

Public consultation on strengthening the quality of corporate reporting and its enforcement

Fields marked with * are mandatory.

Introduction

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High quality and reliable corporate reporting is of key importance for healthy financial markets, business investment and economic growth. The [EU corporate reporting framework](#) should ensure that companies publish the right quantity and quality of relevant information allowing investors and other interested stakeholders to assess the company's performance and governance and to take decisions based on it. High quality reporting is also indispensable for cross-border investments and the development of the [capital markets union \(CMU\)](#).

In the context of this consultation, corporate reporting comprises the financial statements of companies, their management report that includes the non-financial and corporate governance statements and country-by-country reporting. It would also include sustainability information pursuant to the [proposed Corporate Sustainability Reporting Directive](#).

The consultation takes into account the outcomes of the [2018 consultation on the EU framework for public reporting by companies](#) and the [2021 fitness check on the EU framework for public reporting by companies](#). This consultation however focuses on companies listed on EU regulated markets (hereafter 'listed companies' or 'issuers'), that is a subset of the companies subject to public reporting requirements under EU law. Please note that in terms of reporting, this consultation does not seek the views of stakeholders on the applicable accounting standards, such as International Financial Reporting Standards (IFRS) or the standards in the Accounting Directive, or the views of stakeholders on public country-by-country reporting or the Commission's proposal for a Corporate Sustainability Reporting Directive.

The 2018 consultation did not cover the areas of corporate governance or statutory audit. Therefore, this consultation contains questions to evaluate aspects of the [Audit Regulation 537/2014](#), [Audit Directive 2006/43/EC](#) and of [Accounting Directive 2013/34/EU](#). However, it covers the EU framework on corporate governance only in so far as relevant for corporate reporting by listed companies and the statutory audit of so-called public interest entities (PIEs). Listed companies, credit institutions, insurance undertakings and entities designated as such by Member States are PIEs.

This consultation also builds on the work carried out by the [European Securities and Markets Authority \(ESMA\)](#) and the [Committee of European Audit Oversight Bodies \(CEAOB\)](#).

This consultation is divided into 5 parts

- The first part seeks your views about the overall impact of the EU framework on the three pillars of high quality and reliable corporate reporting - corporate governance, statutory audit and supervision. It also seeks your views about the interaction between the three pillars
- The second part of the questionnaire focuses on the corporate governance pillar, as far as relevant for corporate reporting. It aims to get your feedback in particular on the functioning of company boards, audit committees and your views on how to improve their functioning
- The third part focuses on the statutory [audit pillar](#). The first questions in this part aim at getting your views on the effectiveness, efficiency and coherence of the EU audit framework. It focuses in particular on the changes brought by the [2014 audit reform](#). Subsequently, the questions aim to seek views on how to improve the functioning of statutory audit
- The fourth part asks questions about the supervision of PIE statutory auditors and audit firms
- Finally, the consultation will ask questions about the supervision of corporate reporting and how to improve it

This consultation will directly feed into an impact assessment that the Commission will prepare in 2022 with a view to possibly amend and strengthen the current EU rules.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-corporate-reporting@ec.europa.eu.

More information on

- [this consultation](#)
- [the consultation document](#)
- [the consultation strategy](#)
- [company reporting](#)
- [the protection of personal data regime for this consultation](#)

About you

* Language of my contribution

- Bulgarian
- Croatian
- Czech

- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* First name

Martijn

* Surname

Bos

* Email (this won't be published)

Martijn.bos@eumedion.nl

* Organisation name

255 character(s) maximum

Eumedion

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

65641341034-11

* Country of origin

Please add your country of origin, or that of your organisation.

- | | | | |
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| <input type="radio"/> Afghanistan | <input type="radio"/> Djibouti | <input type="radio"/> Libya | <input type="radio"/> Saint Martin |
| <input type="radio"/> Åland Islands | <input type="radio"/> Dominica | <input type="radio"/> Liechtenstein | <input type="radio"/> Saint Pierre and Miquelon |
| <input type="radio"/> Albania | <input type="radio"/> Dominican Republic | <input type="radio"/> Lithuania | <input type="radio"/> Saint Vincent and the Grenadines |
| <input type="radio"/> Algeria | <input type="radio"/> Ecuador | <input type="radio"/> Luxembourg | <input type="radio"/> Samoa |
| <input type="radio"/> American Samoa | <input type="radio"/> Egypt | <input type="radio"/> Macau | <input type="radio"/> San Marino |
| <input type="radio"/> Andorra | <input type="radio"/> El Salvador | <input type="radio"/> Madagascar | <input type="radio"/> |

- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
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- Australia
- Austria
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- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
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- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
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- Gibraltar
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- Malawi
- Malaysia
- Maldives
- Mali
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- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
- Namibia
- Nauru
- Nepal
- Netherlands
- New Caledonia
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- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden
- Switzerland
- Syria
- Taiwan
- Tajikistan
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- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
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- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
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- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
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- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
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| <input type="radio"/> Croatia | <input type="radio"/> Kuwait | <input type="radio"/> Romania | <input type="radio"/> Vietnam |
| <input type="radio"/> Cuba | <input type="radio"/> Kyrgyzstan | <input type="radio"/> Russia | <input type="radio"/> Wallis and Futuna |
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| <input type="radio"/> Cyprus | <input type="radio"/> Latvia | <input type="radio"/> Saint Barthélemy | <input type="radio"/> Yemen |
| <input type="radio"/> Czechia | <input type="radio"/> Lebanon | <input type="radio"/> Saint Helena Ascension and Tristan da Cunha | <input type="radio"/> Zambia |
| <input type="radio"/> Democratic Republic of the Congo | <input type="radio"/> Lesotho | <input type="radio"/> Saint Kitts and Nevis | <input type="radio"/> Zimbabwe |
| <input type="radio"/> Denmark | <input type="radio"/> Liberia | <input type="radio"/> Saint Lucia | |

* Role in the corporate reporting market

- Preparer of corporate reporting
- User of of corporate reporting
- Preparer and user of corporate reporting
- Statutory auditor
- Accounting professional
- Supervisor
- None
- Other

* Field of activity or sector (if applicable)

- Accounting
- Auditing
- Banking
- Credit rating agencies
- Insurance
- Pension provision
- Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Other financial services (e.g. advice, brokerage)
- Social entrepreneurship
- Trade repositories

- Other
- Not applicable

* Please specify your activity field(s) or sector(s)

Representative body of institutional investors

The Commission will publish all contributions to this public consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

Public

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the [personal data protection provisions](#)

Part I - The EU framework for high quality and reliable corporate reporting

The EU framework for corporate reporting has developed significantly since the EU adopted the [fourth company law Directive \(Directive 78/660/EEC\)](#) which coordinated the national provisions on the presentation, content and publication of annual accounts and management reports of limited liability companies. This Directive also already required a statutory audit of the annual accounts of limited liability companies.

Today, the [Accounting Directive 2013/34/EU](#), the [Statutory Audit Directive \(2006/43/EU\)](#) and [Audit Regulation \(537/2014\)](#) and the [Transparency Directive 2004/109/EC](#) provide the main requirements that ensure the quality of corporate reporting and its enforcement in the EU. Moreover, the [ESMA Regulation \(EU\)1095/2010](#) gives tasks to ESMA in relation to corporate reporting. Given the inclusion of the Transparency Directive in the scope of the ESMA Regulation ESMA can make use of its powers in the ESMA Regulation, such as to issue guidelines.

The main elements of this framework that guarantee the quality and reliability of corporate reporting can be summarised as follows

- **C o r p o r a t e** **g o v e r n a n c e :**
Responsibility of company boards for corporate reporting; the establishment by PIE's of an audit committee to minimise risks and to enhance the quality of financial reporting
- **A u d i t :**
The requirements for a statutory audit of the annual accounts to ensure that there are no material misstatements
- **S u p e r v i s i o n :**
The supervision of statutory auditors and audit firms to ensure the quality of audits and the supervision of corporate reporting by listed companies to ensure the quality of corporate reporting

The three pillars of the corporate reporting framework can be mutually reinforcing. At the same time, weaknesses in one pillar also negatively impact other pillars. Appropriate responsibilities and supervision of company boards provide incentives to company boards to focus on the quality of their corporate reporting. It will also incentivise them to see statutory audit not as a burden, but as an important external check by statutory auditors. On the other hand, where company boards are insufficiently accountable and supervised, there is a risk that boards may pay insufficient attention to the quality of reporting and that they provide insufficient resources for a proper audit.

Question 1. As a user of corporate reporting (retail or wholesale investor, credit rating agency, NGO, public authority, employees, suppliers, other stakeholders), what is the relative importance of the information contained therein compared to other sources of information?

- 1 - Very low
- 2 - Low
- 3 - Medium
- 4 - High
- 5 - Very high
- Don't know / no opinion / not applicable

Question 2. How do you assess the overall effectiveness, efficiency, relevance, coherence and EU added value of the EU legislation, considering each of the pillars underpinning corporate reporting individually, but also in combination with each other?

a) Corporate governance

| | | | | | | | |
|--|--|--|--|--|--|--|--|
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| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|----------------------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Relevant in terms of overall needs and objectives | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IV. Coherence with other related EU frameworks / internal coherence | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) Statutory audit

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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|---|-----------------------|-----------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------|
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Relevant in terms of overall needs and objectives | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| IV. Coherence with other related EU frameworks / internal coherence | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

c) Supervision by public authorities of statutory auditors/audit firms

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|----------------------------------|-----------------------|----------------------------------|---|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Relevant in terms of | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

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|---|-----------------------|----------------------------------|-----------------------|-----------------------|----------------------------------|-----------------------|
| overall needs and objectives | | | | | | |
| IV. Coherence with other related EU frameworks / internal coherence | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

d) Supervision by authorities of corporate reporting

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Relevant in terms of overall needs and objectives | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IV. Coherence with other related EU frameworks / internal coherence | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

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| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
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e) The eco-system composed of all of the above

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Relevant in terms of overall needs and objectives | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IV. Coherence with other related EU frameworks / internal coherence | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. EU Added value: was and is EU intervention justified? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 2.1 Please describe the main issues that you see, if any, in the four areas mentioned in question 2 and in the eco-system composed of all four areas. Where possible, please provide concrete examples and evidence supporting your assessment.

