EUROPEAN COMMISSION
Internal Market and Services DG
FREE MOVEMENT OF CAPITAL, COMPANY LAW AND CORPORATE GOVERNANCE
Accounting

Brussels, 3 September 2007
MARKT F3 D(2007)

Endorsement of IFRS 8 *Operating Segments*

Analysis of Potential Effects - Report

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1. Executive Summary

The International Accounting Standards Board (IASB) published International Financial Reporting Standard 8 (IFRS 8) *Operating Segments* on 30 November 2006. This superseded IAS 14 *Segment Reporting*, which is currently applicable pursuant to Regulation 1606/2002/EC (IAS Regulation).

This report, based on wide-ranging consultation and research, analyses the potential effects of adopting IFRS 8 in the European Union (EU). It focuses on key issues raised during the IASB and European Financial Reporting Advisory Group (EFRAG) consultations as well as the EU endorsement process. It concludes that adoption of IFRS 8 would have positive cost-benefit effects. This is in line with the clear majority of answers to our consultations and with most views expressed in discussions with stakeholders. In particular, the report concludes that:

- **The use of the management approach has an overall positive effect on the quality of the segment information, whose usefulness and relevance would increase.** There is no evidence in practice that completeness and stewardship's function of the segment information according to IFRS 8 would be harmed.

- **The increased usefulness and relevance of the segment information based on the management approach outweigh concerns expressed about the comparability of financial reports.** IAS 14 does not always ensure comparability and stability of segmental information. Moreover, comparability is not the criterion that should necessarily prevail over the accurate presentation of organisational structures and risk exposures.

- **IFRS 8 appropriately addresses the global needs of financial statements' users for geographical disclosures and would not reduce this information in practice compared to IAS 14.** We are encouraging further information on Corporate Social Responsibility in separate reports, and we are supporting the development of guidelines for such disclosures.

- **IFRS 8 does not create problems relating to corporate governance in the EU.** A majority of stakeholders share the view that the concept of a "chief operating decision maker" included in IFRS 8 works in an EU context.

- **IFRS 8 provides appropriate segment reporting rules for smaller listed companies.** Even though some information may be considered as being "commercially sensitive", all listed companies, regardless of size, should provide similar information as the needs of investors do not substantially differ based on company size. Therefore, there is no reason for special rules concerning segment reporting for these entities.

A swift endorsement of IFRS 8 would remove uncertainty about the treatment of financial statements for the period ending December 2007 and support the EU's overarching objective of IFRS being recognised in all jurisdictions, including the US, without requirement for reconciliation.

2. History – the current IAS 14 *Segment Reporting*

2.1. Background of segment reporting

Segmental reporting addresses the needs of users to better understand the performance of companies. The profitability, risk and growth potential of different lines of business or geographical segments can vary significantly and segment information can help to predict the future cash flows generated by a company results per share or can be used in valuing common stock. In August 1981 the International Accounting Standards Committee (IASC) issued IAS 14 *Reporting financial information by segment*. This standard suggested the disclosure of segment sales, results and assets. After a number of changes of the standard the IASC issued a revised IAS 14 *Segment Reporting* (IAS 14) in August 1997.

In the US, segmental reporting became regulated by Financial Accounting Standard (FAS) 14 (also referred to as Statement of Financial Accounting Standard n°14 - SFAS 14) in December 1976, which represented an approach similar to IAS 14. SFAS 14 was replaced by SFAS 131 'Disclosures about segments of an enterprise and related information' in 1997. The current US standard adopts a clear management approach, focusing on relevance rather than on comparability. Segments are identified on the basis of the internal management practices in the company. Concerning measurement methods, IAS 14 requires that the accounting policies used for segment disclosures are those adopted in the consolidated financial statements (IAS 14, §44), whereas SFAS 131 requires the use of those measures of profit or loss and assets that are used by the chief operating decision maker for purposes of making decisions about allocating resources to the segment and assessing its performance (SFAS 131, §29). Both standards use similar quantitative thresholds.

IAS 14 requires the same kind of information for primary segments regardless of whether these are based on business or geographical criteria. But it requires designating one of these criteria as primary segmental information and the other as secondary with reduced information requirements. The US standard does not make a distinction between primary and secondary segments. It requires only external revenues and long-term assets for geographical segments.

2.2. Main features of IAS 14 *Segment Reporting*

IAS 14 establishes the following principles for reporting financial information by segment. The standard distinguishes business segments and geographical segments:

- A business segment is a distinguishable component of an entity engaged in providing an individual – or a group of related – product(s) or service(s) subject to risks and rewards that are different from those of other business segments (IAS 14.9);

- A geographical segment is a distinguishable component defined as for a business segment, but subject to risks and rewards related to particular economic environments (IAS 14.9);

- Segments for external reporting purposes are those for which information is reported to key management personnel for the purpose of evaluating past performance and for making decisions about future allocations of resources (IAS 14.31);

- They are identified as reportable segments if a majority of their revenue is earned from sales to external customers and:

– (a) their revenues from sales to external customers and from transactions with other segments are 10% or more of total revenue of all segments, or

– (b) their segment results are 10% or more of the combined result of all segments, or

– (c) their assets are 10% or more of total assets of all segments (IAS 14.35).

- Total external revenues attributable to reportable segments should represent at least 75% of total revenues, otherwise additional reportable segments should be identified (IAS 14.37).

Data on both business and geographical segments have to be disclosed, with one of these being considered as the primary basis and the other as secondary basis. The extent of disclosure is significantly different for both types of segments:

- The dominant source and nature of an entity's risks and rewards shall govern whether its primary segment reporting format will be business segments or geographical segments. If risks and rewards are affected predominantly by differences in products and services, primary format for reporting segment information shall be business segments, with secondary information reported geographically (IAS 14.26);

- For primary segments, disclosures should include revenue from external sales, revenue from internal sales, segment result, carrying amount of segment assets, segment liabilities, capital investments, depreciation and amortization expense, other non-cash expenses, the share of profit or loss of and investment in equity method associates or joint ventures, and a reconciliation of revenue, result, assets and liabilities (IAS 14, Appendix C);

- For secondary segments, disclosures include only revenue from external sales, carrying amount of segment assets and capital investments (IAS 14, Appendix C).

- Inter-segment transfers should be measured on the basis of the actual transfer prices and this basis should also be disclosed (IAS 14.75).

3. THE NEW IFRS 8 *OPERATING SEGMENTS*

3.1. Main features of IFRS 8 *Operating Segments*

IFRS 8 *Operating Segments* (IFRS 8) was published in its final version by the IASB on 30 November 2006. IFRS 8 is a disclosure standard replacing IAS 14 *Segment Reporting* (IAS 14), which is the standard currently endorsed for use in the EU. IFRS 8 introduces the "management-approach", which means that the defining of segments as well as the preparation of information used for segment reporting are both based on information prepared for internal management decisions. IFRS 8 has no implication on reported profit or loss. In other words, it has no impact on the way income, expenses, assets, liabilities ore equity are recognised, measured or presented in financial statements. However, segment information is a highly relevant source for users of financial statements to get a better understanding of the overall performance of a company's activities.

The core principle of IFRS 8 is that an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The main features are:

- An operating segment is a component of an entity:

– that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
– whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
– for which discrete financial information is available.

- Guidance is provided on which operating segments are reportable (generally 10% thresholds). At least 75% of the entity's revenue must be included in reportable segments.

- IFRS 8 does not define segment revenue, segment expense, segment result, segment assets and segment liabilities, nor does it require segment information to be prepared in conformity with the accounting policies adopted for the entity's financial statements.

- Entity-wide disclosures are required even when an entity has only one reportable segment. These include information about each product and service or groups of products and services. Analyses of revenues and certain non-current assets by geographical area are also required – with an expanded requirement to disclose revenues/assets by individual foreign country (if material), irrespective of the entity's organisation. Finally, there is a requirement to disclose information about transactions with major external customers (10% or more of the entity's revenue).

3.2. Main differences between IFRS 8 and IAS 14

The main differences between IAS 14 and IFRS 8 are as follows:

- IFRS 8 adopts a 'through the eyes of management approach', which means that the operating segments for accounting purposes should be the same as those used for internal management purposes. The same accounting policies should be used in the IFRS segment report as in the internal reporting system. Many companies seem to have applied IAS 14 in such a way that the reporting segments are very close to their internal management organisation. Commentators have however different views as to the impact of the requirement to use internal accounting policies..

- IAS 14 requires an analysis by geographical segment, but it can be limited if it is designated as only secondary segmental information. IFRS 8 requires a geographic analysis if designated as an operating segment. Otherwise, IFRS 8 will require information at entity-wide level on revenue and certain non-current assets (if the disclosure information is available or not burdensome to collect). Information required on the entity-wide level by IFRS 8 and on secondary segment by IAS 14 is in many cases quite similar.

- The information to be provided by business segment is different under IAS 14 and IFRS 8. Under IAS 14, revenue, result, assets, liabilities, and cost of new property, plant or equipment (PPE) and intangible assets acquired all needed to be shown by business segment when designated as primary segmental information. Under IFRS 8, more detailed information has to be provided, but only to the extent that it is regularly provided to the chief operating decision-maker.

- Because of changes made to IAS 34 *Interim Financial Reporting* by IFRS 8, more segment information is now required in interims than it was the case before.

4. IASB AND EFRAG CONSULTATIONS

4.1. Introduction

The **IASB** carried out a consultation according to its due process procedures and received 182 comment letters[1]. The 80 related to the "Publish What You Pay" coalition (PWYP) have been considered separately. According to their analysis of the 102 remaining comment letters, 51% supported the approach and 18% supported the approach to the identification of segments, but not to the measurement. 19% of the commentators opposed the management approach and 12% did not specifically comment on this question. A closer analysis shows that supporters mainly consist of preparers who see the advantages of IFRS 8 regarding preparation of information, whereas the 19% arguing against mainly consist of investors, users and audit firms, who generally believe that the quality of information provided by IFRS 8 would be reduced compared to IAS 14.

The 80 respondents to the IASB belonging to PWYP requested the scope of IFRS 8 be extended to require additional disclosure on a country-by-country basis. More information about the PWYP requests can be found in Annex 2. The IASB discussed this particular issue in its September 2006 meeting and concluded that the objective of PWYP when requiring such disclosure would be to promote greater transparency in the management of amounts paid by the oil, gas and mining industries to governments in developing or transitional countries that are resource-rich[2]. The issue was not followed up during the development of IFRS 8 but the IASB in a meeting between the Trustees and representatives of PWYP on 3 July 2007 agreed to come back to the issue during the debates on a revised standard on extractive industries (IFRS 6 *Exploration for and Evaluation of Mineral Resources*).

