

## Non-financial disclosure requirements

Our reference:	ECO-ACC-13-317	Date:	13 September 2013
Referring to:	COM(2013) 207 amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of nonfinancial and diversity information by certain large companies and groups		
Related documents:			
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### Summary

Insurance Europe acknowledges the European Commission's proposal to amend the Fourth and Seventh Accounting Directives (respectively 78/660/EEC and 83/349/EEC) regarding disclosures of non-financial and diversity information by certain large companies and groups (16 April 2013 COM (2013) 207 final).

We are concerned that an addition to the existing requirements for the management report could significantly increase its size and complexity and therefore risks jeopardising its main aim. Insurance Europe strongly believes that the annual report is not the appropriate location for all non-financial disclosures; instead extra disclosures should be provided in a voluntary separate report, and they should not be subject to audit. Please find below our concerns, together with suggestions that could strengthen and further improve the proposals.

#### **1. Non-financial information is not in line with the primary objective of financial reporting**

The management report should not be changed by adding 'non-financial statements' about risks that do not relate to the company's financial position and performance (Article 46 paragraph 1 (b) (iii)). We believe the information in the management report should remain focused on its purpose and we therefore consider that any extra non-financial information should be provided in a voluntary separate report. In addition, we believe this type of information should not be mandatorily subject to audit.

Although Insurance Europe understands the objective of the Commission's proposal, we do consider that the disclosures of non-financial and diversity information are, in general, not compatible with the primary objective of financial reporting, which is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Adding further non-financial and diversity information requirements to the annual report might lead to information overload and therefore decrease the effectiveness of the financial reporting.

## **2. Additional disclosure requirements should provide clear benefits for users**

Insurance Europe considers that disclosures should be based on a positive cost-benefit assessment. Information overload and unnecessary disclosures that are operationally challenging to provide should be avoided.

## **3. Proportionality is needed**

The aim of the proposal is to amend the Fourth and Seventh Accounting Directives, which are based on a principle of proportionality. Insurance Europe believes that this is the right approach, and that a proportionality principle should be applied to any amendments to the Directives. Hence, we are in favour of reducing the scope of the proposed disclosure requirements so that they apply to large capital-market oriented entities only. The administrative burden and cost involved in extending the reporting requirement to all companies would be disproportionate to the benefit for small and medium-sized firms.

Proportionality should also be applied in relation to the sector of the entity. As mentioned above, the objective of the additional disclosures should be to provide relevant and meaningful information to the stakeholders of an entity whose interests depend on the business of that entity.

## **4. A period of stability is necessary**

Insurance Europe would suggest not introducing any additional mandatory disclosure requirements at this stage after the changes following the very recently agreed Accounting Directive (2013/34/EU). A period of stability is needed to allow time for national implementation and for companies to get used to the new rules and requirements.

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