You may want to consider the following aspects

- **have any factors reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there room to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is important for investors to have consistent and comparable reporting by all listed entities, irrespective of their size and the location of their listing. In this respect it is important that investors can rely on a pan-European enforcement regime. Currently this is not the case due to the fact that the enforcement of international financial reporting standards (IFRS) is a national task. In practice we see diverged enforcement practices of the IFRS among EU Member States. We believe that the enforcement of the IFRS could be better safeguarded by pan-European enforcement, instead of European coordination. Therefore we are of the opinion that this responsibility should be transferred from the national supervisory authorities to a pan-European authority, e.g. ESMA. The same applies to the supervision of statutory auditors and audit firms. Currently this is also a national responsibility. We are in favour of pan-European, harmonised supervision on at least the largest ('Big 4') audit firms.

The [ESMA report on enforcement and regulatory activities of European enforcers in 2020](#) notes that supervisors undertook the examination that year of 729 financial statements drawn up in accordance with International Financial Reporting Standards (IFRS). Based on these examinations, European enforcers took enforcement actions against 265 issuers in order to address material departures from IFRS. This represents an action rate of 38%.

As regards the audit sector the [Commission's market monitoring report](#) highlights deficiencies in audit firms' internal quality control systems, but also in individual files for audits of PIEs. National audit oversight bodies also report that part of statutory audits is not up to standards.

Question 3. Based on your own experience how do you assess the quality and reliability of corporate reporting by listed EU companies?

- 1 - Very low
- 2 - Low
- 3 - Medium
-

- 4 - High
- 5 - Very high
- Don't know / no opinion / not applicable

Question 3.1 Please provide concrete examples and evidence supporting your assessment in question 3 and explain the consequences that the quality and reliability of corporate reporting or lack thereof has on you.

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There is no consistent European supervision on the audit profession in the EU Member States. This currently comes at the cost of the perceived reliability of all corporate reporting by all investors.

Another problem is that the management reports of European listed companies often lack a balance between favourable elements and unfavourable elements, including candid descriptions of incidents, i.e. what still went wrong despite all efforts in managing risks.

The management report is of great importance for understanding the business model of a company, but the current 'consistency check' by auditors is providing hardly any assurance for investors; much less than limited or reasonable assurance.

Sustainability information is not globally comparable, due to the lack of enforceable international sustainability reporting standards. The lack of enforceable sustainability reporting standards also hampers auditing.

Question 4. There are no generally accepted standards or indicators to measure the quality of corporate reporting and of statutory audit, nor the effectiveness of supervision. In light of this, what are your views on the following questions?

| | 1 (strongly disagree) | 2 (rather disagree) | 3 (neutral) | 4 (rather agree) | 5 (strongly agree) | Don't know - No opinion - Not applicable |
|--|--------------------------|------------------------|-----------------------|-----------------------|----------------------------------|--|
| Would it be useful to have specific indicators to measure the quality of corporate reporting, of statutory audits and the effectiveness of supervision? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Is it possible to have clear and reliable indicators to measure the quality of corporate reporting, of statutory audit and the effectiveness of supervision? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Should the European Commission develop indicators on the quality of corporate reporting, of statutory audits and the effectiveness of supervision? | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

Question 4.1 Please provide any further explanation supporting your views, and, where relevant, please suggest possible indicators of the quality and reliability of corporate reporting, statutory audit and supervision, where possible with concrete examples:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do see merit in developing such indicators for audit quality; especially since Eumedion has participated in a project to develop Audit Quality Indicators for audit firms in The Netherlands. The quality of an audit depends as much on the quality of the audit firm as on the quality of the reporting entity, i.e. the audit client. Eumedion considers the following Audit Quality Indicator to be of great use for investors: auditors need to 'rank' corporates on the quality of their administrative organisation and internal controls. This is a highly insightful instrument to measure the performance of audit clients and explain the outcomes to investors. Ranking as a method compares favourably to for example 'school grades'. Criteria for school grades may prove difficult to change over time once they have been set. Rankings are more future proof to developments in norms, and are less prone to time-consuming discussions about measurement with the ranked corporates.

We can imagine that Quality Indicators for quality and reliability of corporate reporting and supervision may turn out to be very useful for investors as well. But this is not as equally evident for us at the moment.

Question 5. In your view, should the Commission take action in the areas of the corporate governance pillar, the statutory audit pillar, the supervision of PIE auditors and audit firms and the supervision of corporate reporting to increase the quality and reliability of reporting by listed companies?

