

# Rådet för finansiell rapportering

The Swedish Financial Reporting Board

RFR-rs 2018:03

European Commission  
Alain Deckers  
Head of Unit  
European Commission  
B-1049 Brussels  
Belgium

Dear Mr Deckers

## **Re: Fitness Check on the EU Framework for Public Reporting by Companies**

The Swedish Financial Reporting Board is responding to your invitation to reply to the Consultation Document: Fitness Check on the EU Framework for Public Reporting by Companies. Our detailed answers to the survey are based on the following overall views.

The adoption of IFRS for all listed companies within the European Union has had substantial positive effects. This development should not be jeopardized by including other objectives in IFRS, and the common good should not be abandoned for the pursuit of national interests through allowing variations of IFRS. In our opinion:

- The objective of financial reporting for listed companies should be global comparability since many European companies are part of a global economy.
- The endorsement criteria should not be changed.
- Reporting of sustainability, financial stability and long-term investment should not be introduced in IFRS.

The purpose of financial reports according to IFRS is to serve as a basis for capital providers' resource allocation decisions, giving information about the size, timing and uncertainty of future cash flows to the entity. Financial reporting for all companies has a broader scope, both in terms of legal status and in terms of size. Related to IFRS, accounting directives should not hinder the application of IFRS. Parallel systems imply additional costs, both for preparers in collecting and organizing the information and for users in terms of analyzing it.

For some users, information about legal entities is especially important, e.g. banks with exposures to individual entities within a group and users analyzing groups with significant non-controlling interests.

The accounting directives are detailed and in some aspects outdated. Amending them after the model of current IFRS is not a realistic solution. IFRSs evolve over time to

# Rådet *för* **finansiell rapportering**

handle changes in society and business. Directives should be less prescriptive and thereby not hinder the global development within the area of financial reporting.

Other legitimate objectives such as financial stability which require more prudence should be handled by different regulation, by adjusting the level of requirements for capital, not by adjusting the accounting rules. Integrated reporting is best provided in a dialogue between preparers and users.

Sustainability and long-term investment are examples of areas best handled by special legislation. The purpose of IFRS is relatively precise. A broadening of the purpose to include sustainability and long-term investment (and integrated reporting), which are other important objectives would mean a lower precision and a risk that the effectiveness related to the original purpose would decrease.

Digitalization has the potential to reduce costs both for preparers and users. However, these cost reductions must be seen against the background of the benefits from the information. If the digitalization does not allow for providing relevant entity-specific information, but only has companies report in the same way for different circumstances, then the resource allocation in society will not improve. There is also a risk that companies will present two reports, one for presenting information to stakeholders and one for compliance purposes.

Policies concerning sustainability and digitalization should be set at the EU-level promoting a level playing-field, which is desirable in an integrated economy.

If you have any questions concerning our comment please address our Executive member Mikael Scheja by e-mail to: [mikael.scheja@radetforfinansiellrapportering.se](mailto:mikael.scheja@radetforfinansiellrapportering.se).

Stockholm, 13 July 2018

Yours sincerely,

  
Anders Ullberg  
Chairman