



DG Internal Market and Services,
Financial Reporting
European Commission
SPA 2, 00/93
B-1049 Brussels

E-mail: Markt-F3@ec.europa.eu

22 December 2010

Ref.: FRP/PRJ/HOL/ID

Dear Sir or Madam,

Re: FEE Comments on the European Commission Public Consultation on Country-by-Country Reporting by Multinational Companies

- (1) FEE (the Federation of European Accountants) is pleased to comment on the European Commission Public Consultation on Country-by-Country Reporting by Multinational Companies.
- (2) In general, FEE supports greater transparency and better information that is important to stakeholders.
- (3) We understand that the aim of the proposal is to require multinational companies to disclose in their annual financial statements key financial information regarding their operations in third countries. We also acknowledge that there is an increasing interest in this type of country-by-country information to strengthen the accountability of certain governments in resource-rich countries and to fight against corruption and illicit flows of capital in and out of third countries.
- (4) In our view, the financial statements - which may also include non-financial information - are not the right medium for addressing these particular issues.
- (5) The primary objective of the financial statements is to provide useful information to investors and other capital providers that are identified as the primary users of financial information. Focusing on the information needs of investors should generally meet most of the information needs of a wide range of users including regulators. In that respect, entities could be encouraged to disclose voluntarily disaggregated information on a country-by-country basis in a separate report, on their website or within statistical reports.
- (6) Users in general, including regulators and non-governmental organisations, need to be aware that an excess in the quantity of information trying to respond to the needs of multiple stakeholders would reduce the readability of the financial statements and therefore impair their quality. The proposal would likely create an additional burden on the already voluminous corporate reporting and be counterproductive to provide relevant information in the financial statements to achieve transparency.
- (7) Information about reported segment's profitability and revenue are already sufficiently disclosed by applying IFRS 8 *Operating Segments* and other relevant standards. In particular, information about geographical areas is required by IFRS 8, paragraph 33.
- (8) The necessity of specific disclosures on extractive activities should be discussed within the current IASB Project (see Discussion Paper published on 06 April 2010).

- (9) Any extension to existing disclosure requirements should be based on a clear cost benefit analysis.
- (10) For these reasons, we do not believe that mandating this type of country-by-country disclosures within the accounting standards is necessary and appropriate.
- (11) We also note that the SEC requires detailed country-by-country disclosures for SEC Registrants. In our view, legislators in each jurisdiction should have the power to enforce such requirements as a matter of public policy. The IASB has no such remit. However, the global dimension of the matter should be carefully considered.

For further information on this letter, please contact Henri Olivier, Secretary General, at the FEE Secretariat on +32 2 285 40 71 or via e-mail at henri.olivier@fee.be.

Yours sincerely,

A handwritten signature in grey ink, appearing to read 'Philip Johnson', with a long horizontal stroke extending to the right.

Philip Johnson
President