



*FEBIS is the federation of leading Business Information Services Providers. Today it has developed into an organization comprising 102 full members involved in providing business credit reports, debt collection services and marketing information services of national and international importance. Supported by a combined workforce of over 27.000 employees, FEBIS members and associate members generate over 1,300 million entities analysed annually for over 1.6 million customers, providing these clients with business support for the provision of credit and other commercial services on all economical agents in Europe. Aggregate sales turnover of FEBIS members and its associate members is in excess of € 11 million. More information on FEBIS at [www.febis.org](http://www.febis.org)*

## **FEBIS comments on the Evaluation Roadmap “Fitness check on public reporting by companies”**

**March 2018**

FEBIS thanks the European Commission DG FISMA for outlining this Fitness Check on public reporting by companies and would like to stress how important the issue of business reporting is for its members and for the whole society at large. FEBIS therefore would like to be involved in all future actions launched by the European Commission on this issue, such as the forthcoming public consultation, and **would especially like to be invited to attend the experts group and the public workshop** that the Commission will organise on the issue in 2018.

### The role of Business Information Providers

As outlined in the description above, FEBIS members represent **business** information providers whose main mission is to provide business information to companies to help them to decide e.g. the payment delay they will grant to their trade counterparts (which is called “trade credit”) and manage efficiently their cash.

**In order to do so, businesses need to access information about their clients and suppliers** – which are businesses as well (B2B).

This information is available from public sources like Business Registers but also from Business Information Providers, that aggregate data (in particular Public-Sector Information) to develop business reports and statistical scoring about each business. The score calculated by Business Information Providers aims to rank a company / business on a scale of risk classes. It is an indicator / an assessment of its risk of default.

Credit scores and business reports can be accessed by all companies no matter what their size is and are usually available on the whole business population of a country, from independent entrepreneurs and very small companies to big ones. Business Information Providers, as independent third parties, always take both parties into consideration: the business which is scored and the business that may want or already trade with the first one.

Business Information Providers of course do not want to access sensitive company information (such as business plans or trade secrets) nor do they ask that companies, SMEs or sole entrepreneurs should be required to do as extra- reporting.

**But accessing basic financial and accounting information as well as basic general information on each business, whatever its size, for business information and scoring purposes** is essential to ensure that business reports and scores can be based on accurate material, and to guarantee that trade counterparts, that also have their own information, can take informed credit / payment delay decision.



One of the major points to solve is the transposition of the 2013/34 accounting directive which has led to different disclosing regimes across Member States and to a reduction in availability of SMEs and sole entrepreneurs information.

Has the current financial reporting framework met its objectives?  
(Harmonisation, simplification, accounting system).

- No, there is a lack of availability of financial and accounting information from SMEs and sole entrepreneurs coming from the exemption / permission possibilities granted by the 2013/34 Accounting Directive

One of the objectives of the Union is to develop an integrated Single Market. Which means, in particular, that legal requirements should be more or less the same in each Member State, especially in terms of public reporting of companies and then economic transparency and public confidence, in order to create some consistency all over Europe.

**But the transposition of the EU Accounting Directive 2013/34 has led to “variations” between Member States as the directive enables them to use many exemptions / permissions and therefore has generated itself the development of a different level playing field among Member States.**

Due to the fact that each country adapted the accounting directive to its own market, **there is no homogeneity of annual accounts in Europe, in terms of items but also in terms of disclosing rules:**

- The availability is different from a country to another. For the same category of companies (example SME) you can access a balance sheet in Spain and many other countries within the EU but not in France. The consequences are multiple but it can be an obstacle for exporters for example. This leads to competitiveness effects on companies.
- In a balance sheet, all the concepts are not the same in Europe. For example: the value of export in the turnover is not available in all countries.

The accounting directive allowed to reduce the disclosure of information for SMEs in order to reduce burdens, but the result of such savings is not quantified and may be very different from a country to other.

For example, in Spain, some information to be provided in the annual management report has been eliminated.

Next section outlines the example of France which has allowed the “**confidentiality option**” for micro and small undertakings which resulted in **47% of companies** now filing their accounts to the Business Register but requiring also the non-disclosing in 2017.