- Yes, there is a need to improve the **some or all of the areas listed above**
- Yes, there is a need to improve some or all of the areas listed above **as well as other areas**
- No, but there is a need to improve other areas than those listed above
- No, there is no need to take further action in any area
- Don't know / no opinion / not applicable

Please indicate to what extent you think the Commission should take action in each of the areas below to increase the quality and reliability of reporting by listed companies:

| | 1 (strongly disagree) | 2 (rather disagree) | 3 (neutral) | 4 (rather agree) | 5 (strongly agree) | Don't know - No opinion - Not applicable |
|---|--------------------------|------------------------|-----------------------|-----------------------|----------------------------------|--|
| Improve the corporate governance pillar | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Improve the statutory audit pillar | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Improve the supervision of PIE auditors and audit firms | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Improve the supervision of corporate reporting | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

Question 5.1 Please provide any further explanation supporting your views, and where appropriate describe what actions you would prioritise and why, with concrete examples:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The annual report of all European listed companies should include a statement by the board that the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies ('in control statement'). This will increase investor trust in the quality and reliability of financial reporting.

The maximum appointment term for audit firms that audit the financial statements of European listed companies should be harmonised at European level and should be set at 10 years. The current Member State option in the Audit Regulation to allow a maximum term of 20 years should be cancelled.

All large European listed entities (more than 500 employees) should be obliged to establish an internal audit function in order to strengthen the internal 'lines of defense'.

We reiterate the need for enforcement at the European level on the largest audit firms and on financial reporting, as described in our response to question 3.1.

Question 5.2 At what level should action be taken to improve the quality of corporate governance, audit, audit supervision and/or supervision of corporate reporting?

| | 1 (strongly disagree) | 2 (rather disagree) | 3 (neutral) | 4 (rather agree) | 5 (strongly agree) | Don't know - No opinion - Not applicable |
|--|--------------------------|------------------------|-----------------------|----------------------------------|----------------------------------|--|
| Companies themselves should take action to improve their reporting | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Auditors themselves should take action to improve audits | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Audit supervisors themselves should take action to improve their functioning | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Individual Member States should take action if the situation in their market requires this | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| The EU should take action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| Several of the above should take action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

Question 5.3 Please provide any further explanation supporting your views expressed in question 5.2:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Top-ups for corporate governance (reporting) requirements should remain possible. Individual EU Member States should retain supervision on national corporate governance requirements, due to the high degree of differences between corporate governance regimes between EU Member States.

Question 6. To what extent is there a need to modify the EU framework on corporate reporting to support the following objectives?

| | 1 (not at all necessary) | 2 (rather not necessary) | 3 (neutral) | 4 (rather necessary) | 5 (highly necessary) | Don't know - No opinion - Not applicable |
|---|----------------------------------|----------------------------------|-----------------------|-------------------------|----------------------------------|--|
| I. The green transition | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. The digital transition | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| III. Facilitating doing business by SMEs | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IV. Reducing burdens and/or simplification | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. Better corporate social responsibility, including tax transparency and fair taxation | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

Question 6.1 Please provide, if needed, any further explanation supporting your views expressed in question 6:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The EU Framework on Corporate Reporting should aim to align with the global baseline for sustainability reporting set by IFRS Foundation's International Sustainability Standards Board.

Part II - Corporate governance

The EU corporate governance framework focuses on the relationships between company boards, shareholders and other stakeholders, and therefore, on the way a company is managed and controlled. The framework consists of a combination of EU and Member State legislation and soft law, namely national corporate governance codes applied on a 'comply or explain' basis. It aims inter alia to provide protection for shareholders and other parties with a particular interest in companies, such as employees and creditors.

A [sustainable corporate governance initiative](#) is planned to be adopted by the Commission in 2021. (In addition, the [Commission's study on directors' duties and sustainable corporate governance, July 2020](#), assesses the root causes of 'short termism' in corporate governance and discusses their relationship with current market practices and/or regulatory frameworks).

Key features of the EU framework on corporate governance that are relevant for corporate reporting are

- The collective responsibility of the members of the administrative, management and supervisory bodies of a company for drawing up and publishing annual financial statements and management reports
- The requirement for a statement by the persons responsible within the issuer that, to the best of their knowledge, the financial statements prepared give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer
- The requirement for PIEs to establish, in principle, an audit committee

Question 7. How do you assess the effectiveness, efficiency, and coherence of the key features of the EU framework on corporate governance, considering how they underpin quality and reliability of corporate reporting?

a) Board responsibilities for reporting

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|------------------|-----------------|------------|---------------|-------------|------------------|--|
| I. Effectiveness | | | | | | |

| | | | | | | |
|---|-----------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|-----------------------|
| in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) Liability of company boards for reporting

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) Obligation to establish an audit committee

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|------------------|-----------------|------------|---------------|-------------|------------------|--|
| I. Effectiveness | | | | | | |

| | | | | | | |
|---|-----------------------|----------------------------------|-----------------------|----------------------------------|-----------------------|-----------------------|
| in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) Rules on the composition of the audit committee

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) Tasks of the audit committee

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|------------------|-----------------|------------|---------------|-------------|------------------|--|
| I. Effectiveness | | | | | | |

| | | | | | | |
|---|-----------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|
| in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

f) External position of the audit committee (e.g. in relation to shareholders)

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 7.1 Please describe the main issues you see, if any, as regards corporate governance and, where possible, please provide concrete examples and evidence supporting your assessment.

