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Our ref	:	RJ-Div 5018 A
Date	:	Amsterdam, 6 September 2016
Direct dial	:	Tel.: (+31) 20 301 0391 / Fax: (+31) 20 301 0302
Re	:	FEE Cogito Series Paper – The Future of Corporate Reporting

Dear Sirs,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to comment the consultation document "The Future of Corporate Reporting – creating the dynamics for change" ("The Report").

DASB organized an open meeting with stakeholders in Amsterdam where The Report was presented and discussed. This letter provides the views of the DASB, although we were informed by these discussions, the letter in the end is not a summary or consolidation of the views expressed in that meeting. Views expressed in this letter are those of the DASB.

The Report is a valuable contribution to the important debate on how corporate reporting should develop to maintain and enhance its relevance in a changing world. The increase in integrated and social responsibility reporting shows that companies recognise the need for them to provide information to a wider stakeholder base. We see new practices emerging in the Netherlands to better meet changing user needs. A public debate on these issues can enhance the understanding of user needs and provide insight into the direction that should be taken. It is important to frame this debate by boundary conditions that are given by the need for corporate reports to remain understandable, relevant, accessible, reliable and concise.

In order to keep our comments concise and to the point we will not address the individual questions raised in The Report but address the key themes in the remainder of this letter.

A growing audience for corporate reporting

We observe that the audience for corporate reporting is continually growing and diversifying. This is a reflection of the wider accountability that is being demanded by various stakeholders and society at large. Businesses should enable members of society to judge their impact and hold them accountable on the basis of high quality reports. Also, the range of stakeholders will vary depending of the size and nature of the reporting entity, be it a small or medium sized company or a large listed multinational company. We observe that such a notion is lacking in the report.

At present financial reports are a cornerstone of business reporting with a clearly established position and a focus on serving the information needs of present and future capital providers, such as the shareholders, lenders and creditors. A complete and unabbreviated set of financial statements is of critical importance for providers of capital and should continue to be included in annual reports. The needs of other stakeholders are also important and a balance needs to be struck between those and the needs of capital providers to avoid an ever increasing reporting burden that has the risk of obscuring relevant information. The debates about reducing disclosure overload and "cutting the clutter" are fresh in our minds and have not yet resulted in a break-through in simplification. The IASB's Disclosure Initiative can be seen as a commendable first step to provide companies with more flexibility in their disclosures to enhance decision usefulness of financial information. This approach should be developed further.

"A single easy to understand report that addresses the needs of a wider stakeholder audience" is a very ambitious goal that will require much work and innovation. We question whether wider stakeholder needs are understood sufficiently well to start designing frameworks and structures for those information needs. Innovation comes from entities that engage with stakeholders in a structured and regular process of stakeholder dialogue to understand information needs of those stakeholders. That is a communication that is framed by the business model and strategy of those organizations and results in tailor-made information. This leads to innovations and the development of best practices that need to be fostered and not hindered by overly descriptive disclosure requirements. We fully subscribe to the recommendation in your report that companies should engage more closely with different stakeholder groups to better understand their information needs. When that results in tailor made reports instead of one comprehensive integrated report we would not object to that at the present stage because it appears to facilitate innovation and the establishment of best practices.

A single comprehensive report for a wider stakeholder audience creates issues with respect to materiality that are presently unresolved. Entities have to meet multiple user needs for such a wider audience and that makes the, already difficult, determination of what is relevant for the judgement of different groups of users more ambiguous. When stakeholder needs are different, conflicting conclusions on what is material are likely.

Content of corporate reporting

With respect to the content of corporate reporting you highlight two important elements. The diminishing relevance of financial statements for their primary users (capital providers) and the growing demand for non-financial information.

The importance of financial information may appear to be decreasing and you observe that relevance and timeliness of information is valued above reliability. In the current context where various channels are available for the communication of financial information the question arises whether this is indeed the case. As long as a comprehensive and reliable set of financial statements is provided to confirm the reliability of the information that was disseminated through other channels like press releases, the markets appear to be comfortable in dealing with this. It is correct that financial statements are not providing all the information that drives price developments in financial markets but that does not reduce their (confirmatory) value and relevance in our view.

With respect to non-financial information we distinguish between the determination of information needs on the one hand and the establishment of definitions and reporting policies on the other. As stated before, organizations should be encouraged to engage in stakeholder dialogue to investigate information needs of their stakeholders. They can report on the outcome of that process in disclosure documents for instance using a materiality matrix that ranks stakeholder interests and strategic importance of issues for the company involved. Such a ranking would explain the selection of relevant non-financial performance indicators as well as the strategic and business risks of the company. Once the requirements have been determined, frameworks like the GRI guidelines can be used for the definition of information elements to ensure that transparent and comparable information is provided that is relevant for the organization. Non-financial information is portrayed in The Report as the possible missing link between book value reflected in financial reporting and market value (or fair value) of an entity. This (perceived) holy grail of financial accounting should not be an objective in itself in our view. Financial reporting has to provide information that allows market participants to value a business, it cannot substitute the analysis and judgement of these market participants, notably with respect to the future.

The Core & More model

We recognize many of the developments and trends that are discussed in The Report. These call for innovation and a wider scope for corporate reporting. We acknowledge that technology can help to bridge the gap between what is currently offered and what is desired by a wide group of stakeholders. The development of a single Core report with an "overarching view or executive summary that provides the key information that is important for obtaining a fair understanding of the key elements of a company's affairs" can help to meet wider stakeholder interests. However, it is not evident that this is the only way forward and we recommend to also continue exploring whether alternative solutions can be found. It is clear that linkages and cross references between various sources of information are important.

Innovation and emerging best practices are key ingredients for improving the quality of corporate reports in general and for the establishment of relevant non-financial information in particular. This innovation will be helped by coordination between standard setters that leads to clearly defined disclosure objectives that are not overlapping. The determination of how these disclosure objectives can best be fulfilled requires judgement by management and principle based standard setting and regulation.

We hope that these comments will be helpful for your future deliberations and we would be happy to continue our dialogue in that context.

Yours sincerely,

prof. dr. Peter Sampers - Chairman Dutch Accounting Standards Board