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**Accountancy Europe**

M. Florin Toma, AcE President  
M. Olivier Boutellis-Taft, AcE Chief Executive  
Avenue d'Auderghem 22-28/8  
B-1040 Brussels

Re: Comments on AcE Cogito Paper Interconnected standard setting for Corporate Reporting

Dear Florin and Olivier,

MAZARS is pleased to submit this letter in response to your invitation to comment on the AcE Cogito Paper Interconnected standard setting for Corporate Reporting.

MAZARS is an international, integrated and independent partnership, specialising in audit, accountancy, advisory, tax and legal services. As of 1<sup>st</sup> January 2020, MAZARS has 24,400 professionals serving global clients in 91 countries and territories.

MAZARS supports all initiatives taken to enhance reporting and audit quality, and the future of the profession for the benefit of the public interest, and thus welcome the opportunity to add our views to the debate. The debate on reporting and audit quality has been in full flow in a significant number of countries for the past few years, and MAZARS is fully committed in steering change to support this cause.

We believe that unified registration document provided by listed companies in Europe does not yet enable the stakeholders to get a holistic view of a company's business model, significant risks and opportunities, and associated key performance indicators. Additional integrated non-financial information is of utmost importance for key stakeholders and investors, to achieve a better understanding of the mid and long-term value creation (with dedicated outcomes and measures in terms of value creation or erosion), and the performance of a company. The European accountancy profession should organise the convergence and to be an active participant in the debate for a more accurate reporting.

Standard setting for corporate reporting will be for sure the cornerstone of this move.

But as of today, if there are many private standard setting initiatives, none of which are complete nor satisfactory enough; and if some of them are indicating their potential move as global "standard-setters", we don't believe that any are mature enough; consequently, global convergence will not have been achieved.

European public authorities have designed ambitious initiatives and the European Union has shown a real desire to move things forward, although it has not yet finalised a properly organised and funded standard setting.

The revision of the Non-Financial Reporting Directive is the first step, requiring companies to increase disclosure on their activities, and provide adequate reliable information on risks and opportunities.

Reporting standards for companies to apply will, without doubt, come as a second step.

The European Commission will support a process to develop European non-financial reporting standards.

The European Financial Reporting Advisory Group or another ad hoc body will begin preparatory work for these standards. The best and most widely accepted elements of what exists today should not only be the starting point but be recognised as valuable and embedded.

This standard setting process has to include from inception the possibilities offered by information technologies, as the concept of core and more; core for the integrated concise part of the reporting, more for all the detailed capitals and values, creation or erosion, development and detailed indicators.

Achieving public legitimacy for the principles and standards designed for the preparation of global reporting will be key, which implies an appropriate, recognised as being for the public good and interest, institutional process and restrictions on flexibility.

And the same for the assurance providing the conclusion of the verification of the relevance and fairness of such global reporting.

We do not think that a European approach will take long to set up, as advocated in the Cogito Paper, if there is a European political will. Similarly, with the willingness of key stakeholders and investors to accept some convergence of their expectations and KPIs will also aid the prioritisation of global reporting and progress quickly.

For instance, the European NFI reporting structure could be based on the model of existing organisations, with a Board, a standard setting panel and technical expert groups, respectively in charge of key strategic decisions and governance, the development of non-financial standards for the others. A robust governance and a transparent and inclusive due process would be critical elements, to ensure the buy-in of relevant stakeholders of the outcome of such a European global reporting body.

Finally, we are also convinced that global reporting provided by companies needs to be reliable and that key stakeholders and investors require assurance to achieve comfort in the credibility of that reporting so as to be able to make informed judgements. The current situation of the existing non-financial reporting standards and frameworks not being complete is exacerbated by the wide interpretations of how companies apply the standards and frameworks and the lack of sanction when the reporting is below where it should be. If external assurance on the whole non-financial reporting was mandated, there is likely to be a significant increase in the quality of the reporting. In order to be able to provide assurance, it is important to have a reporting framework with suitable criteria, against which compliance, relevance and fairness can be assessed. In this area, global assurance standards are already existing and applied in European jurisdictions, to deliver assurance reports, based on associated guidance.

We thus believe that more guidance and examples should be given for implementation and interpretation of the reporting requirements and of the related assurance. Equally, we suggest that there should be guidance for abbreviated reporting for companies which aren't defined as large. We are convinced that the key aspect of the scalability should be included by the standard setting organisation and process.

We hope our comments will be taken as our commitment and our effort for continuous improvement in reporting and audit quality.

We would be pleased to discuss our detailed comments with you and remain at your disposal, should you require further clarification or additional information.

Yours sincerely,

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