LE CERCLE DE L'INDUSTRIE

Cercle de l'Industrie's answer to the European Commission 's Green paper "Enhancing the long term financing of the European economy"

Key messages:

-Access to finance is a key component of a country's competitiveness. The EU legislator must ensure that the ongoing reforms of the financial regulatory and prudential framework (Bale III, Solvency II) does not impact negatively on non-financial companies' access to financing (credit or guarantees) in the EU.

-Banks must continue to act as the key source for long term financing in the EU.

-As regards financing channeled by markets: there is a need for stable fiscal frameworks, harmonization at EU level of those frameworks, and fiscal encouragement towards long term savings and long term investment.

-Current credit or guarantee schemes that have proven to be efficient at national (Ex: Coface in France) or EU (EIB) level, must be extended: public agencies must supplement the private sector for the riskier parts of project financing.

-The current IFRS accounting norms and principles are not adapted to the needs of the real economy.

About Cercle de l'Industrie

Cercle de l'Industrie brings together 34 major French companies from a wide range of industrial sectors and policy makers. It takes part in the debate on the definition and implementation of a competitive, integrated industrial policy, both at the national and EU levels. In 2011, member companies of *Cercle de l'Industrie* had a turnover of around 850 billion euros and employed 2.5 million people throughout the world. All *Cercle de l'Industrie* company members are non-financial companies that conduct or participate in projects requiring long-term investment.

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I. The supply of long term financing and characteristics of long term investment

Questions:
1) Do you agree with the analysis out above regarding the supply and characteristics of long term financing?
2) Do you have a view on the most appropriate definition of long-term financing?

Members of *Cercle de l'Industrie* consider, like the European Commission, that long term financing is key for economic growth, and particularly important for the recovery and the reindustrialization of Europe.

Regarding the green paper's scope and the definition of long term finance and long term investment, *Cercle de l'Industrie* would like to make several introductory points.

1/ The difficulty for European non -financial companies to access long term finance is a widespread problem, affecting various categories of industrial actors, and a whole range of assets and activities:

- Regarding industrial actors:

  *it affects utilities actors operating in infrastructure networks (transport -such as railways, airports, roads, etc.-, telecommunications, energy supply -power generation plants, power and gas transport grids…- and water supply), for which the investment needs are considerable: at EU level, the European Commission considers that more than 1 600 billion euros will have to be invested in transport and energy infrastructures as from 2020. In France, 166 billion euros will have to be invested in the transport sector for the next 20 years. For the TIC sector alone, 20 to 30 billion euro will be necessary as from 2025 to deploy optical fiber throughout the country.

  To take the energy sector as an example of highly capital intensive one: European power producers (which have seen their cash flows for self-financing decrease for the last 20 years) have grown more and more dependent on external investors. However, whereas the business case for investments in low-carbon power technologies is obvious (given stable, predictable and low operating costs), the power industry has difficulties in attracting long term investors ready to adapt to the several decades investment cycles of the sector;

  **it also affects non-financial companies operating in non-utility sectors, in the course of their various manufacturing activities. Indeed, long term investment and financing is needed by the whole supply chain: by large industrial companies to finance their manufacturing operations, and clients to buy their products; and by SME and ETI to produce intermediate goods that are needed in the supply chain: the industrial sector as a whole needs it.

- Regarding the types of assets and activities impacted : apart from infrastructure building and operating (cf. above), scarcity in long term financing is patent for factories and equipment, research and development (R&D), and education.

At global level, investment needs will be huge in the coming years : according to the G30, the nine countries[1] that collectively account for 60% of global GDP will need annual investment of US$18.8 trillion in real terms by 2020 to achieve even moderate levels of economic growth. It means that there will be a strong competition among economic zones at global level to attract long term financing, in particular foreign direct investment.

[1] Brazil, China, France, Germany, India, Japan, Mexico, the United Kingdom, and the United States.

2/ the Commission must acknowledge the difficulty for non-financial companies to access long term financing at its actual scale: horizons have been following a reducing trend since the 2008 financial crisis, and today a 3 year horizon time may be difficult to access for unsecured loans, even for large industrial companies, which is a serious restraint put on them operating. It must be noted that other regions of the world (USA, Asia, Gulf region) do not face the same difficulties.

3/*Cercle de l'Industrie* insists on the fact that long term credit and guarantees provided by banks remain key for large industrial companies in Europe. That is not the case for competitors in third countries such as the USA, where non-financial companies get long-term financing mainly through bond markets, and rely much less on banks.