You may want to consider the following aspects

- **are there factors that have reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there room to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We would welcome strong minimum requirements for the contents of the report of the Audit Committee. Currently, the audit reports of most European listed companies provide very little, if any, insightful information. This situation has endured for decades, even among corporate reports that as a whole are widely considered as of high quality.

As earlier remarked, Eumedion would strongly support a statutory requirement to include an 'in control statement' in the annual report of all European listed companies. This call is supported by a recent study administered by the Dutch Minister of Finance and conducted by the University of Leiden. Please find a link to the research report (in Dutch) below.

<https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/rapporten/2021/04/06/versterking-verantwoordingsketen/Versterking+verantwoordingsketen.pdf>

As earlier remarked, Eumedion is in favour of a requirement for large European listed companies (more than 500 employees) to establish an Internal Audit Function in accordance with the International Professional Practices Framework (IPPF) developed by The Institute of Internal Auditors.

Question 8. Considering the level of material departures from IFRS reported in the [ESMA report on enforcement and regulatory activities of European enforcers in 2020](#), to what extent can such departures be attributed to deficiencies of the EU framework on corporate governance?

- 1 - Not at all
- 2 - To a limited extent
- 3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent

- Don't know / no opinion / not applicable

Question 8.1 Please explain the main issues you see, and, where possible, please provide concrete examples and evidence supporting your assessment:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

This is for investors rather difficult to assess. This assessment should be made by national supervisory authorities and ESMA.

Question 9. How effective and efficient would the following actions be in increasing the quality and reliability of reporting by listed companies?

a) Strengthen the (collective) responsibilities of the board / tasks for reporting / liability of boards for incorrect reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

b) Require proper expertise of specific board members in relation to corporate reporting (internal controls, accounting framework, sustainability reporting, etc.)

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

c) Increase the responsibilities of specific board members (e.g. Chief Executive Officer or the Chief Financial Officer) and their liability on corporate reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) Give company boards an explicit responsibility to establish effective risk management and internal control systems for the preparation of corporate reporting, including as regards controls for risks of fraud and going concern

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

e) More transparency of company boards about the effectiveness of the companies' risk management and report on the actions undertaken during the reporting period

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

f) Remove exemptions in EU legislation for establishing an audit committee

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

g) Increase the tasks of the audit committee, e.g. for providing assurance on internal control systems for the avoidance of risk and fraud and going concern

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

h) Strengthen the external position of the audit committee (e.g. vis-à-vis the auditor or by reporting to shareholders)

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

i) Require the setting up of specific whistle blowing procedures inside listed companies and supervisors of corporate reporting to strengthen the protection of whistle blowers

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

j) Require auditors to provide assurance on the systems and internal controls implemented by the board, including fraud, going concern and related reporting requirements

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

k) Strengthen the role of shareholders on corporate reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

Question 9.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of reporting by listed companies?

- Yes
- No
- Don't know / no opinion / not applicable

9.1.1 Please specify to what other action(s) you refer in your answer to question 9.1:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We would welcome strong minimum requirements for the contents of the report of the Audit Committee. Currently, the audit reports of most European listed companies provide very little, if any, insightful information. We also refer to our response to question 7.1 on this topic.

We reiterate our stance on the mandatory establishment of an Internal Audit Function at large listed companies as stated in our response to question 7.1.

Question 9.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We strongly disagree with option 'c': the Board as a whole is responsible for the quality and reliability corporate reporting. Elevating the responsibility of a single or a few board members may actually reduce the necessary engagement of the other board members on this topic.

Regarding option 'h', we would like to suggest that the Audit Committee has an obligation to provide insightful information on its main conducted activities in the Audit Committee report. For example, what challenges were addressed in the reporting year, what challenges still remain for the coming year(s) and what were the main auditor's remarks and recommendations in its 'management letter' and what was the company's response to these remarks and recommendations.

Regarding option 'k': all EU Member States should require listed companies to submit the annual accounts and sustainability report for an annual shareholders' vote. This will increase the boards' accountability towards the company's shareholders, will increase the engagement between boards and shareholders on reporting topics and will incentivise boards to increase the quality and reliability of the financial and sustainability reporting.

Part III - Statutory audit

The overall objective of statutory audits is to ensure that financial statements are free from material misstatements and provide a true and fair view. The auditor has to identify and assess the risk of material misstatements and gather sufficient and appropriate audit evidence as the basis for his opinion that the financial statements provide a true and fair view and to publicly report on the results of his audit work. The EU audit rules promote audit quality and seek to ensure the independence of auditors and audit firms.

