

FINAL MINUTES

**MEETING OF
THE ACCOUNTING REGULATORY COMMITTEE AND
THE CONTACT COMMITTEE
11 APRIL 2011**

I. APPROVAL OF THE MINUTES OF THE ARC MEETING OF 1.2.2011

The finalisation of the Minutes of the meeting of 1 February is pending due to the fact that additional comments will be sent in writing from one Member State.

II. DISCUSSION OF IASB TECHNICAL PROJECTS

The Commission has invited EFRAG to provide an update on forthcoming amendments to existing standards and new IFRS expected to be published in Q2 2011:

The presentation covered the following projects:

- Amendments to IFRS 1 First-time adoption of IFRS
- Amendments to IFRS 7 Financial Instruments: Disclosures
- Amendments to IAS 12 Income Taxes
- IFRS 10, 11, 12 Consolidation and Joint arrangements
- IFRS 13 Fair Value Measurement
- Amendments to IAS 1 Presentation of Financial Statements (OCI)
- Amendments to IAS 19 Employee Benefits (Phase 1)

The amendments are expected to be effective as from January 2012 and 2013. The Commission indicated that based on EFRAG's endorsement advice a vote by the ARC on the amendments to IFRS 7 and IFRS 1 is foreseen for the June 2011 meeting. The other items will come on the agenda after the summer break.

Views from Member States

Comments from Member States focused on the expected new IFRS 10, 11, 12 on Consolidation and Joint Arrangements as well as on IFRS 13 Fair Value Measurement, both projects expected to be issued by IASB in April/May.

On the Consolidation project one Member State argued that the IASB has not well explained the objectives of the project. The financial crisis has demonstrated that the consolidation requirements of IFRS were more robust compared to those in US GAAP and therefore it would be logical that the US rules are improved rather than IFRS. In addition the overall impact of the new consolidation rules has not been tested sufficiently.

On IFRS 13 Fair Value Measurement one Member State expressed concerns that the new guidance does not take sufficiently into account the lessons learned from the crisis

regarding the measurement of financial instruments in illiquid markets. Although the standard is intended to consolidate existing guidance in IFRS, the Member State argued that there is a link with classification and measurement questions and overall a lack of response to the experience made during the crisis. Another Member State raised the point that IFRS 13 should be seen as a pure reorganisation standard rather than addressing questions on when to measure at fair value. EFRAG agreed and explained that IFRS 13 will also fill certain gaps e.g. in the area of IFRS 3 Business Combinations. In addition it was noted that the project was started well before the financial crisis but enriched by problems that arose during the crisis.

III. STATE OF PLAY ON GOVERNANCE ISSUES

1. IASB governance review

The Commission representative informed Member States that the consultation of the Monitoring Board on the review of the governance of the IFRS Foundation is closed since April 8. The Commission has sent a response to the consultation, prepared with the contribution of Member States (via the EFC) and the European Parliament. The Commission's approach is ambitious but realistic. The purpose is to strengthen the accountability of the IASB vis-à-vis public authorities, while preserving its independence.

In parallel, the Trustees are running a strategy review. They intend to publish in April a new comprehensive document, based on the results of their consultation. The Monitoring Board and the Trustees agreed to coordinate their review exercises to achieve a single set of coordinated measures for reform in early July.

2. Report on the last Monitoring Board Meeting (London, 1/04)

The Commission representative briefed Member States about the main points discussed at the meeting (governance, due process and work program of the IASB, selection of the future Chairman of the Trustees and funding of the IFRS Foundation).

Views from Member States

On the governance review, one Member State asked if the Monitoring Board would give a different weight to responses from jurisdictions applying IFRS. He also enquired about the status of the financing of the IFRS Foundation by the US. Another Member State noted that the timing for publication of a joint action plan put forward by the Trustees and the Monitoring Board was not realistic, given the consultation period on the report to be published by the Trustees.

On the IASB work programme, one Member State stressed that the quality of the standards was paramount. Field testing was necessary in this regard.

Another Member State stressed that, although he fully supported the view that quality matters first, the IASB should still aim at completing the convergence work programme within the deadline set by the G20 (December 2011). This deadline should not be postponed.

IV. COUNTRY BY COUNTRY REPORTING

The Commission services launched in October 2010 a public consultation gathering stakeholders' views on country-by-country reporting (CBCR). The consultation concluded in January. The summary report of the stakeholders' responses was posted on the Commission's website at the beginning of April.

The Committee Chairman explained that the Commission services had initiated this reflection on CBCR in response to growing interest from many stakeholders (European Parliament, US legislative Act).

The Commission representative presented a concise summary on the results of the public consultation on country-by-country reporting. The Commission representative explained that the overall result of the consultation showed a rather diverse pattern of opinions depending on the category of respondents. First, preparers, accountants and auditors were in general opposed to requirements to report on a country-by-country basis. It appeared though that a detailed analysis of the responses provided by the most concerned industry (oil and gas companies) showed that those preparers were expressing more positive views on CBCR. Second, users and other respondents were in favour of CBCR requirements. Third, the opinions of public authorities were split and half of them expressed "no opinion" in response to several of the questions.

Views from Member States

One Member State stated that an international rule on CBCR would be better than a rule at the EU level in order to achieve a level playing field. One Member State stated that there is no common government position yet but that the reaction from the industry is rather negative. One Member State said it was in favour of an EU level approach but at this stage only for payments to governments in the extractive sector. Another Member State was in favour of an EU level approach, and expressed its opposition to a project-based approach proposed in the US. Another Member State questioned the scope of this requirement, and whether it was within the remit of financial reporting. Another Member State said that though it was too early to express a final view it would be in favour of a CBCR disclosure requirement if limited to the extractive industry. Another Member State expressed a similar view and said that other legislation (US) should be taken into account to maintain a level playing field.