[1] Including 80 comment letters submitted by the "Publish What You Pay" coalition.

[2] IASB stated in its observer notes September 2006 that: "PWYP advocates that a country-by-country requirement be incorporated into IFRSs so that information on payments to individual governments is available in entities' financial statements, especially in extractive industries."

The European Financial Reporting Advisory Group (**EFRAG**) carried out an evaluation of IFRS 8 and has concluded that it meets the requirements of the IAS Regulation 1606/2002. EFRAG concluded that IFRS 8 requirements are consistent with the IASB's Conceptual Framework, that implementation of IFRS 8 results in improved accounting and that the accounting resulting from the application of IFRS 8 meets the criteria for EU endorsement. Although some EFRAG members raised concerns with the issue of using non-Generally Accepted Accounting Principles (non-GAAP) measures for segment information, overall the Technical Expert Group of EFRAG (TEG) believed that IFRS 8 would improve accounting. EFRAG argued in the "Basis for Conclusion of its endorsement advice" to the Commission that the adoption of IFRS 8 would be in the interest of the vast majority of persons and bodies with interest in financial reporting in Europe.

4.2. Main issues raised during the consultations

4.2.1. Issues raised by analysts and other user groups

In the consultations, some organisations for analysts and accounting firms expressed concerns with certain features of IFRS 8. Their main comments were the following:

- IFRS 8 does not include enough "safeguards" in the definition process of segments which results in too much leeway for the management to define them. This could lead to less objective information and feed a fear that definition of segments would not be stable from one year to another, which would harm comparability.

- Financial disclosures normally provide shareholders with a mechanism to monitor the accountability of managers (stewardship). When left unmonitored, managers could try to maximize their own utility, potentially reducing the value of the firm to the shareholder. This would weaken the "true and fair view" of financial information.

- IFRS 8 is based on internal management information and allows the use of non-GAAP measures for external purposes without requiring a full reconciliation to IFRS on a segment basis. This may feed the fear that management could hide non-profitable activities by using such provisions. Further it could harm comparability.

- The management view is based on the reporting to the "chief operating decision maker", which is a term that stems from US standards. This seems to be in conflict with the concept of unitary boards, which is central to the governance structures in many EU countries.

The Bruegel Institute has published a research report[3] stating that IFRS 8 lacks quality to be adopted in the EU and has been issued by the IASB only for convergence reasons. The report argues that IFRS 8 runs the risk of decreasing the quality of information available to investors to assess companies' performance and value, because IFRS 8 fails to impose consistent operating segment's format by allowing restrictions in geographical information. The report also considers that views of users have not been taken into account properly in the consultation process.

[3] The Global Accounting Experiment, by Nicolas Véron, Bruegel Institute, blueprint series, April 2007

4.2.2. Corporate Social Responsibility and country-by-country reporting

Corporate Social Responsibility (CSR) is a concept highlighting that corporations have an obligation to consider the interests of customers, employees, shareholders, communities and ecological concerns in all aspects of their operations. This obligation is seen to extend beyond their statutory obligation to comply with legislation. CSR is linked to the principles of sustainable development, which argues that enterprises should make decisions based not only on financial factors such as profit or dividends, but that they should also consider social and environmental consequences of their activities.

Parties interested in CSR also follow the development of new accounting standards. During the IASB consultation of IFRS 8, members of the above-mentioned "Publish What You Pay" coalition expressed interest in segment reporting and made a strong case for country-by-country disclosures. It is argued that such information is relevant for identifying financial relationships/transactions between companies operating in third-world jurisdiction and the governments of these countries. The disclosures could also provide important tax-related information. The coalition members regard such information as highly essential for decisions to invest in trans-national corporations.

4.2.3. Smaller listed companies and IFRS 8

During the IASB consultation on IFRS 8, smaller listed companies and their organisations criticised the standard and alleged that it would have negative effects and unintended consequences for these entities[4]. The main argument was that IFRS 8 is a “one size fits all” standard because it requires also smaller quoted companies to report a segment by segment analysis of their business which may potentially oblige them to disclose commercially sensitive information with the effect that the competitiveness of smaller quoted companies in the EU will be harmed.

5. ANALYSIS OF POTENTIAL EFFECTS: METHODOLOGY

This analysis aims to present in a concise way the potential effects of introducing IFRS 8 in the EU. The analysis of effects has been prepared by Commission staff using the following sources of input in preparing the report:

- Results and comment letters from earlier consultations by the IASB and EFRAG. Commission staff did follow preparatory work and discussions in the IASB, as well as participated in the discussions in EFRAG.
- Correspondence from stakeholders to the Commission
- Academic research and reports by organisations or associations
- Public consultations with stakeholders (see next sub-chapter)
- Earlier experience from other jurisdictions that have introduced similar segment reporting principles
- Interviews and meetings with organisations, notably:
    - EFRAG staff

[4] One leading commentator was the Quoted Companies Alliance (QCA) in the UK. QCA is an organisation representing smaller companies with a market capitalisation lower than € 500 million.

  - EFRAG User Panel
  - European Federation of Accountants (FEE)
  - Revenue Watch and Tax Justice Network (representatives of the PWYP coalition)
  - Business Europe/European Round Table, national associations and companies
- Discussions with officials from other Commission Services concerning the issue of Corporate Social Responsibility

6. SUMMARY OF COMMISSION ANALYSIS

After a careful consideration of all arguments raised through the abovementioned sources of inputs – including available studies and reports - and taking comments expressed during the consultations carried out and during meetings held, the Commission Services analyse the key issues as follows (a more detailed analysis and more arguments supplementing the Commission conclusions can be found in the Basis for Conclusion in the Annexes 1, 2 an 3).

6.1. Main issues raised regarding endorsement of IFRS 8

6.1.1. The use of the management approach

Issue: Would the IFRS 8 approach be safe enough to enable a consistent assessment of management's performance compared to the "risks and rewards" approach and mandatory geographical disclosure in IAS 14? Would it provide sufficient objectivity and completeness to result in relevant and useful segment reporting and to protect investors? Would the stewardship function of financial reports be fulfilled?

The majority of commentators consulted by the Commission Services have indicated that they believe that information based on the management approach is more relevant and useful than information provided on the basis of IAS 14 provisions. This corresponds to the outcome of earlier consultations by IASB and EFRAG. In their view, segment information in this way reflects how management runs the business and therefore provides a better representation of the reality of the business. Therefore, it provides more meaningful information to the users in order to assess the economic and financial situation of the entity, as well as its performance, and make investment decisions. Some commentators even consider that, if IAS 14 segmental information is different from the one used for internal purposes, it may result in a formal presentation exercise that would not depict the reality of the business.

The majority of respondents to our consultations believe that an information which allows looking at the performance of an entity the same way as management does ("through the eyes of management") increases the transparency and the understandability of the management decision making process. This could help assessing the stewardship and performance of the management. Investors could be comforted to have the same kind of information as management, which is supposed to focus on key elements with high informational value.

Better relevance and usefulness of IFRS 8 compared to IAS 14 is also supported by conclusions of some academic research that the implementation of SFAS 131 in the US resulted in a better predictability of the segmental information[5]. This point is also supported by some respondents to the consultation considering that IFRS 8 improve forecast precision by permitting the elimination of exceptional non-recurrent items which may obscure the general business trend. Studies in the US on the changeover from SFAS 14 to SFAS 131 also show that more companies disclose segmental information, the number of segments has increased and more elements per segment have been disclosed[6]. These outcomes could also be interesting for a move from IAS 14 to IFRS 8. SFAS 14 structured the segmental information quite the same way as IAS 14 whereas SFAS 131 and IFRS 8 are very similar. Even if these standards are not completely identical and experience made on the US market is only an indicator for possible effects on European financial markets, the studies provide useful input in terms of expected impact of IFRS 8 implementation.

The Commission Services conclude that the use of the management approach in general would have a positive effect on the quality of the segment information. Overall information based on the management approach would result in increased usefulness and relevance of information provided. There is no evidence that in practice completeness and stewardship's function of financial information would be harmed.

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5 For example the following studies analyse potential impacts of the management approach in term of predictability of the segment reporting information:

Sasson Bar-Yosef/Itzhak Venezia: Experimental Study of the Implications of SFAS 131: The Effects of the new Standard on the Informativeness of Segment Reporting, 2004, Diskussionsbeiträge des Fachbereichs Wirtschaftswissenschaft der Freien Universität Berlin, ISBN 3-935058-82-9

Michael L. Ettredge/Soo Young Kwon/David B. Smith/Paul A. Zarowin: The Impact of SFAS No. 131 Business Segment Data on the Market's Ability to Anticipate Future Earnings, The Accounting Review, Vol. 80, No. 3, 2005, pp 773-804

Bruce K. Behn/Nancy B. Nichols/Donna L. Street: The Predictive Ability of Geographic Segment Disclosures by U.S. Companies: SFAS No. 131 vs. SFAS No. 14, Journal of International Accounting Research, Vol. 1, 2002, pp 31-44

Don Herrmann/Wayne B. Thomas: A Model of Forecast Precision Using segment Disclosures: Implications for SFAS No. 131, Journal of International Accounting, Auditing & Taxation, 2000, 9(1), p. 1-18

6 Don Herrmann/Wayne B. Thomas: An Analysis of Segment Disclosures under SFAS No. 131 and SFAS No. 14, Accounting Horizons, September 2000, p. 287-302

Michael L. Ettredge/Soo Young Kwon/David B. Smith/Paul A. Zarowin: The Impact of SFAS No. 131 Business Segment Data on the Market's Ability to Anticipate Future Earnings, The Accounting Review, Vol. 80, No. 3, 2005, pp 773-804

Bruce K. Behn/Nancy B. Nichols/Donna L. Street: The Predictive Ability of Geographic Segment Disclosures by U.S. Companies: SFAS No. 131 vs. SFAS No. 14, Journal of International Accounting Research, Vol. 1, 2002, pp 31-44

6.1.2. Comparability of segment information

<u>Issue</u>: Would IFRS 8, which provides certain freedom for management to define segments and to use non-IFRS measures, constitute a problem in terms of comparability of segment information and stability of segments' definition?