4/At global stage there are four major restrictions on long term financing, which may jeopardise long term investment, particularly in Europe:

- a) the impact of new financial regulation (Basel III, Solvency II) on banks and insurers, will make more difficult and more costly the channeling of financing towards long term and risky investments. This impact is likely to be more penalizing in Europe that in the US (cf. infra, answer to Question 10);
- b) fiscal consolidation will restrain for a long time government investments in infrastructure and education. This means that Governments in Europe will have significantly less resource to allocate to long term infrastructures projects (today public spending accounts for about 30% of long term investments in Europe);
- c) European population is ageing; older investors are shifting their portfolios toward lower-risk assets.
- d) for certain industries (such as the power sector), EU market designs and arrangements fail to ensure transparency and predictability to market participants, and do not enable non-financial operators to make positive return on their investments. This is illustrated by the EU electricity wholesale market, which is based on short-term marginal cost pricing. This model encourages highly volatile prices, does not reflect production costs in prices and does not to send the price signals that are needed to stimulate investment in low carbon energy technologies. Furthermore, the various ad hoc tariffs applied at member state level have created distortions and have contributed in the lack of transparency of the European power market.

Being major long term investors, large industrial companies will be able to play a key role to play to restore economic growth in Europe provided they can access long term financing in competitive conditions (which means at a cost which is not higher than in other economic areas).The Green paper is an important step that must to be followed up by concrete initiatives in this respect:

- on a macro-economic basis: the need to stabilise the financial system is not to be questioned. However, access to bank long term credit for non-financial companies must be ensured, and beyond bank lending, new sustainable sources of finance must also emerge. The European Union and member states must aim to generate and attract long terms saving, and attract and retain Foreign Direct Investment (FDI). As regards FDI, Europe remains an attractive investment destination (location for over 20% of global FDI in 2011, compared to 15% in the US and 8% in

China), but it is essential that Europe continues to improve its attractiveness in this area as competition with emerging countries in particular, is deemed to increase;

- on a micro economic basis: it is necessary to reflect on alternative financing schemes to be proposed to large industrial companies in order to meet their specific long term financial needs.

  To take the example of the long term infrastructure projects in the utilities sector: certain members of *Cercle de l'Industrie* are industrial operators of utility infrastructures networks. The services they provide are based on long term contracts in the framework of public private partnerships (PPP) over 5 to 20 years-duration periods. They are very capital-intensive companies (they may invest in their infrastructure projects, especially in the construction phase). Yet they cannot support the entire financial funding of the infrastructure projects by themselves: they need long term financing in the forms of capital (equity) and long term bank financing (debt), meeting specific criteria: the financing instruments must take into consideration the construction phase and operational risks; they must allow risk sharing between industrial operators and financers, and they must be adapted to small and medium sized projects. To fulfill those criteria, they need long term financial investors looking for a return which meets their expectations considering a low-risk profile. Such investors have usually been insurance companies, pension funds, and investors for whom investment in shares is too risky but who wish a return in line with long term performance expected for shares, but with less or low volatility.

II. The capacity of financial institutions to channel long term finance

1) *Commercial banks:*

Question:
3) Given the evolving nature of the banking sector, going forward, what role do you see for banks in the channelling of financing to long-term investments?

Commercial banks are key to provide long term finance and guarantees to large industrial companies in Europe (banks-Insurers partnerships, for instance, are strategic tools to finance utility infrastructure projects). To those companies, banks provide flexible, secured and even tailor-made long-term financing, linked to their clients' fundamentals, a service that markets do not propose. Banks are indispensable, because even large non-financial companies, despite their size, do not always access long term financing from markets, or if they do it is at a much higher price.

However, since 2008 banks have tended to be more and more reluctant to provide long term credit, export credit or financial trading facilities. It means they are not fully playing their role, which is a serious problem for the European real economy as a whole. This situation is directly linked to Basel III, whose impact on commercial banks in the EU is already visible (decrease in the maturity of credit, aversion to risky investments). Basel III has indirectly created excessive restrictions on banking credit. If it is integrally implemented in the EU, it will certainly have a stronger negative impact on the real economy, as it will result in a rise of the costs of banking intermediation in Europe. It must be kept in mind that US banks are much less impacted by the liquidity ratios resulting from Bale III, because they tend to securitise massively their loans, which enables them to lighten their balance sheets. Compared to European banks, US banks are in a much better position to carry on their long term lending activities which benefit to the US manufacturing sector.