The Committee Chairman concluded that a proportionate approach needed to be found in order to respond to a legitimate demand for improved transparency. At this stage, the Commission did not intend to request, for example, disclosure on a project basis. The Committee Chairman also noted that an international initiative would be preferable to an EU initiative. However, the IASB's extractive activities project was, for the moment, not on the active agenda of the IASB.

V. CORPORATE SOCIAL RESPONSIBILITY

The Commission explained that the Commission services launched in November 2010 a public consultation gathering stakeholders' views on disclosure of non-financial information, including possible proposals for new initiatives and/or revised legislative measures. The consultation concluded in January. The Commission is assessing the 259 responses that were submitted to this public consultation and a summary report will be concluded and uploaded in the Commission's webpage when analysis is finalised. This

initiative is a part of the wider communication on the Single Market Act, adopted on 27 October 2010. The current EU legislation, in particular the Fourth Company Law Directive on annual accounts, addresses the disclosure of non-financial information in a way that companies are required, where appropriate, to make public certain information on environmental, social and other aspects of their activities to the extent necessary for providing a proper understanding of their development, performance or position. Over time some Member States have introduced disclosure requirements that go beyond the Fourth Company Law Directive.

The Commission representative presented a brief summary on the results of the public consultation. About half of the responses received were submitted by companies/preparers and investors and others users, whereas the remaining contributions came from NGOs and other organisations, accountants and auditors, national authorities and others. Respondents noted that legal regimes differ significantly across EU Member States. Half of the respondents describe the current legal regime as poor or very poor. Most respondents suggesting improvements to the current situation considered that the EU should draw on existing international frameworks rather than develop its own standards. Respondents generally considered that the international frameworks developed by the Global Reporting Initiative (GRI), UN Global Compact, the OECD Guidelines, and ISO 26000, among others, are useful.

Most respondents argued that small businesses should not be subject to new requirements. On the other side, being listed or not in financial markets was not considered a relevant criterion. Some respondents said that some kind of 'comply-or-explain' approach could be appropriate, allowing companies some room of flexibility. Most respondents considered that aspects such as human rights and corruption should be included in non-financial reporting.

Most respondents supported integrated reporting at EU level. However, for many stakeholders integrated reporting is still in a very early stage. Respondents generally thought that there is value in getting the non-financial reports assessed by independent, qualified experts.

Views from Member States

One Member State informed that in Denmark there is specific legislation applicable to non-financial reporting, and a there is a government department responsible for it.

One Member State said that in Germany there is not any specific legislation applicable to non-financial reporting beyond the transposition of the 4th Directive. The information about the department responsible for CSR reporting will be submitted in due course.

One Member State said that in the UK there is specific legislation applicable to non-financial reporting, and that the same the department is responsible for financial and non-financial reporting.

One Member State said that in Austria there is not specific legislation applicable to non-financial reporting beyond the transposition of the 4th Directive except for specific disclosure on gender equality issues.

One Member State asked the Commission for next steps.

The Commission took note of comments by Member States, and explained that at this point in time no concrete next step has been agreed yet.

VI. AOB

The next ARC meeting is tentatively scheduled **for the afternoon of 23 June 2011.**

ACCOUNTING REGULATORY COMMITTEE AND CONTACT COMMITTEE

Meeting of 11 April 2011

PARTICIPANTS' LIST

Austria

Ministry of Justice

Belgium

Commission normes Comptables

Ministère de l'Economie

Bulgaria

Ministry of Finance

Cyprus

Permanent Representation

Czech Republic

Ministry of Finance

Denmark

Danish Commerce and Companies Agency

Permanent Representation

Estonia

Estonian Accounting Standards Board

Finland

Ministry of Employment and the Economy

France

Autorité des Normes Comptables (ANC)

Ministère de l'Economie, des Finances et de l'Industrie

Germany

Bundesministerium der Justiz

Greece

Absent

Hungary

Ministry of Finance

Ireland

Dept. Enterprise, Trade and Employment

Italy

Ministry of Economy and Finance

Latvia

Absent

Lithuania

Absent

Luxemburg

Commission de Surveillance du Secteur Financier (CSSF)

Ministry of Justice

Malta

Absent

The Netherlands

Ministry of Justice

Poland

Ministry of Finance

Portugal

Permanent Representation

Romania

Ministry of Public Finance

Slovakia

Ministry of Finance

Slovenia

Ministry of Finance

Spain

Banco de España

ICAC

Sweden

Ministry of Justice

United Kingdom

Department for Business, Innovation and Skills

OBSERVERS

Croatia

Ministry of Finance

Iceland

Absent

Liechtenstein

Norway

Ministry of Finance

OTHER

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European Institutions/Committees

Committee of European Insurance and Occupational Pensions Supervisors (EIOPA)

European Securities and Market Authorities (ESMA)

European Central Bank (ECB)

European Financial Reporting Advisory Group (EFRAG)

International

Commission

HOOIJER, Jeroen/F3, Head of Unit

DECKERS Alain/F3, Deputy Head of Unit

BOCQUERAZ Claude/F3

ARMANINI Mauro/F3

BERNIER ABAD Nicolas /F3

BIEBEL Reinhard /F3

KOSMIDIS, Michelle/F3

LANGLOIS, Delphine /F3

LEBRUN Ludovic /F3

MELOT Anne-Françoise/F3

MONZON Angel /F3

ZAFFIRO Massimo /F3