Although some respondents and research reports[7] consider that the risks and rewards approach of IAS 14 ensures a more objective determination of segments and that IAS 14 provide clearer definitions of elements included in segmental information, many respondents noted that IAS 14 does not guarantee comparable information to users, as the determination of different risks and rewards exposures can be a subjective exercise. In particular, IAS 14 geographical information may in practice be diverse from one entity to another and thus not comparable. IAS 14 also provides leeway to allocate costs to segments. Furthermore, it may be difficult to compare segments from one entity to another, as companies – even in the same sector - are organised in different ways and exposed to different kind of risks. Comparability has to be seen in the context of other qualities of the information, such as relevance or usefulness.

The question of stability of segments, which has an impact on comparability, is seen by many stakeholders as being separate from the question of using IAS 14 or IFRS 8. In fact the issue whether there is a change in the determination of segments mainly depends on the evolution of the business (mergers, expansion, etc.). Some respondents consider that the management approach in IFRS 8 will provide more stable segments, although this view is contested by supporters of the risks and rewards approach in IAS 14.

Some respondents consider that the quality of information will be impaired if there is a difference between measurement approaches used for segmental disclosures and for the preparation of the primary financial statement. For analysts it is of utmost importance that the information is consistent also at segment level. Some analysts argue that IFRS 8 is not sufficient since reconciliation is only required at entity level. Other respondents believe that the use of internal measurement approaches enhances the relevance of the information and gives a better representation of the general economic performance of the entity.

The Commission Services believe that the increased usefulness and relevance of the segment information based on the management approach according to IFRS 8 outweigh concerns expressed on comparability.

6.1.3. Geographical information

<u>Issue</u>: Would IFRS 8 result in more or less geographical information than IAS 14? How could Corporate Social Responsibility issues be taken into account?

[7] The Global Accounting Experiment, by Nicolas Véron, Bruegel Institute, blueprint series, April 2007

IAS 14 requirements on geographical segments are compulsory and certain research reports[8] therefore consider them to be more stringent than those in IFRS 8. However geographical segments in IAS 14 can be defined very broadly, for example covering several countries. Furthermore IAS 14 allows an entity to classify the geographical information as secondary segments subject to less disclosure, if the entity considers that segments by types of products and services are more relevant. . Studies on the application of SFAS 14 in the US[9], as well as some studies related to application of IAS 14 in the European Union in 2005[10] show that geographic segments were rather defined as very broad areas and – concerning IAS 14 – almost always designated as secondary segments, resulting in information of only limited value. US studies noted that the implementation of SFAS 131 developed the country-by-country information, considered as more useful.

In IFRS 8, geographical segments are required to the extent that they are considered as operating segment regularly reviewed by the chief operating decision maker. In such case, information requirements are quite extensive. Otherwise, there is a requirement to provide geographical information at the entity-wide level for country of domicile and foreign countries considered as material. The majority of commentators believe that requirements of IFRS 8 regarding geographical disclosure are sufficient.

Geographical information on country-by-country basis is important for supporters of Corporate Social Reporting (see above). Most stakeholders however believe such disclosure would go beyond what is feasible in general purpose financial statements. Such information could instead be given in separate statements through listing agreements which could be amended to require such a disclosure. Commentators however generally agree that it is important that financial reporting rules do not hinder companies that want to present CSR information on a voluntary basis.

Concerning geographical disclosures, the Commission Services believe that IFRS 8 fulfils the requirements that most users of the accounts require and therefore appropriately address the needs of users of general purpose financial statements. There is no evidence that it will reduce this information in practice compared to IAS 14. One could even expect an increase.

The Commission Services are encouraging further information on Corporate Social Responsibility in separate reports, and are supporting the development of guidelines for such disclosures.

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8 The Global Accounting Experiment, Bruegel Institute, blueprint series, April 2007

9 Don Herrmann/Wayne B. Thomas: An Analysis of Segment Disclosures under SFAS No. 131 and SFAS No. 14, Accounting Horizons, September 2000, p. 287-302

Bruce K. Behn/Nancy B. Nichols/Donna L. Street: The Predictive Ability of Geographic Segment Disclosures by U.S. Companies: SFAS No. 131 vs. SFAS No. 14, Journal of International Accounting Research, Vol. 1, 2002, pp 31-44

10 KPMG/THOMSON: The Application of IFRS: Disclosure in Practice, 2006/7

6.1.4. Corporate governance issues

Issue: Could IFRS 8 enable management to hide negative segment information by combining it with other segments? Does IAS 14 provide safer guidance? Is the US notion of "chief operating decision maker" (CODM) included in IFRS 8 adaptable to the unitary board model pre-dominant in Europe?

Very few commentators expressed concerns related to governance issues linked to the implementation of IFRS 8 in the EU. Some stakeholders fear that management could choose information to be disclosed and hide negative segment information by combining it with other segments. They consider that IAS 14 provides more safeguards, as segment reporting would be based on information shared by all board members and subject to a rigorous checking. On this particular issue one survey[11] on the US experience shows that profits in less competitive industries were rather hidden in a single-segment presentation under the former SFAS 14, similar to IAS 14, than under the new SFAS 131, close to IFRS 8. Generally, respondents to our consultation believe that sharing the management information to the investors would provide greater transparency and would avoid external reported segments to differ from company's line of responsibility.

Some stakeholders suggested that segment reporting linked to the notion of "chief operating decision maker" (CODM) could be difficult to implement in Europe where the unitary board model is pre-dominant. Most commentators did however not believe that the use of a CODM notion in IFRS 8 would cause problems in the EU. The CODM as defined in § 7 of IFRS 8 should be seen rather as a function than an individual. Furthermore the definition of a chief operating decision maker should be broad enough to cover the different corporate governance regimes in the EU.

IFRS 8 does not remove the board's fiduciary duties to the shareholders; the board still has the responsibility and the power to question management's decisions regarding segment reporting. It also does not affect the fact that the Board of Directors has a collective responsibility for financial statements under the 4th and 7th Company Law Directives.

The Commission Services take the view that IFRS 8 does not create problems relating to corporate governance in the EU. A majority of stakeholders believe that the concept of CODM works in a EU context, and the Commission Services share this view.

6.1.5. Segment reporting for smaller listed entities

Issue: Could disclosure requirements in IFRS 8 to cause competitive harm to smaller listed companies? Would some companies have to give away commercially sensitive information?

[11] Christine a. Botosan/Mary Stanford: Managers' motives to withhold segment disclosures and the effect of SFAS n°131 on analysts' information environment, the Accounting Review, Vol.80 n°3, 2005, pp. 751-771

During the initial discussion of IFRS 8, the argument was presented that the disclosure requirements in the standard could cause competitive harm to smaller listed companies. Particularly companies with few or only one business segment would have to providecommercially sensitive information. In the Commission consultations this argument was raised by a few commentators. Several commentators agreed in principle with the arguments, but stated that they had never seen any concrete examples of companies that had really been harmed through disclosure.

Most stakeholders consulted by the Commission took the line that listed companies, regardless of size, must prepare the same information as the circle of investors is the same. If companies want to have the advantage of accessing public capital, then they have to inform investors and creditors how they manage their business.

The Commission Services conclude that there seems to be no need for special rules concerning segment reporting for smaller listed entities. Fundamentally, the Commission Services believe that all listed companies should provide the same, or very similar, information as the needs of the investors are basically the same. There could be a negative impact on these companies if their financial disclosures are not of the same quality as those of the larger listed companies competing for the same capital.

6.1.6. Cost benefit and timing considerations

Issue: Does the benefits of introducing IFRS 8 outweigh the implementation and application costs? What would be the practical implications of a delayed adoption of IFRS 8?

In order to undertake the cost-benefit analysis of implementing IFRS 8, that is to ascertain whether the benefit for users resulting from additional or different kind of information provided by IFRS 8 outweighs the cost triggered by providing the information, the Commission Services have relied on primary information received from questionnaires, contacts with preparers, as well as interviews. The value of the information provided has been further assessed through questionnaires, meetings and interviews with users, financial analysts as well as other users.

Costs for preparing the segment information

Most stakeholders consulted by the Commission Services believe that the costs of preparing IFRS 8 segment information would be lower, or at least not higher, than those currently existing under IAS 14 as the information used by the management would already be available internally. Several commentators noted that certain segments in IAS 14 are not used for decision making or follow-up in the companies, and are therefore perceived as extra burden only prepared for external information. Therefore, non-endorsement of IFRS 8 would be costly for companies as parallel information systems may need to be kept. Commentators also expressed concerns about administrative and opportunity costs if IFRS as adopted in the EU deviate too much from IFRS as adopted by the IASB. This factor should be taken into account when assessing the overall balance of advantages and disadvantages of endorsing IFRS 8.

Anyhow, it may be noted that the specific costs of preparing disclosures are in most cases immaterial for large, listed companies[12]. Even if these costs are expected to be proportionally higher for smaller listed companies, there are no indications that the burden would be significant for such companies.

A few commentators stated that the implementation of IFRS 8 could increase companies' costs for presenting and successfully communicating the segment information. Such costs could however be transitional. Companies that have in the past managed to make their internal decision making processes as defined by SFAS 131 and their risks and rewards analysis according to IAS 14 be consistent with one another would face only minor additional cost when adopting IFRS 8.

Benefits of changes in the segment information

As noted in section 6.1.1, the majority of commentators believe that the segment information provided under IFRS 8 is more relevant and more useful for users of accounts. The perceived lack of comparability is balanced with enhanced relevance and usefulness. Some stakeholders also consider that the value of the information will increase even further after some time when the markets have learnt to use the new disclosures. In section 6.1.1 is also noted that several US studies have concluded that more segmental information is provided under SFAS 131 (similar to IFRS 8) and that this information provides more predictability and more relevant geographic segments.

The Commission Services emphasise than a broad ex-post evaluation analysing the effects of the standard would be welcome. The IASB has indicated that IFRS 8 will be one of the first standards for which such an analysis will be performed, tentatively after two years of use. This could help measuring the benefit of information provided in practice.

Timing considerations

A number of companies had envisaged to adopt IFRS 8 early. For example, companies obliged under the IAS Regulation to adopt IFRS as of January 2007, as some transitional provisions have gone to an end in 2007, or companies going public in 2007 and therefore first-time adopters, are highly interested in applying it. A delay of endorsement of IFRS 8 would require a double-change by adopting IAS 14 in 2007 and moving to IFRS 8 at a later stage.

Many EU companies where exempted from the adoption of IFRS as of 2005 and are first-time adopters as of 2007 because they were reporting under US GAAP (including SFAS 131). In order to avoid the abovementioned double-change, these companies argue for a quick endorsement decision enabling them to use IFRS 8 for their 2007 financial statements.

