



Federation of European Accountants  
Avenue d'Auderghem 22-28/8  
B-1040 Brussels  
BELGIUM

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## **The Future of Corporate Reporting – creating the dynamics for change**

FAR, the Institute for the Accountancy Profession in Sweden is responding to your invitation to comment on the paper “*The Future of Corporate Reporting – creating the dynamics for change*”, hereinafter referred to as the paper.

FAR welcomes FEE’s initiative and believes that it is important to have a debate on this matter. The paper is well-written and provides many ideas worth considering in the design of the future of corporate reporting. On 6 April 2016, FAR and FEE co-hosted a well-attended seminar with representatives from, among others, the Confederation of Swedish Enterprise (*Swe*: Svenskt Näringsliv) as well as individual companies and other organizations. Among the topics discussed was the likely development for reporting on sustainability. At the seminar, all participants were encouraged to submit input to the paper.

The paper suggests a new reporting model for more timely corporate reporting information – to a wider range of stakeholders with different interests in corporate affairs – and assumes that current patterns for corporate reporting fail to address all stakeholders’ needs in a comprehensive way. The paper argues as if the suggested CORE and MORE approach would be necessary to overcome some of the shortages discussed. However, it does not consider what would be needed to make improvements of corporate reporting in other ways. For example, if there is a lack of an overarching structure to obtain a fair understanding of the key elements of a company’s affairs, then the dynamic developments of technology discussed in the paper could be used for providing a summary of available sources of information with applicable links on the website. This could be achieved without any changes in corporate reporting through the communication channels that seem to be most appealing for many stakeholders.

In general, FAR believes that it is necessary to define the stakeholder group in order to facilitate the process of deciding what information should be included and how the information could be structured and disclosed.

FAR believes there may be many users of what is called “corporate reporting”, and that different users have different needs, although some of the needs may coincide. Arguably, it is generally difficult to satisfy different needs through one type of report, because efficient communication will require focus and it is hardly doable to aim at different users and their perceived needs and still maintain focus.

Nevertheless, the paper seems to take the position that corporate reporting should address the needs of different stakeholders: “a wide and general audience in a language aimed at non-specialists”. It is noted that the CORE report is supposed to present “a fair understanding of the key elements of a company’s affairs”, without, however, referring to the accountability and stewardship issue highlighted in the first sentence of the Executive Summary. In FAR’s opinion accountability should be an objective of the CORE report.

Since FAR is the Swedish representative for the accountancy profession, this response will concentrate on the questions in the paper with most relevance for FAR members, i.e. section 3. The detailed response is set out in the Appendix. FAR also acknowledges that audit and/or review of the information presented by the companies is an important matter that needs to be addressed. This is, however, not further elaborated in this response.

The paper uses different concepts that should be either well-known or properly defined. FAR believes it would be useful with definitions of different concepts. A lack in this respect may make the paper unclear and run the risk of creating misunderstanding. Some examples when concepts are used without supporting definitions are:

- In the foreword “the true value drivers” of current businesses are mentioned. “True value” is a vague term and it is not clear what it stands for, nor is any attempt made to define it.
- The Executive Summary mentions the achievement of “a better depiction of the economic position and performance of entities”. This sounds like an implicit need to change, among other things, how assets and liabilities are reported, but that is not an issue discussed in the paper.
- In the Executive Summary reference is made to the “current economic model”. It is not clear what this means.
- It is stated that corporate reporting currently focuses on capital providers. FAR believes that this statement seems to confuse “corporate reporting” with “financial reporting”. It is true that financial reporting focuses on capital providers. It is perhaps less true that corporate reporting, as defined in the paper, has a focus on capital providers. The definition there is “a mechanism for communication, accountability and stewardship to stakeholders”. Corporate reporting includes but is wider than financial reporting. Further, the term stakeholder represents a wider group than capital providers.

FAR



Pernilla Lundqvist  
Chairman FAR’s Accounting Policy Group



Dan Brännström  
Secretary General



## Appendix

### **Q3.1. Do you agree that the proposed CORE & MORE model could be a way forward for corporate reporting in the future? If not, why not?**

FAR believes that the CORE & MORE model is an interesting concept, and should be further investigated. However, FAR also believes that it is imperative to clearly define the stakeholder group that should benefit from the information, in order to decide what information should be included/provided, and how the information could be structured and disclosed in the CORE & MORE reports.

### **Q3.2. In which ways could the CORE & MORE help addressing the needs of a wider stakeholders' group?**

In FAR's opinion, the use of the CORE & MORE concept would allow for a more flexible reporting structure and thus allow for better information aimed at various stakeholder groups, and still allow for each segment of reporting to be an integrated part of the reporting-structure of the entity. It is, however important that this is implemented in a way that all information is accessible for everyone and structured in a format that is easy to access and navigate. Further, FAR believes it is very important to ascertain that there is enough room for sustainability information.

### **Q3.3. What is the role of technology in developing a CORE & MORE model?**

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

### **Q3.4. Do you have any thoughts on whether, when and how corporate reporting should be updated?**

As stated above (see Q3.3), FAR believes that one of the benefits with the CORE & MORE model, is that it allows for information to be presented more frequently than before. Ideally, the information should be presented as soon as it becomes available.

### **Q3.5. How should policy makers and standard setters address the trade-off between standardisation versus innovation?**

In order to facilitate comparison between entities, standardised KPIs could be used for the most important indicators, allowing for more individual information to be presented in other areas.

### **Q3.6. What are the main challenges and the key benefits of a parallel experimentation in the area of corporate reporting?**

FAR believes that it may be beneficial for the process to run a number of pilots regarding presentation and disclosure of information based on the CORE & MORE model. Parallel reports may seem burdensome, but should not have to be too complicated, since the previous set of reporting already exists.