Therefore, the final objective of statutory audit is to contribute to the quality and reliability of financial statements of companies.

Question 10. How do you assess the effectiveness, efficiency and the coherence with other relevant EU frameworks of the key features of EU audit legislation in so far as it applies to PIE auditors and audit firms?

a) The rules on independence of auditors/audit firms and absence of conflicts of interest

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|-----------------------|----------------------------------|----------------------------------|----------------------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) The rules on the content of the audit and of the audit report

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|-----------------------|-----------------------|----------------------------------|-----------------------|--|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

| | | | | | | |
|---|-----------------------|-----------------------|-----------------------|----------------------------------|----------------------------------|-----------------------|
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) The rules applicable to non-audit services

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|----------------------------------|-----------------------|----------------------------------|----------------------------------|---|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) The rules on auditor/audit firm rotation

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|--|-----------------------|-----------------------|----------------------------------|-----------------------|-----------------------|---|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

| | | | | | | |
|---|-----------------------|-----------------------|-----------------------|----------------------------------|----------------------------------|-----------------------|
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) The rules on transparency (transparency report, additional reports to other parties / audit committees / supervisors)

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|-----------------------|-----------------------|----------------------------------|----------------------------------|----------------------------------|---|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 11. Please describe the main issues you see, if any, in the audit pillar and, where possible, please provide concrete examples and evidence supporting your assessment.

You may want to consider the following aspects

- **are there factors that have reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there scope to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Regarding area d): as earlier remarked we are in favour of full European harmonisation of audit firm rotation terms: max. 10 years (i.e. without Member State option to extend it to max. 20 years).

Question 12. To which extent you agree to the following statements?

| | 1 (strongly disagree) | 2 (rather disagree) | 3 (neutral) | 4 (rather agree) | 5 (strongly agree) | Don't know - No opinion - Not applicable |
|--|----------------------------------|------------------------|----------------------------------|----------------------------------|-----------------------|--|
| I. Statutory audits contribute as much as is possible to the quality and reliability of corporate reporting by PIEs | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. I am satisfied with the role of the statutory auditors / audit firms of PIEs | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. The work of auditors is reliable so I trust their assessment and reports and their work inspires trust in capital markets | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| IV. There is not enough choice for public interest entities in finding an audit firm at appropriate costs | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| V. Joint audits contribute to the quality of audit | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

12.1 If you want to add any comments, and/or mention specific issues you see you can insert them here. Where possible, please provide concrete examples and evidence supporting your assessment:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Regarding statement V: we would like to bring the recently published Erasmus Competition & Regulation Institute (ECRI) research report on joint audit to your attention:

<https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/kamerstukken/2021/11/26/bijlage-2-ecri-effects-of-and-experiences-with-joint-audit-october-2021/bijlage-2-ecri-effects-of-and-experiences-with-joint-audit-october-2021.pdf>

This research was commissioned by the Dutch 'Quartermasters' who were assigned by the Dutch Minister of Finance. Please find an accompanying letter (in Dutch) that introduces the ECRI research report to the Dutch Minister of Finance via the following link:

<https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/kamerstukken/2021/11/26/bijlage-1-brief-kwartiermakers-over-joint-audit-uitkomsten/bijlage-1-brief-kwartiermakers-over-joint-audit-uitkomsten.pdf>

The audit quality issues that occur most often at EU level are

- deficiencies in audit firms' internal quality control systems
- the lack of, or inappropriate, monitoring of high-risk audited entities
- and the lack of audit evidence and documentation.

Question 13. To what extent can these quality issues be attributed to deficiencies in the EU legal and supervisory framework for statutory audit?

- 1 - Not at all
- 2 - To a limited extent
- 3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent
- Don't know / no opinion / not applicable

Question 13.1 Please explain, and where possible, provide evidence for your assessment under question 13:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We refer to our response to question 2.1 where we call for a European authority to supervise the largest audit firms instead of the national competent authorities.

Question 14. How effective and efficient would the following actions be in increasing the quality of statutory audits of PIEs?

a) Ask auditors to disclose how they have assured the directors' statement on material fraud, and what steps they have taken to assess the effectiveness of the relevant internal controls and to detect any fraud

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

b) Strengthen the informational value of audit reports

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

c) Improve the internal governance of audit firms

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

d) Incentivise or mandate the performance of joint audits for PIEs, including to enhance competition on the PIE audit market

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) Further harmonise the rules on mandatory rotation

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

f) Limit the scope for statutory auditors and audit firms to provide non-audit services

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

g) Increase or eliminate caps on auditor liability, at least for cases of gross negligence of statutory auditors

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

h) Limit the number of Member State options in the EU Audit framework to ensure consistency across the EU and to incentivise cross-border statutory audits

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

i) The creation of a passporting system for PIE auditors and audit firms, allowing auditors to provide their services across the Union based on their approval in a Member State

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|----------------------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 14.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of statutory audits of PIEs?

- Yes
- No
- Don't know / no opinion / not applicable

Question 14.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Regarding question d): we refer to the earlier mentioned ECRi research report on joint audits.