As long as IFRS 8 is not endorsed, the current standard IAS 14 remains in place as part of "IFRS as adopted in the EU". It follows that IFRS 8 cannot be applied – even on a voluntary basis - as long as it has not superseded IAS 14. Commentators remarked that this could cause competitive disadvantages for EU companies.

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[12] Study referred on in 89/90 check

The Commission Services conclude that in all normal circumstances application of IFRS 8 would lead to lower costs for the preparation of the segmental information whereas the benefits of the information provided are generally expected to increase. Therefore, the cost benefit balance is expected to enhance. They also highlight that delay in adopting IFRS 8 could cause extra costs and competitive disadvantages for European companies.

6.2. Commission Services' conclusions

Having examined the evidence and the results of the consultations, the Commission Services believe that IFRS 8 will be an important step forward in the quality of financial reporting.

The detailed analysis of effects of IFRS 8 has shown the following main results:

- **The use of the management approach has an overall positive effect on the quality of the segment information, whose usefulness and relevance would increase**.
- **The increased usefulness and relevance of the segment information based on the management approach outweigh concerns expressed about the comparability of financial reports.**
- **IFRS 8 appropriately addresses the global needs of financial statements' users for geographical disclosures and would not reduce this information in practice compared to IAS 14.**
- **IFRS 8 would not create problems relating to corporate governance in the EU.**
- **IFRS 8 provides appropriate segment reporting rules for smaller listed companies.**

The Commission Services also have the following remarks:

On the important issue of Corporate Social Responsibility, the Commission supports further work on the development of guidelines or standards and the preparation of specific reports on this issue.

The Commission Services believe that the endorsement and application of IFRS 8 in the EU would have positive cost-benefit effects. On the contrary, delayed adoption of IFRS could cause extra costs and disadvantages for EU companies. The conclusion is in line with the clear majority of the answers to the consultation as well as with most views expressed in meetings and discussions with shareholders.

The Commission Services note that the majority of respondents believe the management approach is appropriate, as it will provide business and geographical information when considered important for allocating resources and monitoring the business, whereas IAS 14 may result in information prepared only for external reporting purposes.

6.3. Perspectives and next steps

It is important to remove the uncertainty for companies concerning the accounting treatment for 2007 financial statements, otherwise for example companies adopting IFRS for the first time may need to introduce IAS 14 and then after a short while move to IFRS 8. The Commission Services furthermore believe that there is a need to monitor that the standard is used in a consistent way. A number of commentators have proposed that after some years of application a review should be carried out on the actual application of the standard. The initiative by the IASB to perform an "ex-post" analysis after two years of application is welcomed.

There may be changes to segmental reporting in the future. The project on "Financial Statement Presentation" (which could result in a new standard in 2010/11) may have an effect on certain elements of IFRS 8.

The Commission Services believe that it is crucial to consider any question regarding the endorsement of accounting standards under the IAS Regulation in the context of the overall development of one global set of standards. One of the overarching objectives of global standard setting is that IFRS is recognised in all jurisdictions, including the USA, without requirement for reconciliation. One of the main prerequisites for achieving this is convergence between IFRS and other GAAPs.

The Commission Services would like to express their appreciation to all stakeholders that provided valuable input to the report.

ABBREVIATIONS

ARC	Accounting Regulatory Committee
CODM	Chief Operating Decision Maker
CSR	Corporate Social Responsibility
EFRAG	European Financial Reporting Advisory Group
EU	European Union
FAS/SFAS	Financial Accounting Standard/Statement of Financial Accounting Standard
FASB	Financial Accounting Standards Board
FEE	Fédération des Expert Comptables Européens
IAS Regulation	Regulation (EC)1606/2002 of the European Parliament and of the Council of 19.7.2002 regarding the introduction of IFRS in the EU
IAS 14	International Accounting Standard 14
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee (predecessor of the IASB)
IASCF	International Accounting Standards Committee Foundation
IFRS 8	International Financial Reporting Standard 8
PWYP	Publish What You Pay
SARG	Standards Advice Review Group
TEG	Technical Experts Group
US	Unites States of America
US GAAP	United States Generally Accepted Accounting Principles

BASIS FOR CONCLUSIONS

ANNEX 1: Analysis of general comments received

Commission consultations and general comments from stakeholders

Introduction

As part of the analysis the Commission Services have carried out a public consultation based on three questionnaires. A general questionnaire Q1 (see Annex 4) was supplemented by a specific questionnaire for users/analysts Q2 (see Annex 5) and a specific questionnaire for preparers/companies Q3 (see Annex 6).

The Commission Services received 207 responses to the three questionnaires (a list of individual respondents is attached in Annex 7).

	Q1	Q2	Q3	Total
Preparers	60	2	33	95
Standard Setters	9	0	0	9
Organisations *	42	0	1	43
Accounting Firms	8	0	0	8
Users **	46	6	0	52
Total	165	8	34	**207**

* Including national governments and regulators

** Including submissions from PWYP coalition

General comments from stakeholders

There is a broad support for ***conducting impact assessments or analysis of effects*** before new IFRSs have to be adopted and implemented ("ex-ante") but also after new IFRSs have been implemented for a certain period ("ex-post"). The European Commission has asked the International Accounting Standards Committee Foundation (IASCF) and the IASB to carry out such assessments[13]. The analysis of potential effects on IFRS 8 has been generally welcome but some respondents expressed their preference for conducting impact assessments at an earlier stage of the process and by an independent body. The idea of including a ***review clause*** in the endorsement decision was also supported by many commentators.

[13] See European Commission 1st and 2nd Report on Governance developments in the IASB and IASCF on Commission's website: http://ec.europa.eu/internal_market/accounting/ias_en.htm#070112

Most commentators ***support an endorsement of IFRS 8 for use in the EU***. A smaller number of respondents believe that the standard is not of sufficient quality for being part of the EU accounting framework. The technical, detailed reasoning in both directions are outlined in section 6 of this report. In addition many commentators make comments on the general endorsement process in the EU, the convergence of accounting standards, international aspects linked to equivalence of accounting rules as well as consistent application of IFRS in the EU. Such comments are outlined in this sub-section.

Many stakeholders used the consultation to comment on the fact that the IFRS 8 adoption in Europe influences significantly the ***global convergence process of accounting standards***. Those who did so strongly opposed to the creation of another "carve-out"[14] that would widen the gap between IFRS "as adopted by the IASB" (i.e. "full") and IFRS "as adopted in the EU". Some comments expressly warned for the creation of an "EU GAAP". Although it is clear that convergence should not be achieved at any price and the quality of standards should not be sacrificed for the sake of convergence, they argue that in view of the upcoming ***equivalence*** decisions[15] it would be counterproductive to allow IFRS "as adopted in the EU" to diverge further from "full" IFRS. European companies can benefit from the use of a globally accepted set of accounting standards only if the two sets of standards are (approximately) identical. The possibility of acceptance of IFRS without reconciliation in the US was often mentioned in this context. Commentators also remarked that there would be problems related to consequential changes in other standards if a significant number of standards and interpretations by the IASB are not endorsed for use in the EU.

Other commentators however believed that the endorsement of IFRS 8 would be a non-reflective take-over of rules with roots in another accounting tradition. Some stakeholders stated that a non-endorsement would send a strong signal to the IASB and the US Financial Accounting Standards Board (FASB) that the EU is ***not accepting bad compromise standards for the sake of convergence***.

Some commentators also noted that a possible non-endorsement of IFRS 8 in the EU could lead to ***less rather than more of EU influence in the international accounting standard-setting process***.

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[14] On the initial adoption of IAS/IFRS in the EU, some hedging provisions of IAS 39 Financial instruments were removed ("carved-out") from the original text of the standard, which resulted in practice in new accounting options provided to banks. Several major banks use the carve-out.

[15] Under the Transparency and Prospectus Directives, the Commission should determine what third country GAAPs are of sufficient quality to be considered "equivalent" to IFRS and enable listing at EU stock exchanges.

A number of comments highlighted the need to assuring proper functioning of the EU endorsement process with the specific roles and functions attributed to EFRAG, the Standard Advisory Review Group (SARG) and the Accounting Regulatory Committee [16] (ARC). In this context some commentators questioned the helpfulness of requests made by some stakeholders at a very late stage, which in their view could ***undermine the trust in the EU endorsement mechanism for IFRS***. They believe that concerns from particular stakeholders should be brought into the debate at an early stage during the development of standards. In their view this could lead to substantial delays in the endorsement process -which already under normal circumstances takes about 8 months – and would risk jeopardising a timely alignment of the full IFRS and IFRS as adopted in the EU.

Commentators generally supported ***stronger involvement of the European Parliament in accounting policy issues as well as in the endorsement process***. There is a need for the Parliament to give their input at a sufficiently early stage in the standard-setting process.

Several stakeholders comment on the ***IASB process on preparing and adopting IFRS 8***. Some commentators felt that certain comments, for example those related to corporate social responsibility reporting, were not properly taken into account. Other stakeholders felt that concerns expressed by analysts could have been more closely considered.

A number of commentators, particularly preparers, expressed general hesitation concerning the ***current developments in accounting standard-setting*** towards theoretic concepts, and new ways of reporting performance.

Commentators also made links to other Commission initatives. The comment was made that overall IFRS 8 is simpler to apply than IAS 14 and could therefore be seen in the light of current Commission program for ***simplification and reduction of administrative burden.*** Furthermore it was argued that the use of IFRS 8 in the EU could be an item to put on the agenda of the ***Roundtable***[17] ***on consistent application of IFRS in the EU***.

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16 In the case of IFRS 8, EFRAG and ARC completed their due process and issued their opinion. IFRS 8 was endorsed by the ARC before the taking-up of activities of SARG.

17 The EU Roundtable on consistent application of IFRS was created by the Commission in early 2006 to assure a European debate and identify issues of diverging interpretation that should be submitted to the IFRIC for an interpretation.

ANNEX 2: Analysis of detailed comments received

1. Quality of segmental information

Relevance and usefulness of information provided using the management approach

The main new feature of segment reporting in IFRS 8 is the introduction of the management approach. This approach has been subject to much discussion during the preparation phase of IFRS 8 as the corresponding US standard SFAS 131 before it was implemented in 1997. The Commission Services have analysed this issue extensively, using existing material and earlier experience, as well as initiating a detailed analysis through questionnaires, meetings and discussions with companies, associations and organisations.