If banks withdraw from long term – assets (equity and bonds) including corporate assets, and if they are not able any longer to provide a competitive access to long term financing (compared to other economic regions), it will have a direct impact on European large industrial companies operations in Europe. Therefore, **public authorities at European and national level should ensure that the reforms of the banking system do not limit excessively banks' ability to provide long term credit:**

- the schedule of Bale III implementation in the EU could be reviewed accordingly,
- the banking sector could benefit from stronger support from public authorities at EU or national level.

2) *National and multilateral development banks:*

Questions:
4) How could the role of national and multilateral development banks best support the financing of long-term investment? Is there scope for greater coordination between these banks in the pursuit of EU policy goals? How could financial instruments under the EU budget better support the financing of long-term investment in sustainable growth?
5) Are there other public policy tools and frameworks that can support the financing of long term investment?

National and multilateral developments banks are needed as long term finance providers for the real economy, to complement the banking sector's financing ability, and because on such long term horizon, financial markets are not efficient enough.

International lenders such as the EBRD and the EIB must pursue and consolidate their mission of providing long term financial solutions (subsidised loans, guarantees, capital, and European project bonds).

- The EBRD, with its specific vision of risk, plays a key role in financing long term projects in Eastern Europe. It should be used as a funding model for similar projects in Western European countries.
- The EIB is of great help, and it would be legitimate to focus its intervention on companies based in countries contributing to its budget. Besides, its scope of intervention must be better defined, and it should cover all the segments of a given area of priority.

Export credit agencies are an efficient tool to support exporters.

- Exporters should be eligible to ask for export credit and guarantees to their national agency on a fair and equitable basis, which is not always the case (ex: airlines of member states who are part of the Airbus consortium cannot benefit from the French Coface to purchase Airbus planes, when airlines of third countries can).
- The export credit schemes proposed by national agencies should be harmonized at EU level, in order to prevent distortions of competition among European exporters. Exporters from various member states would benefit from the same support, even when agencies vary.

- The idea of setting up a multilateral or EU agency devoted to provide credit and guarantee to European exporters should be promoted.
- More importantly, European export credit schemes should match up those offered by third country-competitors to ensure international level-playing field to EU companies. Countries such as the USA, China, Japan and Russia support the development of low carbon energy solutions by their industries. Global competition distortions issues need to be acknowledged and tackled at the EU.

As regards existing funds set up by public authorities:

– at EU level, the establishment of the European Energy Efficiency Fund and the Marguerite Fund are interesting initiatives for public utilities operators. Such tools should be developed where adapted (i.e. in the waste management and water resources sector);

– at member state level, the « UK Green Investment Bank » whose mission is to mobilise important financial resources specifically dedicated to financing green infrastructure is a promising avenue.

New solutions must be devised to enable national and multilateral developments banks to leverage private sector capital for long term financing, including greater use of public-private cooperation and the creation of new dedicated long-term financing institutions:

- there are various ways to implement the principle of public-private cooperation. Their conformity with EU state aid rules must be ensured, in order to grant it legal security:

  *specific forms of co-financing public-private partnerships (PPP) could be set up to mobilize private sector capital and expertise in funding and managing long term investments. Such PPP could be exclusively designed to manage financial risks inherent to certain long term investments, for which long term risks are high and very costly, and which, for this reason, cannot not be financed through the market at reasonable price. In this context, the public or multilateral lender would bear the long term risks; whereas the private party would bear the shorter term risks. Such PPP should draw from the best practices of the field. They should have detailed business plans, a defined dispute resolution process, clearly identifiable revenue streams, and they should be supported by a sound regulatory framework. In France, the Exeltium consortium provides a good example of a PPP providing long term financing in which the central government intervenes to guarantee to riskier part of the scheme.

  **Government and multilateral development agencies should consider lowering the higher risks involved during the early phases of long term projects, through the use of risk mitigation mechanisms such as credit /risk guarantees or the provision of bridge financing via direct loans;

  ***government and multilateral development agencies should use incentives and instruments to overcome other project specific risks, political risks or unfavorable financial markets and macroeconomic conditions to encourage private sector project financing. These incentives could include credit/risk guarantees, public sector subsidies, etc.

