

FESE response to the Commission consultation on corporate reporting

1st February 2022, Brussels

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

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?

- Very low
- Low
- Medium
- High
- 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?

Corporate governance

| | 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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |

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| III. Relevant in terms of overall needs and objectives | | | | | | |
| IV. Coherence with other related EU frameworks / internal coherence | | | | | | |
| V. EU Added value: was and is EU intervention justified? | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Relevant in terms of overall needs and objectives | | | | | | |

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| IV. Coherence with other related EU frameworks / internal coherence | | | | | | |
| V. EU Added value: was and is EU intervention justified? | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Relevant in terms of overall needs and objectives | | | | | | |
| IV. Coherence with other related EU frameworks / internal coherence | | | | | | |

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

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

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

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

- Very low
- Low
- Medium
- High
- 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

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? | | | | | | |
| Is it possible to have clear and reliable indicators to measure the quality of corporate reporting, of | | | | | | |

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| statutory audit and the effectiveness of supervision? | | | | | | |
| Should the European Commission develop indicators on the quality of corporate reporting, of statutory audits and the effectiveness of supervision? | | | | | | |

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

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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 |
|--|--------------------------|------------------------|----------------|---------------------|-----------------------|---|
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| Improve the corporate governance pillar | | | | | | |
| Improve the statutory audit pillar | | | | | | |
| Improve the supervision of PIE auditors and audit firms | | | | | | |
| Improve the supervision of corporate reporting | | | | | | |

If you think there is a need to improve other areas than those listed above please indicate which areas you have in mind:

2000 character(s) maximum

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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

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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 |
|--|--------------------------|------------------------|----------------|---------------------|-----------------------|---|

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| Companies themselves should take action to improve their reporting | | | | | | |
| Auditors themselves should take action to improve audits | | | | | | |
| Audit supervisors themselves should take action to improve their functioning | | | | | | |
| Individual Member States should take action if the situation in their market requires this | | | | | | |
| The EU should take action | | | | | | |
| Several of the above should take action | | | | | | |

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

2000 character(s) maximum

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 | | | | | | |
| II. The digital transition | | | | | | |
| III. Facilitating doing business by SMEs | | | | | | |
| IV. Reducing burdens and /or simplification | | | | | | |
| V. Better corporate social responsibility, including tax transparency and fair taxation | | | | | | |

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

2000 character(s) maximum

Part II - Corporate governance

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?

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |

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|--|--|--|--|--|--|--|
| III. Coherence with relevant EU rules | | | | | | |
|--|--|--|--|--|--|--|

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

Since different companies cannot be managed the same way, we support maintaining principles for corporate governance in the existing format of codes. This way, companies are provided with useful guidance on governance, while allowing shareholders to decide on the best ways forward. In addition, this would prevent EU companies to be exposed to competitive disadvantages compared to companies from outside the EU.

If legislative binding-measures were to be adopted, the due diligence liability and duty of care must be binding for all similar companies regardless of whether they are listed or not. Such policies would otherwise disincentivise potential issuers from going public, which would be to the detriment of capital markets and the further development of the EU single market. Also, should a mandatory due diligence duty be introduced, we consider that this should be supervised by competent national authorities with a mechanism of EU cooperation/coordination to ensure consistency throughout the EU and avoid gold-plating. All of the above points are also particularly imperative with regard to sustainable corporate governance and ESG reporting.

As a general remark, overlapping and contradictory legislation must be avoided. For instance, in the sustainability space, several obligations for corporate directors are already covered by other EU legislative instruments such as the SRD II, the NFRD (future CSRD) and corporate governance codes. Overall, corporate governance and company law is best dealt with in the form of recommendations towards the Member States, to avoid a one-size-fits-all approach which would not reflect the wide diversity of corporations and practices.

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?

- Very low
- Low
- Medium
- High
- Very high
- 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

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

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 | | X | | | | |
| II. Efficiency in term of cost/benefits of action | | X | | | | |

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 | | X | | | | |
| II. Efficiency in term of cost/benefits of action | | X | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |

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| II. Efficiency in term of cost/benefits of action | | | | | | |
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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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 |
|--|---------------------------------------|---------------------------------------|----------------|-----------------------------------|---------------------------------|--|
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|---|--|--|--|--|--|--|
| I. Effectiveness | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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

Further developments should be made within principles-based recommendations in corporate governance codes, in the form of soft law instruments. If legislative binding-measures were to be adopted, these must be binding for all similar companies regardless of whether they are listed or not. Such policies would otherwise disincentivise potential issuers from going public, which would be to the detriment of capital markets and the further development of the EU Single Market.

As regards possible requirements on the proper expertise of board members in relation to corporate reporting, FESE cautions against the adoption of additional rules in this space. There are many competences that may be needed on a board - scientific, marketing, communication, engineering, programming, behavioural, environmental, legal, political, artistic, financial, etc., depending on the company's activities. Various research shows that a company with a diverse management performs well. Diversity comes in many ways, including gender, ethnicity, expertise, etc. Applying rules in one particular field would be counterproductive to finding the balance between competence and diversity.