Most stakeholders consulted by the Commission Services have indicated that they believe that information based on the management approach is more relevant and useful than information provided on the basis of IAS 14 provisions. This corresponds to the outcome of earlier consultations by IASB and EFRAG. In their view, segment information in this way reflects how management runs the business and therefore provides a better representation of the reality of the business. Therefore, it provides more meaningful information to the users in order to assess the economic and financial situation of the entity, as well as its performance, and to make investment decisions.

The majority of respondents to our consultations believe that this information is more useful since it allows looking at the performance of an entity the same way as management does ("through the eyes of management"). Therefore, it increases the transparency and the understandability of the management decision making process. Investors could be comforted to have the same kind of information than the management, which is supposed to focus on key elements with high informational value.

Many also argue that segment reporting based on management approach enhances consistency with other sources of information, such as management report and other annual report disclosures. This helps improving the quality of the qualitative information provided. It also helps preparers to better explain the performance of the entity and users to better understand the financial communication and analysis provided by the management.

They often believe that this approach also permits users to better evaluate the relevance of management decisions as well as the relevance of information used as the basis for such decisions. Therefore, it will help users to better assess the stewardship of the management and will increase the accountability of the management. It could allow investors to challenge choices made by the management as well as the management's vision of the business. Nevertheless, other commentators fear that too sophisticated internal information provided to users will make segment reporting be more complicated and less understandable.

Furthermore it is consistent with a principles-based approach to accounting standard-setting.

Opponents to the management approach claim that there are not enough "safeguards" in IFRS to be able to assess management's performance. In their view, the risks and rewards approach and mandatory geographical disclosure included in IAS 14 provide closer control in this regard. They consider that IFRS 8 would result in lack of objectivity and completeness, especially concerning risk exposure, impeding relevance and usefulness of segment reporting as well as the protection of investors.

Some respondents consider that segment reporting based on the management approach will provide greater accuracy and forecast precision, as it will permit the elimination of exceptional non-recurrent items which may obscure the representation of the general business trends. It will also be more predictive on future management decisions and will better reflect the long term strategy of entities. Their views are supported by US studies on the implementation of SFAS 131 (similar to IFRS 8), which have concluded that SFAS 131 has globally improved the ability of segment reporting to predict future earnings compared to former SFAS 14 (closer to IAS 14). However, there are also views that a risks and rewards approach would be more predictive.

Many stakeholders consider that IAS 14 information may in many cases be prepared only for compliance purpose with accounting legislation and only for external reporting since the company is managed on a different basis. This exercise may appear as quite artificial with little added value for both users and preparers. Some respondents noted that IAS 14 is difficult to apply in complex organisations, where risks and rewards and geographical areas are overlapping, and that its primary/secondary segments approach cannot reflect management's structures appropriately.

Finally, it was noted that, in many cases, the IFRS 8 management approach and the IAS 14 risks and rewards approach are not so different. IAS 14 includes paragraphs dealing with consideration on the fact that the predominant source of risks and rewards generally determines how the entity is organised and managed. Therefore, an entity's organisational and management structure as well as its internal financial reporting system normally provide evidence of the entity's predominant source of risks and rewards for the purpose of its segment reporting. This is corroborated by comments the Commission Services have received from preparers, which already apply IAS 14. These preparers have indicated that they will normally not change their segment reporting when applying IFRS 8 because it already fits with their internal organisation and reporting.

Question on comparability and reliability

Stakeholders are not fully convinced that the application of IFRS 8 would increase comparability (regarding one entity over time or between different entities) and reliability of information provided. Some respondents consider that IAS 14 provides clearer definitions on items that should be included in segment reporting than IFRS 8 does. This would normally result in more comparable information. Some commentators think that the use of non-IFRS measures could also lessen comparability, and should preferably be presented as additional information. In the view of these commentators, the management approach provides too much discretion on these points.

Many respondents noted however that also IAS 14 does not guarantee comparable information to users, as the determination of different risks and rewards exposure can be a subjective exercise. In particular, geographical information provided in practice is diverse from one entity to another and thus not comparable. IAS 14 also provides leeway to allocate costs to segments.

Some commentators think that it is not always useful to compare segments from one entity to another, as companies are organised in different ways and exposed to different kind of risks even when dealing with the same kind of business. Appropriately representing these different organisations would be preferable. Hence, comparability has to be seen in the context of other qualities of the information, such as relevance or usefulness.

The question of stability of segments, which has an impact on comparability, is seen by many stakeholders as being separate from the question of using IAS 14 or IFRS 8. In fact the issue whether there is a change in the determination of segments mainly depends on the evolution of the business (mergers, expansion, etc.). In such a perspective, IAS 14 provides some flexibility. Some respondents consider that the management approach will provide more stable segments, although this view is contested by supporters of the risks and rewards approach in IAS 14.

Some respondents consider that the quality of information will be impaired if there is a difference between measurement approaches used for the segmental information and for items in the primary financial statement. They think that dealing with two ways of evaluating the business may be confusing. This is a concern that is expressed by a number of analysts, who believe that the reconciliation requirements in IFRS 8 are not sufficient as it is required only at the entity level. The responses to our questionnaires indicate that it is unlikely that many preparers will provide additional reconciliations at segment level on a voluntary basis.

Views on the auditability of figures based on internal (non-IFRS) measurement methods are mixed. Some respondents questioned it, but others consider that information based on internal reporting could be more easily audited as internal data justifying this information would be available.

Preparers highlight that measurement based on internal approaches will allow elimination of exceptional or non-recurrent items which may obscure the representation of the general business trend. Others note that it could help preparers to consistently present the economic performance of activities when not appropriately addressed in IFRS. Many respondents believe that internal and IFRS measurements approaches have already moved closer to one another and will continue to converge, making the measurement differences less significant.

Geographical segmental information

The issue of information provided by geographical segments has been on of the most discussed issues in the different consultations on IFRS 8. The comments have been both of a general, political nature as well as relating to detailed accounting issues.

The interest for geographical disclosures reaches beyond the accounting circles. As discussed in section 4.2.2, the PWYP coalition and other commentators argue that country-by-country reporting is crucial for stakeholders and users of financial statements. Information based on geographical segments is the step in the right direction. Since IFRS 8 is less compulsory regarding geographical segment information than IAS 14, they argue that IAS 14 should remain in place as a basis for developing further requirements in the direction of country-by-country information.

The context of the PWYP comments and the concerns will be discussed in detail in section 2 of this annex.

On the contrary, as regards comments from business stakeholders and accountants, a large majority of respondents believe that information on geographical basis will be provided – or is even required, unless circumstances justify its removal - under IFRS 8 as long as it is significant information on the basis on which decisions are made by management. More generally, under the management approach, significant information for segment reporting should be provided. Therefore, most respondents do not consider that additional information requirement should be included in IFRS 8.

When applying IAS 14, it seems that geographical information is more often presented as a secondary format, which is not significantly more demanding than IFRS 8. Studies on application of SFAS 14 (US GAAP similar to IAS 14 which has been replaced by SFAS 131 similar to IFRS 8) concluded that geographical information provided was not very useful, as geographical areas were generally defined as broad continental parts[18].

On the contrary, some respondents highlight that IFRS 8 require "entity-wide disclosures", which in practice can lead to more country-by-country information, similar to observation made in the US when SFAS 131 (similar to IFRS 8) replaced SFAS 14 (similar to IAS 14). Nevertheless, some respondents noted that distinguishing domestic and foreign geographical areas as required by IFRS 8 was not relevant in the European Union, unless "Europe" is accepted as domestic area.

Further considerations concerning the presentation of segment information

Under this heading, the Commission Services will highlight some other issues that have been discussed with stakeholders during the preparation of this report.

Firstly, as regards the number of reported segments the situation is unclear. Neither business nor the accounting profession have a clear opinion whether IFRS 8 will lead to more segments. Some of them think that the management approach of IFRS 8 will increase the number of reported segments and provide more and precise information. Others expect no significant changes in this perspective. Many companies foresee no or only minor changes in reporting segments following the introduction of IFRS 8. Several commentators highlighted that, under IAS 14, it is sometimes difficult to distinguish segments. US studies have noted a slight increase of the number of segments and more entities providing segmental information.

Secondly, the issue was raised whether IFRS 8 may provide more sophisticated information, depending of the precision of the internal reporting that management requires to support its own decisions. It could therefore provide relevant information that IAS 14 does not require. Some respondents noted that IFRS 8 requires more information on certain points (equity accounted units, taxes, interests, type of products, services, customers). On the contrary, some respondents noted that IFRS 8 does not require some elements (such as liabilities, head offices' costs) to be included in segment reporting.

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[18] Don Herrmann/Wayne B. Thomas: An Analysis of Segment Disclosures under SFAS No. 131 and SFAS No. 14, Accounting Horizons, September 2000, p. 287-302

Bruce K. Behn/Nancy B. Nichols/Donna L. Street: The Predictive Ability of Geographic Segment Disclosures by U.S. Companies: SFAS No. 131 vs. SFAS No. 14, Journal of International Accounting Research, Vol. 1, 2002, pp 31-44

Thirdly, the frequency of segment reporting has been discussed. Use of internal data enables an entity to provide timely segment information for external reporting at relatively low incremental cost. As a consequence, entities will be able to report segment information more rapidly and to provide more segment information in interim reports under IFRS 8.

2. Corporate Social Responsibility and related disclosures

The PWYP coalition has expressed a negative opinion of IFRS 8 as regards its potential impact on reporting in the Corporate Social Responsibility (CSR) area. They consider that it is important that there are clear, binding rules on CSR reporting so that comparability can be ensured. Companies should provide clear comments on their commitment to transparency, their acceptance of their obligations to the societies in which they work, their desire to avoid reputation risk and their commitment to the investors, wherever they might be located.

CSR information can be provided in different ways. For several reasons, the PWYP coalition would like to see the information included in the financial statements and not in a separate CSR report:

- CSR reports are voluntary and in order to ensure comparability inclusion in mandatory financial statements would be necessary.
- If included in the financial statements, the CSR information would be subject to statutory audit.
- There are currently no standards or guidance for the contents and presentation of CSR information.

Geographical disclosures are important in this regard. The coalition members seek to address that country-by-country reporting on commercial performance and taxes and other benefits paid to governments is essential decision useful information for investors in trans-national corporations and therefore for the stakeholders of those enterprises. The group advocates extensive country-by-country disclosures of a number of accounting items:

Existing information

1. employment related issues;
2. material subsidiaries;
3. interest paid;
4. gross and net assets employed;
5. deferred tax liabilities.