Regarding question i): we are against a passporting system for PIE auditors. The quality of auditors cannot yet be expected to be at par throughout the entire EU. Opening cross-border competition raises the risk that high-quality audit offerings in one country may get undue competition from lower-quality audit offerings. This is not in the public interest.

We would reconsider to become more supportive of this idea after first a European audit authority has been well established and there is subsequent evidence gathered by this authority that the quality of audit firms and audits in all EU Member States has reached sufficiently high levels.

Part IV - Supervision of PIE statutory auditors and audit firms

National competent authorities are responsible for the approval and registration of statutory auditors and audit firms, the adoption of audit standards, quality assurance and investigative and administrative disciplinary systems.

At European level, the cooperation between competent authorities is organised within the framework of the [Committee of European Audit Oversight Bodies \(the 'CEAOB'\)](#). The CEAOB has different tasks aimed at supervisory convergence, but it has no power to take binding decisions (Article 30 [Audit Regulation](#)).

Question 15. How do you assess the effectiveness, efficiency, and coherence of the key features of the EU supervisory framework for PIE statutory auditors and audit firms?

a) The supervision of PIE statutory auditors and audit firms in the EU

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|--|-----------------|------------|---------------|-------------|------------------|--|
| | | | | | | |

| | | | | | | |
|---|----------------------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|
| I. Effectiveness in reaching its objectives | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) The establishment and operation of national audit oversight bodies

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|----------------------------------|-----------------------|----------------------------------|-----------------------|-----------------------|---|
| I. Effectiveness in reaching its objectives | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) The Member State systems for investigations and sanctions

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|--|-----------------|------------|---------------|-------------|------------------|---|
| | | | | | | |

| | | | | | | |
|---|----------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| I. Effectiveness in reaching its objectives | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

d) The role of the CEAOB

| | 1 (very low) | 2 (low) | 3 (medium) | 4 (high) | 5 (very high) | Don't know - No opinion - Not applicable |
|---|----------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|---|
| I. Effectiveness in reaching its objectives | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency: has the framework been cost efficient | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| III. Coherence with relevant EU rules | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Question 15.1 Please describe the main issues you see, if any, in relation to the supervision of statutory auditors and audit firms and, where possible, please provide concrete examples and evidence supporting your assessment. You may want to consider the following aspects

- **are there factors that have reduced the effectiveness / rendered the relevant EU framework less effective than anticipated? Which rules have proven less effective than anticipated?**
- **is there scope to improve efficiency via further simplification?**
- **are existing provisions coherent with each other?**

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

<Intentionally left blank>

Question 16. Considering the findings in the [Commission monitoring report](#) and reports of national audit oversight bodies how would you rate the quality of audit supervision?

- 1 - Very low
- 2 - Low
- 3 - Medium
- 4 - High
- 5 - Very high
- Don't know / no opinion / not applicable

16.1 If you want to add any comments and/or provide evidence for your assessment in question 16, you can provide it below. You may also include the consequences that your assessment of the quality of audit supervision or the lack thereof has:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

<Intentionally left blank>

Question 17. How effective and efficient would the following actions be to increase the quality and effectiveness of supervision of PIE statutory auditors and audit firms?

a) Ensure better the independence and appropriate resources of supervisors of auditors and audit firms

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

b) Increase the transparency of audit supervisors

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) Increase the consistency of supervision of cross-border networks of audit firms

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

d) Ensure supervision of audit committees

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) Harmonise and strengthen the investigation and sanctioning powers of audit supervisors

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

f) Ensure that at European level there are legal instruments available that ensure supervisory convergence as regards statutory audit of PIEs

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

g) Grant a European body the task to register and supervise PIE statutory auditors and audit firms

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

Question 17.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of supervision of PIE statutory auditors and audit firms?

- Yes
- No
- Don't know / no opinion / not applicable

Question 17.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Regarding area d): we are not in favour of the introduction of external supervision on audit committees. What would be the rationale for introducing external supervision on audit committee members and, for instance, not on members of the remuneration committee and of the nominating committee? Do these board members execute less important duties? And why not introduce external supervision on executives who are - in the first place - responsible for preparing the annual accounts? Instead of introducing external supervision on audit committees, we prefer to strengthen the role of the shareholders. A suggestion in that respect could be to require Member States that all audit committee members should be subject to annual re-election by the shareholders' meeting. This will increase the audit committee's accountability towards shareholders and will incentivise audit committee members to increase the quality of their activities and reporting.

We see also merit in a European-wide requirement to put both the remuneration report and the report of the audit committee up for an advisory vote at the shareholders' meeting. Even though advisory votes are non-binding and have no legal consequences, they have proven to be an effective instrument to quickly bring the quality of reporting and policies up to a level that is acceptable for investors (the positive effect of, for instance, a 'say on pay' as incorporated in the revised Shareholder Rights Directive). Another advantage is that it would not be a too complex measure to introduce for lawmakers.