- A country example of the transposition of the 2013/34 directive: France

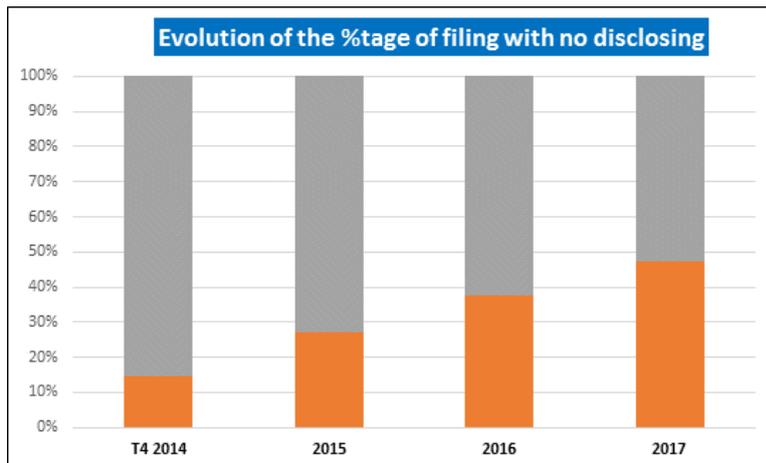
France has used some of the exemption / permission possibilities granted by the 2013/34 directive.

- From 2014/10, micro-undertakings (ie undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: (a) balance sheet total: EUR 350 000; (b) net turnover: EUR 700 000; (c) average number of employees during the financial year: 10.) are still required to file their annual accounts to the Business Register but can ask them not to be published, ie not to be publically available for third parties.
- From 2016/08, small undertakings (ie undertakings which on their balance sheet dates do not exceed the limits of at least two of the three following criteria: (a) balance sheet total: EUR 4 000 000; (b) net turnover: EUR 8 000 000; (c) average number of employees during the financial year: 50) are still required to file their annual accounts to the Business Register but can ask their P&L not to be published, ie not to be publically available for third parties.

Next is a table showing what the situation of annual accounts filing situation was at the end of December 2017 (*Source: Annual Accounts filing announcements in the French Official Gazette*)

**Number of micro and small undertakings having filed their annual accounts to the French Business Register and required them not (fully /partially) to be disclosed vs number of micro and small undertakings having filed and published their annual accounts**

Disclosing year	Number of micro and small undertakings' annual accounts		Total number of micro and small undertakings having filed their annual accounts to the Business Register	% of filing with no disclosing
	totally or partially (P&L) not publicly available to the Business Register	publicly available to the Business Register		
<b>2014 - Last quarter</b>	31 012	181 686	212 698	14,58%
<b>2015</b>	318 370	854 455	1 172 825	27,15%
<b>2016</b>	453 827	750 337	1 204 164	37,69%
<b>2017</b>	615 682	681 906	1 297 588	47,45%
<b>Total</b>	<b>1 418 891</b>	<b>2 468 384</b>	<b>3 887 275</b>	<b>36,50%</b>



□ %tage of annual accounts totally or partially (P&L) not publicly available to the Business Register

□ %tage of annual accounts publicly available to the Business Register

Since annual accounts still have to be filed, it does not change anything for micro and small undertakings in terms of administrative burden. But it changes a lot for their business counterparts! Because they cannot access anymore the annual accounts of their suppliers / customers, **especially in the framework of trade credit, in order to assess the creditworthiness and decide whether to grant or not a payment delay.**

As outlined by various reports ,25 % of bankruptcies are linked to late or non- payment(  
<http://plumconsulting.co.uk/domino-effect-impact-late-payments/>.  
<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016DC0534&from=EN> and  
<https://publications.europa.eu/en/publication-detail/-/publication/400ecc74-9a54-11e5-b3b7-01aa75ed71a1>)

**But non-disclosing of annual accounts is also counterproductive for micro and small undertakings themselves**, because it generates a kind of **mistrust** about their financial situation, just as if they had not filed their accounts. And this contradicts the aim of:

- facilitating cross border operations, in the meaning of exportations / importations
- public confidence at a time where the draft of 5<sup>th</sup> AML directive intends to require Member States to make information on the beneficial ownership accessible to any member of general public, when more and more Member States vote anti-corruption laws etc.,
- “investors and the public at large calling for enhanced public access to information”.