New or extended segment disclosure

1. turnover;
2. third party costs;
3. profit before tax;
4. the tax charge;
5. tax paid;
6. tax liabilities

PWYP concludes that country-by-country reporting is crucial for stakeholders and users of financial statements and IAS 14 should remain in place as a basis for developing further requirements in this direction.

3. Corporate governance

Generally there seems to be few significant governance issues linked to a possible implementation of IFRS 8 in the EU. Preparers generally believe that application of the standard will be beneficial in providing better transparency and sharing of management information to the investors, but it is of crucial importance to review the governance process and ensure the linkage between internal and external data. In certain circumstances, IFRS 8 eliminates the risk under the current IAS 14 that the externally reported segments would differ from the company's lines of responsibility. It is also argued that IFRS 8 will also have positive effect on corporate governance as it introduces greater transparency between financial statement and Management Commentary.

Some critical remarks have been noted by stakeholders. Some respondents fear that management would be allowed to choose information to be disclosed. Especially management could hide potentially negative segment information externally and even internally, by combining it with other segments. On the contrary, IAS 14 would provide safeguards which would make segment reporting based on information shared by all board members and subject to a more rigorous checking. In this aspect IFRS 8 could make it more difficult to hold management accountable. Management may be exposed to conflict of interest situations.

Finally, some commentators highlighted that IFRS 8 implementation would create problems only if the quality of the corporate governance is poor. It cannot be presumed that this will be the general case and one should avoid judging the quality of IFRS 8 on the basis of such presumption. If the corporate governance is satisfactory, IFRS 8 may provide many improvements compared to IAS 14. Many commentators considered that peer pressure and market discipline will prevent poor segment reporting. This has been observed in the US.

None of the consulted accounting firms see problems concerning corporate governance arising with the implementation of IFRS 8, provided that companies apply recognised corporate governance policies and procedures. One accounting firm expressed the opinion that standards focusing on anti-abuse provisions could be rules-based and complex.

Chief operating decision maker

The main issue in IFRS from a corporate governance perspective seems to be the fact that the segments to report should be chosen from the point of view of the "chief operating decision maker" (CODM). This concept is normally not used in the EU, where a unitary board model seems to prevail. There is an opinion that IFRS 8 lacks guidance on "who" the chief operating decision maker is.

Most commentators do not believe that the use of a CODM in IFRS 8 would cause problems, as the CODM as defined in § 7 of IFRS 8, should be seen rather as a function than an individual. Furthermore the definition of a chief operating decision maker should be broad enough to cover the different corporate governance regimes in the EU.

IFRS 8 does not remove the board's fiduciary duties to the shareholders; the board still has the duty and the power to question management's decisions regarding segment reporting. It also does not affect the fact that the Board of Directors has collective responsibility for financial statements under the 4^{th} and 7^{th} Company Law Directives.

4. Smaller listed companies

During the initial discussion of IFRS 8, the argument was presented that the disclosure requirements in the standard would cause competitive harm to smaller listed companies. Particularly companies with few or only one business segment would have to give away commercially sensitive information. In the Commission consultations this view has been supported by a few commentators. Several commentators in principle agreed with the arguments, but stated that they had never seen any concrete examples of companies that had really been harmed through disclosure.

Most stakeholders that the Commission has consulted took the starting point that listed companies, regardless of size, must prepare the same information as the circle of investors is the same. If companies want to have the advantage of accessing public capital, then they have to tell investors and creditors how they manage their business.

5. Cost for preparing the segment information

Stakeholders consulted by the Commission Services generally believed that the cost of implementing IFRS 8 would be lower, or at least not higher, that than for IAS 14. The majority view is that the management approach in IFRS 8 reduces cost as the information is already available internally. Companies that have in the past managed to make their internal decision making processes as defined by SFAS 131 and their risks and rewards analysis according to IAS 14 be consistent with one another would only be faced with minor additional cost after the adoption of IFRS 8 as they could still continue to do so with only minor amendments. Several commentators referred to the fact that certain primary and secondary segments in IAS 14 are not used for decision making or follow-up in the companies, and therefore perceived as extra burden only prepared for external information.

A few commentators stated that the use of IFRS 8 could increase companies' costs for presenting and successfully communicating the segment information. Such costs could however be transitional.

Some commentators remarked that a non-endorsement of IFRS 8 would be costly for companies as parallel information systems may need to be kept.

6. Overall cost-benefit considerations

As explained above, concerning the costs of preparing IFRS 8 segment information, most stakeholders that the Commission Services have consulted believe that these would be lower than currently under IAS 14. Anyhow, the preparation costs for big companies seem to be low in comparison to the size of these entities. We have not got indications that the burden would be significant for smaller listed companies either.

The benefits of IFRS 8 segment information have been discussed in section 6.1.1. The majority of commentators believe that the segment information provided under IFRS 8 is more relevant and more useful for users of accounts. A few commentators however believe that the information provided does not meet the needs of the users, and therefore the value is less than current IAS 14 disclosures. The perceived lack of comparability concerns stakeholders, although this has to be balanced with enhanced relevance and usefulness. There also seem to be concerns that the increased value of the information will only come after some time when the markets have learnt to use the new disclosures.

From the discussion in the US concerning the introduction of SFAS 131 there are no strong evidence about the overall cost-benefit of the new standards. However, several studies have concluded that more segmental information is provided and that this information provides more predictability and more country-by-country segments.

When considering the different aspects of adopting IFRS 8 discussed in sections 6.1, the Commission Services find that the expected positive effects clearly exceed the possible negative effects of using the new standard. The comments from a broad selection of stakeholders confirm this impression.

There are significant concerns of the administrative costs and opportunity costs if IFRS as adopted in the EU deviate too much from IFRS as adopted by the IASB. This factor should be taken into account when assessing the overall balance of advantages and disadvantages of endorsing the standards.

ANNEX 3: Analysis of academic research

Research on the move from SFAS 14 to SFAS 131 in the US

There is numerous research material and academic research work available about segment reporting[19]. Much of this concentrates on effects that have been observed in the US when there was a move from SFAS 14 to SFAS 131, which introduced the management approach to segment reporting. Some of the conclusions are also interesting for a change from IAS 14 to IFRS 8, as SFAS 14 has a quite similar approach as IAS 14 whereas SFAS 131 is very close to IFRS 8. There must be caution on such outcomes, as the concerned standards are similar, but not identical. Secondly, experience made on the US market is only an indicator for expected effects on European financial markets under similar conditions.

The overall US experience seems to be positive in a sense that:

- more companies provide segment reporting under SFAS 131 than under SFAS 14;
- the number of segments has increased;
- more elements per segment have been disclosed;
- information is more consistent with other pieces of information provided by the entity;
- the amount of information on an interim basis has increased; and
- the country-by-country geographic information has been developed.

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[19] For example the following studies cover potential impacts of the management approach to segment reporting:

Don Herrmann/Wayne B. Thomas: A Model of Forecast Precision Using segment Disclosures: Implications for SFAS No. 131, Journal of International Accounting, Auditing & Taxation, 2000, 9(1), p. 1-18,

Don Herrmann/Wayne B. Thomas: An Analysis of Segment Disclosures under SFAS No. 131 and SFAS No. 14, Accounting Horizons, September 2000, p. 287-302,

Philip B. Berger/Rebecca Hann: The Impact of SFAS No. 131 on Information and Monitoring, Journal of Accounting Research, Vol. 41 No. 2 May 2003, p. 163-223,

Sasson Bar-Yosef/Itzhak Venezia: Experimental Study of the Implications of SFAS 131: The Effects of the new Standard on the Informativeness of Segment Reporting, 2004, Diskussionsbeiträge des Fachbereichs Wirtschaftswissenschaft der Freien Universität Berlin, ISBN 3-935058-82-9.

Michael L. Ettredge/Soo Young Kwon/David B. Smith/Paul A. Zarowin: The Impact of SFAS No. 131 Business Segment Data on the Market's Ability to Anticipate Future Earnings, The Accounting Review, Vol. 80, No. 3, 2005, pp 773-804

Bruce K. Behn/Nancy B. Nichols/Donna L. Street: The Predictive Ability of Geographic Segment Disclosures by U.S. Companies: SFAS No. 131 vs. SFAS No. 14, Journal of International Accounting Research, Vol. 1, 2002, pp 31-44

Christine a. Botosan/Mary Stanford: Managers' motives to withhold segment disclosures and the effect of SFAS n°131 on analysts' information environment, the Accounting Review, Vol.80 n°3, 2005, pp. 751-771

Particular results of the studies and experience gained in the US market are used in our analysis of potential impacts.

Research on application of IAS 14 and IFRS 8 in the European Union

A report from the Bruegel Institute[20] mentioned in part 4.2.1 of this report criticises the quality of IFRS 8 and of the information it requires. The report also states that this standard has been issued just for convergence reasons and does not take users' views into account properly.

Concerning the implementation of IAS 14 in the European Union, a KPMG/THOMSON[21] report provides examples of segment reporting by European companies in 2005. All of them have designated geographic segment as secondary segmental information and have defined geographic areas as very broad ones, mostly by continent or even broader.

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20 The Global Accounting Experiment, by Nicolas Véron, Bruegel Institute, blueprint series, April 2007

21 KPMG/THOMSON: The Application of IFRS: Disclosure in Practice, 2006/7

ANNEX 4:

Questionnaire

Please provide the following details together with your response:

- The name of your organisation
- Short description of the general activity of your organisation
- Country where your organisation is located
- Contact details incl. e-mail address

In case we would need further details on the submitted information we would take the liberty to contact the relevant respondent.

Question 1:

Please indicate whether you submitted comments to IASB and/or EFRAG during their consultations.

Question 2:

a) Do you think information prepared under the management approach on which IFRS 8 is based is more relevant, reliable, comparable, understandable and useful than information prepared under IAS 14?

b) Do you think that information prepared under the management approach improves the true and fair representation of business activities?

c) Are you of the opinion that segment information based on the management approach provides greater accuracy for measuring individual segments and ultimately results in greater forecast precision than segment information based on IAS 14?

Question 3:

a) Do you assess that cost for preparation of information is lower under IFRS 8 than under IAS 14?

b) Do you think that the cost/benefit balance of replacing IAS 14 by IFRS 8 is positive (e.g. lower cost outweighing the potentially lower quality of information provided or potentially higher quality of information provided outweighing higher cost)?