Part V - Supervision and enforcement of corporate reporting

The supervision and enforcement of corporate reporting refers to the examination by competent authorities of listed companies' compliance with the disclosure obligations stemming from the applicable reporting framework, as well as taking appropriate measures when infringements are identified.

Based on enforcement activities by national competent authorities, ESMA reports a significant level of material misstatements. In the follow up of the Wirecard case and based on its experience, ESMA recommended a number of actions to improve the enforcement of corporate reporting ([see ESMA letter of 26 February 2021 to the Commissioner McGuinness on next steps following Wirecard - ESMA32-51-818](#)).

The [Transparency Directive](#) includes a number of requirements relating to supervision of corporate reporting

- the designation of a central competent authority in each Member State. For the enforcement of corporate reporting, Member States may designate a competent authority other than the central authority and/or delegate tasks to other entities

- national central competent authorities must be independent from market participants. There are no specific provisions as regards the independence of other designated authorities. As regards entities with delegated tasks, the entity in question must be organised in a manner such that conflicts of interest are avoided and information obtained from carrying out the delegated tasks is not used unfairly or to prevent competition
- Member States must provide competent authorities with certain powers, including investigative powers
- ESMA is tasked to foster supervisory convergence as regards the enforcement of financial statements prepared in accordance with the IFRS. For this purpose it has adopted in [2014 guidelines on the enforcement of financial information](#)

This part of the consultation complements the [Commission targeted consultation on the supervisory convergence and the Single Rulebook](#) from 12 March 2021 to 21 May 2021.

Question 18. Considering the level of material departures from IFRS in the financial statements of listed companies found in the [ESMA report on enforcement and regulatory activities of European enforcers in 2020](#), how would you rate (on a scale of 1 to 5) the degree to which such departures can be attributed to deficiencies in the EU supervisory framework?

- 1 - Very low
- 2 - Low
- 3 - Medium
- 4 - High
- 5 - Very high
- Don't know / no opinion / not applicable

18.1 If you want to add any comments and/or provide evidence for your assessment in question 18, you can provide it below. You may also include the consequences that your assessment of the quality of audit supervision or the lack thereof has:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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Question 19. How effective and efficient would the following actions be in increasing the quality and reliability of reporting by listed companies?

a) Clarify the role and responsibilities of the national authorities charged with the enforcement of corporate reporting and entities to whom the supervision of corporate reporting is delegated/designated, and improve their cooperation

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

b) Improve the system for the exchange of information between authorities and entities involved in the supervision of corporate reporting, and other relevant national authorities

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

c) Strengthen the rules ensuring the independence of national authorities or entities involved in the supervision of corporate reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

d) Increase the resources of national authorities or entities involved in the supervision of corporate reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

e) Increase the powers for national competent authorities to enforce corporate reporting, such as forensic, powers to obtain any necessary information from banks, tax or any other authorities in the country, powers to request information and corrective actions, etc.

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|--|--|-----------------------|--|--|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |

f) Improve cooperation and coordination between national authorities of different Member States

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|----------------------------------|---------------------------------------|-------------------------------------|--|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

g) Increase transparency on the conduct and results of enforcement activities by national authorities

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

h) Strengthen the role of ESMA on the enforcement of corporate reporting

| | 1 (not at all effective/ efficient) | 2 (rather not effective/ efficient) | 3 (neutral) | 4 (rather effective/ efficient) | 5 (very effective/ efficient) | Don't know - No opinion - Not applicable |
|---|---|---|-----------------------|---|---|---|
| I. Effectiveness | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |
| II. Efficiency in term of cost/benefits of action | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> |

Question 19.1 Have you identified other actions that would effectively and efficiently increase the quality and reliability of reporting by listed companies?

- Yes
- No
- Don't know / no opinion / not applicable

Question 19.2 Please provide any details to support your views. Any evidence, including on expected benefits and costs of such action is welcome:

2000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Investors should have the opportunity to have in exceptional circumstances a dialogue with the external auditor of a listed company. This is currently not possible. Such engagement meeting should be attended by a representative of the company in question. Such an engagement dialogue will increase the external auditor's accountability towards shareholders and may incentivise the quality of their audit activities.

We encourage the European Commission to strongly press ahead with addressing the topics identified as a result of this consultation. Some issues may turn out to be quite a challenge to solve. We therefore suggest to undertake extensive field testing and impact assessments before finalising any legislative proposals.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Useful links

More on this consultation (https://ec.europa.eu/info/publications/finance-consultations-2021-corporate-reporting_en)

[Consultation document \(https://ec.europa.eu/info/files/2021-corporate-reporting-consultation-document_en\)](https://ec.europa.eu/info/files/2021-corporate-reporting-consultation-document_en)

[Consultation strategy \(https://ec.europa.eu/info/files/2021-corporate-reporting-consultation-strategy_en\)](https://ec.europa.eu/info/files/2021-corporate-reporting-consultation-strategy_en)

[More on company reporting \(https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing_en\)](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing_en)

[Specific privacy statement \(https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en\)](https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en)

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

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