On another note, while we agree that stakeholder involvement and establishing consultation channels for shareholders may contribute to better management of a company, we do not believe the EU should add legal requirements. Where this is not already in place, developing recommendations in soft law, such as corporate governance codes, would possibly be a useful way forward.

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

FESE strongly recommends that the Commission takes a more holistic approach in reviewing the EU regulatory framework. In this regard, the Commission should cover the different regulatory topics that together provide a basis for companies' access to capital markets. We believe it is necessary to continue to increase the attractiveness of capital market financing in certified GMs for SMEs. Access to the market should be further simplified by making technical adjustments to the European regulatory framework. To deliver on the policy objective, SME GMs should be further strengthened to incentivise the listing of SMEs. Adding further legislative-binding measures only for listed companies

would further disincentivise potential issuers from going public, to the detriment of capital markets and the further development of the EU Single Market.

FESE supports measures facilitating sharing of company information, provision of information to investors, and that give companies visibility on a European basis. By facilitating access to information about companies in other Member States or regions, more cross-border investments could potentially be encouraged. It will be important to ensure that any reporting requirement targets information that is useful. This is key to ensure there is an added value and that new reporting requirements do not simply come on top of currently existing ones but rather replace requirements currently in place i.e. to avoid gold plating, as we want to avoid any unnecessary additional costs.

Developing recommendations in soft law, such as corporate governance codes, would possibly be a useful way forward.

Part III - Statutory audit

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?

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |

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| III. Coherence with relevant EU rules | | | | | | |
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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

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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 | | | | | | |
| II. I am satisfied with the role of the statutory auditors / audit firms of PIEs | | | | | | |

| | | | | | | |
|--|--|--|--|--|--|--|
| III. The work of auditors is reliable so I trust their assessment and reports and their work inspires trust in capital markets | | | | | | |
| IV. There is not enough choice for public interest entities in finding an audit firm at appropriate costs | | | | | | |
| V. Joint audits contribute to the quality of audit | | | | | | |

Question 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

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

- Not at all
- To a limited extent
- To some extent
- To a large extent
- 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

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

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 |
|--|---------------------------------------|---------------------------------------|----------------|-----------------------------------|---------------------------------|--|
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|---|--|--|--|--|--|--|
| I. Effectiveness | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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

14.1.1 Please specify to what other action(s) you refer in your answer to question 14.1:

2000 character(s) maximum

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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

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Part IV - Supervision of PIE statutory auditors and audit firms

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?

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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 | | | | | | |
| II. Efficiency: has the framework been cost efficient | | | | | | |
| III. Coherence with relevant EU rules | | | | | | |

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

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?

- Very low
- Low
- Medium
- High
- 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

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?

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

Increase the consistency of supervision of cross-border networks of auditfirms

| | 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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| II. Efficiency in term of cost/benefits of action | | | | | | |
|---|--|--|--|--|--|--|

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

17.1.1 Please specify to what other action(s) you refer in your answer to question 17.1:

2000 character(s) maximum

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

Part V - Supervision and enforcement of corporate reporting

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?

- Very low
- Low
- Medium
- High
- 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

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

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 | | | | X | | |
| II. Efficiency in term of cost/benefits of action | | | | X | | |

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 | | | | X | | |
| II. Efficiency in term of cost/benefits of action | | | X | | | |

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 | | | | | | |

| | | | | | | |
|---|--|--|--|--|--|--|
| II. Efficiency in term of cost/benefits of action | | | | | | |
|---|--|--|--|--|--|--|

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | | | | | |
| II. Efficiency in term of cost/benefits of action | | | | | | |

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 | | X | | | | |
| II. Efficiency in term of cost/benefits of action | | X | | | | |

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

19.1.1 Please specify to what other action(s) you refer in your answer to question 19.1:

2000 character(s) maximum

| |
|--|
| |
|--|

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

Enforcing supervisory convergence should mean ensuring that legislation is implemented as intended by the legislator to establish a level playing field. ESMA has the appropriate mandate and tools to pursue supervisory convergence which have recently been strengthened through the 2019 ESA Review. ESMA should keep focusing on ensuring that legislation is implemented as intended by the legislator. In this context, we believe that the convergence tools could be used to a greater extent and more effectively to promote supervisory convergence, in particular in areas such as investor protection. However, NCAs have the competence, expertise, and knowledge to pursue the tasks under their regulatory and supervisory remit due to their proximity to the national market. We generally welcome strengthening supervisory convergence under the current structure but would not support unspecified “emergency powers” and further product intervention measures.

In terms of future changes, we do not support moves towards direct supervision by ESMA under any timeframe. In light of the ambition to progress on the CMU, we support a common supervisory culture and enhanced and balanced convergence to ensure a level playing field within Europe. Any further integration should give due consideration to the expertise on the national level.

FESE wishes to strongly underline the need to recognise the importance of supervisors’ understanding of the stakeholders under supervision and the markets they operate in. The right balance must be struck between a centralised European approach and the role of NCAs.

NCAs are necessary due to their wealth of experience supervising their local markets and adapting the regulatory environment to the local ecosystem. This is the best way to achieve the objective of CMU while still ensuring the diversity of markets in the EU can be nurtured and prosper in the future.