When identifying synergies and interactions with other policies, it is important to take the PSI directive into consideration. As a matter of fact, such an encouragement to micro and small undertakings to require the non-disclosing of (or part of) their annual accounts reduce de facto available PSI data.

## Are Non-financial disclosure fit for purpose?

Non-financial reporting is of course essential, **when and if information is easily comparable, which is not yet the case**. The other point to consider is that, in some Member States, this information must



be integrated in the management report, which, except for some legal forms, does not have anymore to be filed to the Business Register but provided on the website of the company or on demand.

This is another example of the declining level of information available from the Business Registers, which - again – does not contribute to ensure protection and confidence. Because of this reduction of public information available from Business Registers, the interest of the interconnection of Business Registers through the e-justice-portal [https://e-justice.europa.eu/content\\_find\\_a\\_company-489-en.do](https://e-justice.europa.eu/content_find_a_company-489-en.do) is also reduced.

For example, in Spain, the non-financial reporting law is not yet published. The project does not require standardized information then it will be difficult to compare or evaluate companies on their non-financial information.

## Should an integrate reporting set of public reporting by companies be encouraged?

It would of course be very interesting to develop the integrated reporting since it is forward-looking and enables to understand a company “as a whole”, including not only financial information. But at the moment, very basic information like business identity, status (active / inactive), shareholders ... is at present time not easily available in each Member State.

In Spain for example, the following information is **not** available to third parties: information on the status of the enterprises, number of employees, information on payments to public administrations, information on international activities of a company, Information on sole proprietorships (even the correct identification) and non-registered entities, information on shareholders and participations.

## Use of technological progress

XBRL and Blockchain may help reduce the costs of registration and filing, as well as the re-use of the information and also increase its reliability.

## The crucial issue of sole entrepreneurs’ information which is lacking

Sole entrepreneurs should also be considered when discussing about public reporting. Even if they are not required to file annual accounts (except some of them), the Commission’s last website on GDPR seems to consider them as individuals according to the GDPR ([https://ec.europa.eu/info/law/law-topic/data-protection/reform/rules-business-and-organisations/application-regulation/do-data-protection-rules-apply-data-about-company\\_en](https://ec.europa.eu/info/law/law-topic/data-protection/reform/rules-business-and-organisations/application-regulation/do-data-protection-rules-apply-data-about-company_en))

But, as identified by the European Council in the latest discussions on the draft e-privacy regulation, (<http://data.consilium.europa.eu/doc/document/ST-5569-2018-INIT/en/pdf>) : *“During previous meetings, the status of **natural persons that act in a professional capacity** (having a status of an independent worker) was discussed, more in particular, whether they should fall under the rules on the inclusion of contact details in publicly available directories for end-users who are natural persons or legal persons. The delegations are requested to take into account the level of protection currently provided for this group in various Member States and this group's interests.”*



Sole entrepreneurs have suppliers and customers just as legal persons. Acting in their professional / business capacity is different from acting in their private / personal capacity. GDPR should apply when the individual is acting as a private consumer/individual **only**.

The transactions where sole proprietorships and non-registered companies, as well as small and medium size companies, are directly involved, are highly significant in each member state and the lack of information to properly assess them causes losses in the overall economy. This, especially, affects weaker layers of micro (including other sole proprietorships) and medium size companies which, very often, trade with them, with no qualified means for assessment.

These above-mentioned transactions represent a big portion of the *trade credit* which in turn reflect a significant percentage of national GDPs.

It must be clear for all stakeholders, including Data Protection Authorities, that sole entrepreneurs are **businesses**, and that, as such, Public Sector Information about the latter should be easily available. Direct marketing is for sure **not** the only purpose for accessing and using data about sole entrepreneurs.

Information on businesses (sole entrepreneurs and companies) are impacted by different regulations and directives, initiated by different DGs (especially DJ Justice, DG Growth, DG FISMA, DG Connect). As Business Information Providers, we can have an outside view of the (non)-interaction, not to say contradictions, between all these legal requirements. Therefore, we do encourage a deeper and more transversal analysis of their respective impacts, to which we are of course ready to contribute.