Question 4:

Do you consider that the principles on which IFRS 8 is based, in particular the fact that information for segment reports should be prepared through the eyes of the "chief operating decision maker", would pose problems on established EU practices, e.g. in the area of corporate governance?

Question 5:

Do you agree with the argument that IFRS 8 requires smaller listed companies to report a segment by segment analysis of their business including commercial sensitive information with the effect that competitiveness of smaller listed companies in the EU will be harmed? Please provide reasons for your view and indicate how far that constitutes a change compared to the requirements of IAS 14.

Question 6:

a) Do you believe that the lack of mandatory requirements for full segment information on a geographical basis in IFRS 8 gives sufficient reason for a non-endorsement decision?

b) Do you believe that other mandatory requirements for segment information are missing in IFRS 8 (compared to IAS 14)? If yes, which ones?

Question 7:

Can you provide any information that has been generated by field studies, research work, internal analysis carried out in your organisation, jurisdiction?

Question 8:

If you have any further comments on this consultation please provide them to us.

ANNEX 5:

Questionnaire
Follow up on Question 2 for users

The follow-up questions seek to get more specified input regarding the benefits and usefulness of information prepared under IFRS 8 compared to IAS 14 in particular from users' perspective.

Please provide the following information:

Name of the organisation:

Contact details:

Description of main activities:

Question 1:

Do you agree that the determination of segments under the management approach as required by IFRS 8 provides a better basis than IAS 14 for the understanding of a company's activities and performance?

Agree □ Neutral □ Disagree □

Comments:

Question 2:

Do you agree that the management approach for segment reporting will increase consistency with management commentary and other management information, which will help to better understand the outcome of the management strategy and help to better assess their stewardship?

Agree □ Neutral □ Disagree □

Comments:

Question 3:

Do you expect information based on the management approach to be richer (more segments) and more timely than under IAS 14?

Yes □ No □

Comments:

Question 4:

Do you fear that definition of segments by preparers would be less stable over time?

Yes □ No □

Comments:

Question 5a:

Do you think that use of non-IFRS measurement approaches in segment will provide more relevant information on segment performance than IFRS measurement?

Yes □ No □

Comments:

Question 5b:

What level of details do you expect in reconciliation between non-IFRS measurements and IFRS measurements? What kind of information could prevent possible abuse/hidden losses?

Comments:

Question 6a:

Are you of the opinion that using segment disclosures under the management approach as required by IFRS 8 enables **greater forecast precision** than using segment disclosures required by IAS 14?

Yes □ No □

Comments:

Question 6b:

How do the following changes affect the forecast precision:

	positive	***unaffected***	***negative***
a. Change in requirements to define a reportable segment (management approach under IFRS 8 vs. risk-and-rewards approach under IAS 14)	□	□	□

b. Change in the requirement to disclose a profit/loss- measure according to internal accounting policies under IFRS 8 instead operating profit/loss according to IFRS under IAS 14 (please take into
account that reconciliations to the financial statements have to be disclosed under IFRS 8)

☐ ☐ ☐

c. Change in number of profit-elements to be disclosed (several elements under IFRS 8 instead of revenue and profit under IAS 14 only)

☐ ☐ ☐

d. Reduction in secondary format disclosures (e.g. geographical information has to be disclosed on a domestic country – foreign country basis only under IFRS 8)

☐ ☐ ☐

e. Other (please note:________________)

☐ ☐ ☐

Question 6c:

Which of the changes in question 6b is most relevant for your answer to question 6a?

(Please mark one or two):

a. ☐

b. ☐

c. ☐

d. ☐

e. ☐

Question 7:

Any other comments

ANNEX 6:

Questionnaire
Follow up on Question 3 for preparers

The follow-up questions seek more specified input regarding the cost-benefit ratio of changing from IAS 14 to IFRS 8 in particular from a preparer's perspective. Please note that the questions relate to the impacts of IFRS 8 on the individual respondent's organisation rather than to companies in general.

Please provide the following information:

Name of the group:

Contact details:

Country of headquarter:

Main activities:

Main geographical areas of activity:

Size on group level

Total Assets	< 4,4 Mio.□	> 4,4 Mio. □	> 17,5 Mio.□
Revenues	< 8,8 Mio.□	> 8,8 Mio. □	> 35 Mio. □
Employees	< 50 □	> 50 □	> 250 □

Question 1a:

Do you agree that providing segment information under the management approach as required by IFRS 8 results in a better **cost-benefit ratio** (cost in terms of financial and human resources and benefits in terms of timeliness, relevance, reliability, comparability, understandability) compared to IAS 14?

Yes □ No □

Comments: ***positive*** ***no effect*** ***negative***

Question 1b:

How do the following changes affect the cost-benefit ratio?

a. Change in requirements to define reportable segments (management approach under IFRS 8 vs. risk-and-rewards approach under IAS 14)

□ □ □

b. Change in the requirement to disclose a profit/loss- measure according to internal accounting policies under IFRS 8 instead operating profit/loss according to IFRS under IAS 14 (please take into account that reconciliations to the financial statements have to be disclosed under IFRS 8)

□ □ □

c. Change in number of profit-elements to be disclosed (several elements under IFRS 8 instead of revenue and profit under IAS 14 only)

□ □ □

d. Reduction in secondary format disclosures (e.g. geographical information has to be disclosed on a domestic country – foreign country basis only under IFRS 8)

□ □ □

e. Other (please note:________________)

□ □ □

Question 1c:

Which of the changes in question 1b is most relevant for your answer to question 1a?

(Please mark one or two):

a. □
b. □
c. □
d. □
e. □

Question 2:

Have you calculated the effect on cost for preparation of information under IFRS 8 compared to IAS 14?

Yes □ No □

Please provide quantitative information (in absolute figures and in relation to total cost for preparation of segment information if available.

Comments:

Question 3:

IFRS 8 will improve consistency between internal and external financial information?

Agree □ Neutral □ Disagree □

Comments:

Question 4:

Do you expect that in your case there will be any (significant) differences of measurement approaches between the financial statements and segment information (use of non-IFRS measures)?

Agree □ Neutral □ Disagree □

a) If you agree, which do you expect will be the biggest differences?

b) Will you provide reconciliation with IFRS results at the level of each segment?

Yes □ No □ Undecided □

Comments:

c) Do you expect that in future communication between management and external users is more and more based on internal management information rather than IFRS based information?

Yes □ No □ Undecided □

Comments:

Question 5:

Will the application of IFRS 8 change the number of segments? Do you expect the number to

Increase □ Decrease □ Remain unchanged □

Comments:

Question 6:

The definition of segments based on IFRS 8 is expected to be more stable and will therefore provide a better basis for comparability over time than under IAS 14.

Agree □ Neutral □ Disagree □

Comments

Question 7:

Segment information based on IFRS 8 can be provided more frequently resulting in improved information available on an interim basis (IAS 34).

Agree □ Neutral □ Disagree □

Comments:

Question 8:

Any other comments:

LIST OF COMMENTATORS

N°	Q	Organisation/name		Class	Description
1	1	Abbey National plc	UK	Preparer	Banking industry
2	1	ABI Associazione Bancaria Italiana	IT	Organisation	Banking organisation
3	1	ABN AMRO	NL	Preparer	Banking industry
4	1	ACTEO - MEDEF	FR	Organisation	French Industry Organisation
5	1	AFRAC	AT	Standard Setter	Austrian Financial Reporting and Auditing committee
6	1	African Network for Environment and Economic Justice - ANEEJ	Nigeria	User	PWYP
7	3	Air Liquide	FR	Preparer	Industrial gases
8	1	Alcatel Lucent	FR	Preparer	Communication industry
9	1	Anomie Research	UK	User	PWYP
10	1	Association belge des sociétés cotées asbl	BE	Organisation	Industry Organisation
11	1	Association for Accountancy and Business Affairs AABA	UK	User	
12	1	Association française des Entreprises Privées (AFEP)	FR	Organisation	French Industry Organisation
13	1	Association of British insurers - ABI	UK	Organisation	Association of British Insurers
14	1	Association of Chartered Certified Accountants ACCA	UK	Organisation	The Association of Chartered Certified Accountants
15	1	Association of Cyprus Commercial Banks	CY	Organisation	Banking organisation
16	1,3	Atlas Copco	SWE	Preparer	Manufacturing Industry
17	1	AVIVA plc	UK	Preparer	Insurance industry
18	1	Avocats Verts	Congo	User	PWYP
20	1	Banque Nationale Belgique	BE	Organisation	National Bank
21	1,3	Barclays plc	UK	Preparer	Banking Industry
22	1	BASF	DE	Preparer	Chemical industry
23	1	Bayer AG	DE	Preparer	Pharmaceutical industry
24	3	Bayerische Landesbank	DE	Preparer	Banking industry
25	1	BDO Global Coordination B.V.	BE	Accounting Firm	Accounting Firms
26	2	Bear Stearns	UK	User	Strategic analysts
27	1	Belgacom SA	BE	Preparer	Telecommunication industry
28	1	Blago	Kaz.	User	PWYP
29	1,3	BNP Paribas	FR	Preparer	Banking industry
30	1,3	BP p.l.c.	UK	Preparer	Oil and gas industry
31	1	British Bankers' Association - BBA	UK	Organisation	British Banking organisation
32	1	British Telecom plc	UK	Preparer	Telecom Industry
34	1	Bund Deutscher Banken - BdB	DE	Organisation	German Banking organisation
36	3	Cable & Wireless	UK	Preparer	Telecom industry
37	1	Canadian Accounting Standards Board	CA	Standard Setter	
38	1	Ceccar Institute Romania	RO	Organisation	Institute of Chartered Accountants
39	1	CECIDE, Centre du Commerce International pour le Développement		User	PWYP
40	1	Center for Civil Democracy and Economic Justice	Nigeria	User	PWYP
41	1	CESR	EU	Organisation	Sec Regulator

