

Fédération des Experts-comptables Européens  
[pantelis.pavlou@fee.be](mailto:pantelis.pavlou@fee.be)

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## The Future of Corporate Reporting

Den norske Revisorforening (DnR) (The Norwegian Institute of Public Accountants) welcomes the opportunity to submit its views on the paper “The Future of Corporate Reporting”.

The recent years have shown an increasing change in factors that influence reporting by entities across the world. These factors include changed requirements for information from existing stakeholders, new groups of stakeholders, new business models, available technology, Big Data and a risk of information overload.

The broader business environment has expressed concerns that the current corporate reporting does not meet its objectives. During the last decade there have been several attempts to develop corporate reporting to meet the needs of users. There have been steps in the right direction in different areas. But there has been no break-through and results that have met the users' expectations.

The FEE-paper seems to address the most important questions we have seen being discussed in different arenas. The main advantage of the FEE-paper is that these questions are discussed in a common context. Other surveys discuss these questions separately and the perspective of the users will then not be taken care of in a good way. The FEE-paper succeeds in bringing the different factors together. The recommendations for the future are then of much higher value for all stakeholders.

We will therefore congratulate FEE with this paper – one of the best and most important that FEE has published ever.

### **The growing Audience**

We confirm the observations in the paper concerning the growing audience of corporate reporting. In Norway we see several new stakeholder groups that use corporate information,

which five to ten years ago did not show any interest in such reporting. These groups are today active in the public debate and have influenced the agenda for the future.

Also politicians are more active in the debate, may be because of the activity and publicity of the new stakeholder groups. Some of the reporting companies have established communication with these groups. It is necessary to increase the focus and to involve these groups in the debate. The FEE-paper has focused very well on this growing audience.

The development in technology and Big Data have made it easier for all groups to collect information about corporations not only from the corporation itself, but also from other sources. Information other than financial information are more often used also for financial analysis. It is in the interest both of the reporting entity and the user groups that the corporation itself establish a communication to better meet the need of the users.

We support the opinions expressed concerning the growing audience.

### **The Content of Corporate Reporting**

Financial reporting has been criticised for losing relevance and the FEE-paper seems to build on that financial reporting is partly losing its relevance among its intended users. We believe that financial information still will be very important.

Reporting of financial information is often not timely enough and it contains an overload of information. These challenges have been discussed for years without considerable improvement. Simplification of financial reporting and of accounting standards would be very much welcome, but given the complexity of businesses it is not expected to happen under the current reporting model.

A survey that we did in April 2016 among investors, analysts, brokers, board members and members of audit committees in Norwegian listed companies, showed that financial reporting still is considered to be the most important part of the corporate reporting. Sustainability and CSR-reporting have a significant lower importance for these stakeholder groups.

Reporting of non-financial information is at an early stage of development. Only few listed entities have developed this reporting to a good level. Also the user groups are at various levels. The quality of this reporting is a challenge both for preparers and users.

There is also a lack of coordination among the organisations issuing standards and guidelines on reporting, and financial and non-financial standards are not coordinated. When non-financial requirements are added to financial information, it mostly creates burdens for all parties.

The work of the International Integrated Reporting Council has been promising. But there seems to be a growing view that the IIRC in their proposals is not close to a real integration of financial and non-financial information. Added requirements are not the right way to go.

The proposals in the FEE-paper are more promising and could be a way to real integration of FI and NFI. We support the discussion and believe that the CORE & MORE-model could be a way forward.

### **CORE & MORE**

We support both the term and the concept of CORE & MORE. It is however still more work to be done to develop the concept.

In developing the concept, it is important not to create a too detailed model. It is important that the model is flexible so that it could be adjusted to the needs of each reporting entity and their specific users. Today reporting to a large extent follows check-lists where it is better to report something that maybe is unnecessary rather than fail with meeting the control questions.

We support a model where a company produces an executive summary of its corporate affairs, supported by more detailed information: CORE & MORE. This could replace corporate reporting as it exists today. It should be up to each company to decide what information should be CORE and what should be MORE after evaluating the needs of the users. It should be accepted that reporting differs from one company to another if that is necessary to meet the needs of the users.

Such a major change in corporate reporting needs support from financial reporting constituents such as supervisory authorities, regulators, policy makers and standard setters. Room for innovation and experimentation are needed.

### **The Future of Corporate Reporting for SMEs**

There is also a need to develop the reporting for smaller entities. The development has to build on the different and smaller group of constituents. And it has to take in to consideration the need for and political pressure for simplification of reporting requirements for SMEs.

Today the corporate reporting for SMEs has lost some of its relevance. If the reporting should be of interest, there is a need for development. FEE should consider to also look in to this issue.

### **The Future of Reporting for Public Sector**

A similar consideration should be done regarding reporting from public sector entities. We believe that the need for development of reporting to meet the needs of the wider group of constituents is even more needed here than for large private entities. FEE should consider to take the lead also here.

### **Assurance Services in the Future**

We believe it was a wise decision not to discuss assurance of corporate reporting in this paper. That would have reduced the focus on the main question – how to improve corporate reporting.

It is however also important to look at the opportunities for the profession to deliver assurance services that will benefit the wider group of audience for corporate reporting. The Future of Corporate Reporting-document has a positive approach and has been looking at the possibilities for the future of reporting. We believe that an assurance project should focus on the opportunities and not only the challenges. That will also demonstrate the relevance of the profession.

Yours faithfully,  
Den norske Revisorforening



Per Hanstad  
CEO



Harald Brandsås  
Technical Director