- **Ad hoc long term investment funds should be created.** Their structure would have to be adapted to the profile of the targeted investors, and their regulatory framework should fit to their specificities. Such funds could focus on infrastructures, but it must be remembered that the real economy as a whole needs long term financing, therefore, such tools must not be limited to the infrastructure sectors.
  In the area of public utilities, such funds already exist: they provide a stable and tailored financial basis for a given category of projects. Such framework of long term financing for infrastructure projects offers a competitive return. Its appeal remains in its robustness, its portability and in particular the possibility of standardization, which facilitates project mutualisation. This fund model should focus on institutional investors as it is more efficient to deal with qualified investors. It would be devoted to Infrastructure investments, any investments with longer term

maturities (more than 10 years), and would require no government support. The investments included in the portfolio could be sector-diversified (but diversification should not be required). Investors should not have redemption rights (other approaches should be adopted, such as "relying on or requiring secondary trading of units in the fund").

- **An insurance system** against financial risks could be created. It would secure the financial environment of long term investments, for instance against systemic financial risks. This insurance system, guaranteed by public or multilateral banks, would aim at limiting capital requirements for financial institutions.

- **A second hand market** could be set up to allow buyback of the debt generated by long term projects (for example: in the utilities sector, the debt of operators during the construction phase of an infrastructure projects).

3) *Institutional investors*

Questions:
6) To what extent and how can institutional investors play a greater role in the changing landscape of long-term financing?
7) How can prudential objectives and the desire to support long-term financing best be balanced in the design and implementation of the respective prudential rules for insurers, reinsurers and pension funds, such as IORPs?
8) What are the barriers to creating pooled investment vehicles? Could platforms be developed at the EU level?
9) What other options and instruments could be considered to enhance the capacity of banks and institutional investors to channel long-term finance?

Institutional investors can mobilise long term and stable shareholding, which is key for long term financing. However they are limited by two obstacles:
- as much as banks, they are directly impacted by EU regulatory framework (Solvency II, which reduces their time horizon in imposing them to consider their solvency level over a one year-period);
- the European market of financial products is still fragmented along internal frontiers: despite harmonization efforts, fund managers are limited by their national markets, which impedes their growth.

As a result, institutional investors do not contribute to the long term financing of the European real economy as much as they could.
A third obstacle must be mentioned: whereas debt can be emitted on bond markets (bond debt), this is not the case of loans : a financial instrument for the loan part of a given project should therefore be created, along with a new framework to enable non-financial companies to access financial markets to get financing of intermediary scale.

The following recommendations should be taken into account:

- Public authorities at European and national level must address the impact of Solvency II on institutional investors and ensure that this regulatory framework does go against their mission of a long term investor.

- The specificities of long term investors should be recognized at EU level (a special status could be created), and prudential, fiscal and accounting requirements should take into account the business model of long term investors.
- Ad hoc long term investment funds (mentioned above) should focus on institutional investors as it is more efficient to deal with qualified investors.
- At global, European and national level, regulators should propose new best practice guidelines to promote long-term horizons in the governance and portfolio management of institutional investors.
- Creating and fostering new savings pools that can act as sources of long term finance in the future will be necessary.

4) *What about a cumulative effect of financial reform on long term capital formation?*

Question :
10) Are there any cumulative impacts of current and planned prudential reforms on the level and cyclicality of aggregate long-term investment and how significant are they? How could any impact be best addressed?

It is widely agreed among experts that the regulatory reforms of the financial system at global and at European level constrains the ability of potential long term investors to provide financing :

- As regards the insurance sector, Solvency II will penalize long term financing of infrastructure projects.
- As regards bank financing, liquidity ratios imposed on banks by the Basel III agreement will entail a decrease in loan volumes, a rise in the loan costs, and an access to financing more volatile for non-financial companies.

Moreover, these restrictions could be more penalizing in Europe than in other economic areas, especially the US:

- in Europe, the financing system relies largely on banks; it is therefore highly dependent on banks' balance sheets. In the US, banks tend to securitize the loans they have initiated in order to lighten their balance sheets. The massive use of securitization enables US banks to be less restrained by the new liquidity rules of Bale III ;
- in Europe, the implementation of prudential reforms is well under way, much more than in the US.

