic, organised by the European Parliament, Theodor Stolojan (member of the parliamentary group of the European People's Party) and Eva Kaili (member of the parliamentary group of the Progressive Alliance of Socialists and Democrats) in Brussels (21 April 2016)
- Professional Accountancy Organisations Regional Forum, organised by The Centre for Financial Reporting Reform (CFRR) in Vienna (28 April 2016)
- Meeting of The International Organization of Securities Commissions (IOSCO) Policy Committee C1 on Issuer Accounting, Audit and Disclosure in London (7-8 June 2016)



Avenue d'Auderghem 22-28, 1040 Brussel



+32(0)2 893 33 60



[www.accountancyeurope.eu](http://www.accountancyeurope.eu)



@AccountancyEU



Accountancy Europe

## **ABOUT ACCOUNTANCY EUROPE**

Accountancy Europe unites 50 professional organisations from 37 countries that represent close to 1 million professional accountants, auditors, and advisors. They make numbers work for people. Accountancy Europe translates their daily experience from across Europe to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).