42	1	Chamber of Auditors of the Czech Republic	CZ	Organisation	Institute of auditors
43	1	Christian Aid	UK	User	PWYP
44	1	CIMA	UK	Organisation	Chartered Institute of Management Accountants
45	1,3	CNP Assurances	FR	Preparer	Insurance Industry
46	1	Coalition Camerounaise	Cameroon	User	PWYP
47	1	Coalition pour le Plaidoyer Anti-Corruption et la Transparence en Côte d'Ivoire - COPACT-	CI	User	PWYP
48	1	Coalition Publiez ce que vous payez	Congo	User	PWYP
49	1	Colliers CRE plc	UK	Preparer	Real estate industry
50	1,3	Compagnie de Saint-Gobain	FR	Preparer	Building industry
51	1	Conseil National de la Comptabilité	FR	Standard Setter	National Standard-setter
52	2	CPN	FR	Preparer	Insurance industry
53	1	Cyprus Institute	CYP	User	Institute of chartered accountants
54	3	Daimler Chrysler	DE	Preparer	Automotive industry
55	1,3	Danone	FR	Preparer	Food industry
56	1	Deloitte Touche Tohmatsu	UK	Accounting Firm	Global accounting firm providing advisory and audit services
57	1	DEMOS	Kaz.	User	PWYP
58	1,3	Deutsche Bank	DE	Preparer	Banking industry
59	1	Deutsche Telekom	DE	Preparer	Telecommunication industry
60	1	Diverse Ethics Ltd	UK	User	PWYP
61	3	DnB NOR	NO	Preparer	Banking Industry
62	1	DRSC	DE	Standard Setter	Deutsches Rechnungslegungs Standards Committee
63	1	Dutch Accounting Standards Board, DASB	NL	Standard Setter	Dutch Accounting Standards Board
64	1	Dutch Association of Insurers	NL	Organisation	Dutch Insurance Organisation
65	1	E.On AG	DE	Preparer	Energy industry
66	1	EAPB - European Association of Public Banks	BE	Organisation	European Association of Public Banks and Funding Agencies AISBL
67	1	ECB European Central Bank	EU	Organisation	European Central Bank
68	1	Eden International	CI	User	PWYP
69	1,2	EFFAS	EU	User	The European Federation of Financial Analysts Societies
71	1	ENDESA	ES	Preparer	Energy industry
72	1	Ernst & Young	UK	Accounting Firm	Global accounting firm
73	1	ESBG European Savings Banks	EU	Organisation	Banking organisation
74	1	Eumedion	NL	Organisation	Corporate governance forum
75	1	European Association of Co-operative Banks - EACB	BE	Organisation	Banking organisation
76	1	European Investment Bank	LU	Organisation	Financing institution of the EU
77	1	FAR SRS	SE	Standard Setter	Institute for the accountancy profession in Sweden
78	1	FBE European Banking Federation	EU	Organisation	Banking organisation
79	1	FEE	EU	Organisation	Fédération des Experts Comptables Européens
80	1,2	Fidelity Investments	UK	User	Analysts
81	1	Foreningen af Statsautoriserede Revisorer	DK	Standard Setter	Danish Accounting Standards Committee
82	1,3	France Telecom	FR	Preparer	Telecom industry

83	1	Fuller, Smith & turner plc	UK	Preparer	Brewing and pub management
84	1	GEFIU e.V.	DE	Organisation	Industry organisation
85	1	Global Policy Forum, Heidi Feldt	DE	User	PWYP
86	1	Global Trade Watch	AU	User	PWYP
87	1	Global Witness	UK	User	PWYP
88	1,2	Goldman Sachs International	UK	Preparer	Investment bank
89	1	Governance for Owners LLP	UK	User	Investors
90	1	Granby Oil & Gas, plc	UK	Preparer	Oil and Gas industry
91	1	Grant Thornton	UK	Accounting Firm	International network of accounting firms
92	1	Groupe de Recherches Alternatives et de Monitoring du Projet Pétrole Tchad-Cameroun - GRAMP/TC	Tchad	User	PWYP
93	2	Gruppo Banca Carige	IT	User	Banking industry
94	3	Gruppo Banca Carige	IT	Preparer	Banking industry
95	3	Hagemeyer NV	NL	Preparer	Energy industry
96	1	Hermes Investment Management Ltd	UK	User	Investors
97	1	Hines Colin	UK	User	PWYP
98	1,3	Hoffmann LaRoche Group	CH	Preparer	–Pharmaceutical industry
99	1	HSBC	UK	Preparer	Banking industry
100	1	Hundred Group of Finance Directors (The)	UK	Preparer	Organisation of preparers
101	3	ICAEW	UK	Organisation	The Institute of Chartered Accountants in England and Wales
102	1	ICAS	UK	Organisation	The Institute of Chartered Accountants of Scotland
103	1	IFRS.cz	CZ	Preparer	Consulting and in-house training
104	1	Imerys	FR	Preparer	Group Consolidation & Reporting Manager
105	1	Institut der Wirtschaftsprüfer	DE	Organisation	Institute of chartered accountants Germany
106	1	Institut des Reviseurs d'Entreprises	BE	Organisation	Institute of chartered accountants Belgium
108	1	Intermon Oxfam	ES	User	PWYP
109	1	International Budget Project (The)	USA	User	PWYP
110	1	ICGN, Corporate Governance Network	UK	Organisation	International Corporate Governance Network
111	1	Investment Management Association, IMA	UK	User	Investors
112	1	James Accounting Ltd	UK	Accounting Firm	Accounting firm
113	1	KIBR Institute Poland	PL	Organisation	National Chamber of Statutory Auditors
114	1	KPMG	UK	Accounting Firm	Global accounting firm
115	1,3	KPN	NL	Preparer	Telecom industry
116	1	Lancaster University Law School	UK	User	Academics - PWYP
117	1	London Investment Banking Association, LIBA	UK	Organisation	Investment banking organisation
118	1,3	L'Oreal	FR	Preparer	Production & sale of cosmetics products
119	1	Lufthansa German Airlines	DE	Preparer	Airline and related business
120	1	Mahle	DE	Preparer	Automotive Supply Business
121	1	MAN Aktiengesellschaft	DE	Preparer	Automotive Industry
122	1	Mazars & Guérard	FR	Accounting Firm	Audit, accounting, tax and advisory services.
123	1,3	Michelin	FR	Preparer	Tyre business
124	1	Ministry of Economy and Finance	RO	Organisation	Government, Directorate for Accounting Regulations
125	1	Ministry of Finance	PL	Organisation	Accounting Department
126	1	Ministry of Finance	SK	Organisation	Accounting Department
127	1	Ministry of Justice	DE	Organisation	Accounting Department
128	1	Mitchell, Geoffrey	UK	User	Individual
129	1	Morgan Stanley	UK	Preparer	Investment bank
130	1	NAPF National Association of Pension Funds	UK	User	Investors

131	1	Nederlandse Vereniging van Banken, NVB	NL	Organisation	Dutch Bankers Association
132	1,3	Nestlé S.A.	CH	Preparer	Food industry
133	1	NeutraHealth plc	UK	Preparer	Pharmaceutical industry
134	2	Nordnet Bank AB	SE	User	Banking industry
135	1,3	Norsk Hydro ASA	NO	Preparer	Oil and gas industry
136	1	Nouvelle Dynamique Syndicale - NDS	Congo	User	PWYP
137	1,3	Novartis	CH	Preparer	Pharmaceutical industry
138	1	Nürnberger Versicherung	DE	Preparer	Insurance industry
139	3	Océ NV	NL	Preparer	IT industry
140	1	Powszechny Zaklad Ubezpieczeń	PL	Preparer	Insurance industry
141	1	Pricewaterhouse Coopers	UK	Accounting Firm	Global accounting firm
142	1,3	PSA Peugeot Citroën	FR	Preparer	Automotive industry
143	1	Public Finance Monitoring Center	Azerbaijan	User	PWYP
144	1	Publiez ce que vous payez Guinée	GN	User	PWYP
145	1	Quoted Companies Alliance	UK	Organisation	Industry organisation
146	1	Revenue Watch Institute	USA	User	PWYP
147	1	Rio Tinto	UK	Preparer	Extractive industry
148	3	Royal DSM NV	NL	Preparer	Chemical and food industry
149	1,3	Royal Dutch Shell	NL	Preparer	Oil and gas industry
150	1	Royal NIVRA	NL	Organisation	Dutch Institute of Chartered Accountants
151	1	RWE AG	DE	Preparer	Energy industry
152	1	Sange Research Center	Kaz.	User	PWYP
153	1	SAP AG	DE	Preparer	Software industry
154	1	SCANIA	SWE	Preparer	Automotive industry
155	1	Secours Catholique - Caritas France	FR	User	PWYP
	1	Shah, Dr. Atul K.	UK	User	Individual - PWYP
156	1	Shaxson, Nicolas	UK	User	Individual - PWYP
157	1,3	Siemens	DE	Preparer	Conglomerate
158	1,2	Société Française des Analystes Financiers - SFAF	FR	User	Financial analysts
159	1	Solidariedade para o desenvolvimento integrado "Sodi"	Angola	User	PWYP
160	1	Spanish Accounting and Auditing Institute - ICAC	ES	Standard Setter	Spanish Standard Setter
161	1,3	Statoil ASA	NO	Preparer	Oil and gas industry
162	1	Stora Enso Oyj.	SWE	Preparer	Paper industry
163	1	Svenskt Näringsliv	SE	Organisation	Confederation of Swedish Enterprise
164	1	Syngenta AG	CH	Preparer	Chemicals and Seeds industry
165	1	Tax Justice Network International Secretariat (The)	UK	User	PWYP
166	1	Tax justice NL	NL	User	PWYP
167	1,3	Telefónica, S.A.	ES	Preparer	Telecommunication industry
168	3	Telenor ASA	NO	Preparer	Telecommunication industry
169	1	ThyssenKrupp AG	DE	Preparer	Steel industry
170	1,3	Total	FR	Preparer	Oil and Gas industry
171	1	Transparence International France	FR	User	PWYP
172	1	Transparencia Venezuela	VE	User	PWYP
173	1	UBS AG	DE	Preparer	Banking industry
174	1	UK ASB	UK	Standard Setter	UK Accounting Standards Board

175	1	Unique	EU	Organisation	Union of Issuers Quoted in Europe
177	1	VDMA	DE	Organisation	German organisation of machine building industry
178	1,3	Vivendi	FR	Preparer	Entertainment industry
179	1	VNO-NCW	NL	Organisation	Confederation of Netherlands Industry and Employers
180	1	VÖB Deutschland	DE	Organisation	Bundesverband Öffentlicher Banken Deutschland
181	1	Volkswagen AG	DE	Preparer	Automotive industry
182	1	Vrije Universiteit Amsterdam	NL	User	University
183	1	War on Want	UK	User	PWYP
184	1	Webeto.org	PT	User	PWYP
185	1	Wienerberger AG	AT	Preparer	Building industry
186	1	Wincor Nixdorf AG	DE	Preparer	IT industry