Policy makers must consider the systemic impact of ongoing and future regulatory changes on companies' long term investment decisions. **Members of *Cercle de l'Industrie* support the need to regulate financial markets, but it should not jeopardise the financing capacity of the system. There must be equal focus on ensuring that financing is available to the real economy. Besides, European non-financial companies should not have a more restrained access to long term financing than their US competitors.**

III. The efficiency and effectiveness of financial markets

<u>Questions:</u>
11) How could capital market financing of long-term investment be improved in Europe?
12) How can capital markets help fill the equity gap in Europe? What should change in the way market-based intermediation operates to ensure that the financing can better flow to long-term investments, better support the financing of long-term investment in economically-, socially- and environmentally-sustainable growth and ensuring adequate protection for investors and consumers?
13) What are the pros and cons of developing a more harmonised framework for covered bonds? What elements could compose this framework?
14) How could the securitisation market in the EU be revived in order to achieve the right balance between financial stability and the need to improve maturity transformation by the financial system?

Cercle de l'Industrie supports the regulatory and prudential reform of EU financial markets, which aims to increase their transparency and efficiency. However, the EU framework must be compatible, and should even encourage the financing of long term investment projects.

Today, financial markets propose mostly standardized product, they are not innovative enough. *Cercle de l'Industrie* recommends the following avenues of reflection to remedy such lack of innovation:

- **the current framework for European project Bonds (EPB) is a promising tool.** However, it should be made more flexible. It should also not be limited to infrastructure projects, but extended to assets in the form of <u>a guaranteed bond.</u> A similar scheme is already provided by the French Coface; it should be created at EU level;

- **the EU must support the development of alternative financing routes to bank lending**;

  *v<u>enture capital</u> lending is significantly less developed in the EU than the US. Policy at both Member State and EU level must support the development of this financing route through more harmonization. In this regard, the European Commission's legislative proposal for a "European venture capital Funds" is welcome and must be rapidly adopted;

  **given the negative impact of Bale III on bank long term financing, efficient financing or refinancing models for long term infrastructures projects could be developed via the <u>bond market</u>. Being long term, tangible, and secured assets, bonds could be well suited to satisfy the management needs of insurers and pension funds for their long term savings. The bond market could therefore complement the continuing important role that banks are likely to play. <u>The European « Project Bonds » initiative</u> represents a partial response for running infrastructure projects. They are suitable only for a limited number of projects as they are based on recurrent and stable cash flow and do not take into account project's operational risks. It would be interesting to broaden the use of «Project Bonds » launched by the European Commission to projects of medium size.

  However, public authorities at EU and national level will have to be prudent in developing new bond markets. Lessons will have to be drawn from economic areas where those markets are the main financing source for companies, such as the US: in this model, companies tend to be more vulnerable to recessions than in Europe (with decreases in investment, stocks and employment, and a rise in bankrupts); besides, in recession periods, credit spreads on bonds tend to rise much more than the cost of fixed rate credit. The growth of bond markets in Europe will have to be adequately overseen and supervised, to be part of the solution to the long term finance problem;

- **to fill the equity gap, it is necessary to remove the bias against equity where it is present.** There is a need for coordinated action at European level and a number of policies could be implemented, (such as changing the tax treatment of debt and/or equity), while ensuring that policy changes are neutral;

- **the specificity of long term investments should be recognized** (low liquidity ratio, but strong leverage effect on growth): they should be included in a dedicated category of financial assets, submitted to a fiscal, regulatory, accounting and prudential framework that fits them;

- studies show that since 2008, **cross border capital flows** have fallen within the EU. It is necessary to ensure that cross border capital flows (foreign directs investments, cross border operations on equity and on bonds, and cross border loans and deposits) support long term investment. Cross border capital flows should not be limited to large companies: the EU framework should make it possible for ETI and SMLE and even encourage it;

- to address the market design problems underlined above (d) page 3), and to encourage long term investments in highly capital intensive projects spread over several decades, **specific contractual arrangements should be authorized, modeled on those used in the electricity sector:** power-user investments – e.g. Mankala in Finland – or power-purchase agreements – e.g. Exeltium in France. The opportunity to extend the use of such contracts in the energy sector and beyond must be seriously assessed at EU level (to provide a clear, secure and stable legal environment to those contracts).

IV. Cross cutting factors

<u>Question:</u>
15) What are the merits of the various models for a specific savings account available within the EU level? Could an EU model be designed?

Generally speaking, there is a need for a business friendly environment. The prudential rules, accounting principles and taxation policies make up a global framework that must favor long term investments. The norms applying on European non-financial companies (in areas such as financial regulation, taxation, accounting etc.) must be intelligible, clear and stable.

1) *<u>Taxation</u>*

<u>Questions:</u>
16) What type of CIT reforms could improve investment conditions by removing distortions between debt and equity?
17) What considerations should be taken into account for setting the right incentives at national level for long-term saving? In particular, how should tax incentives be used to encourage long-term saving in a balanced way?
18) Which types of corporate tax incentives are beneficial? What measures could be used to deal with the risks of arbitrage when exemptions/incentives are granted for specific activities?
19) Would deeper tax coordination in the EU support the financing of long-term investment?

A sound fiscal policy and an efficient tax system are needed to generate and attract long term savings. It is well known that taxation has a decisive impact on the selection on the assets making up portfolios of savers and investors, and in particular on the choice between financial or building savings and various categories of financial assets (equity, life insurance, etc.).

Public authorities must use their taxation tools to channel savings towards long term investments and company assets, in particular those that are relatively risky. It is necessary to:

- adapt EU regulatory framework to facilitate the emission of bonds intended to households (in particular: ensure that taxation encourages long term holding of bonds by households);
- ensure that the fiscal framework remains stable (for financial intermediaries and households), and cannot be modified retroactively, because that destroys confidence, and discourages stable and long term shareholding;
- harmonise national fiscal frameworks for institutional investors, to facilitate their operations at EU level;
- adapt finance taxation to the risks taken by the investors in a given category of assets and to the duration period of the fixation of the capital;
- ensure fiscal neutrality for long term investments. The objective would be to ensure that taxation does not encourage investors to prefer short term investments. This means that taxes should be low or zero on the real incomes generated by long term investment (dividends, interests, etc.).

The potential impact of the future Financial Transaction Tax needs to be carefully evaluated. The scope of this tax must be carefully and precisely delimited. It should not cover households, neither long term institutional investors investing in the real economy. It must also be harmonized at EU level as soon as possible. Past experiences with similar taxes should be taken into account.

2) Accounting principles

Question:
20) To what extent do you consider that the use of fair value accounting principles has led to short-termism in investor behaviour? What alternatives or other ways to compensate for such effects could be suggested?

The topic of IFRS norms and principles is of great significance for European large industrial companies, which have to comply with more and more of it. The EU must clearly commit itself to address it.

Those norms and principles have a negative impact on companies: their implementation:

- makes it impossible to assess financial products at a “fair value” (the valuing of assets at their current market value), which results in a disconnection of company accounts from the real economy,
- has contributed to a defiance climate towards the banking system and they have forced financial institutions to liquidate in hurry some of their assets. Their pro-cyclical dimension has been a worsening factor of the crisis,

- reduces the attractiveness of companies for a potential investor (even hedging operations must be reported in the accounts).

The regulatory and accounting treatment of assets held with long term horizons should be reviewed, to avoid an excessive focus on short term market volatility, and to ensure clarity:

- the "market value" reference must be abandoned for markets that are not liquid enough;
- accounting modalities should not be defined on the basis of rigid criteria (such as the fact that an asset is a bond or not), neither on the basis of the liquidity of the market (which varies), but on the basis of the horizon (short or long term) of the assets;
- a unique and reliable method for the fair value evaluation of industrial assets should be implemented;
- a new accounting treatment should not discriminate against long term commitments of equity and debt holdings. Rather, they should aim to incentivize long term horizons, without disguising relevant risks reflected in asset volatility.

3) *Corporate governance arrangements*

Questions:
21) What kind of incentives could help promote better long-term shareholder engagement?
22) How can the mandates and incentives given to asset managers be developed to support long-term investment strategies and relationships?
23) Is there a need to revisit the definition of fiduciary duty in the context of long-term financing?

Measures should be taken at EU level to encourage long term investment:

- as regards equity: fidelity bonus could be imagined (this would not require the EU legislator's intervention),
- quarterly reporting by companies should, not be imposed because it goes against the idea of assessing company performance on the long run,
- companies should not be required to get ratings from rating agencies. Overall, the influence of those agencies should be kept under control by the EU legislator

4) *Information and reporting*

Questions:
24) To what extent can increased integration of financial and non-financial information help provide a clearer overview of a company's long-term performance, and contribute to better investment decision-making?
25) Is there a need to develop specific long-term benchmarks?

The reporting of financial performance should be reassessed so that the income statements reflect better the way that the business is managed. ✶✶✶✶