

**FREP Presidential Board**

Berlin, 28 January 2021

**Activity Report 2020**

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## 1 Overview

- The year 2020, which saw the FREP's 15<sup>th</sup> anniversary mid-year, was a challenging year for the FREP: In addition to the Covid-19 pandemic taking hold in Germany starting in March, the acknowledgment agreement that is constitutive for the FREP's activities was canceled with proper notice by the Federal Ministry of Justice in connection with the Wirecard scandal effective at the end of 2021. A new perspective, however, is provided by the German Law on Strengthening Financial Market Integrity [*Finanzmarktintegritätsstärkungsgesetz*] (FISG) proposed in draft form in 2020 which maintains the established German two-tiered model. As a result, the FREP would be able to continue its activities under the then legislatively enhanced financial statement oversight procedure once a new acknowledgment agreement has been signed effective beginning in 2022. The FREP explicitly welcomes the fact that the two-tier financial statement oversight procedure be continued, with the BaFin receiving considerable additional powers to better equip it for cases of suspected financial statement manipulation.
- In 2020, the FREP completed a total of 74 examinations (prior year: 86), including 66 unlimited scope examinations, three indication-based examinations, and five examinations performed at the request of the BaFin. In 2020, examinations lasted 9.5 months on average, an increase of just over one month compared to the prior year. The decline in the number of examinations completed and the increase in examination length are primarily attributable to the heavy workload related to dealing with the Wirecard financial statement fraud. Additionally, the number of focused examinations initiated, which was approximately twice what it had been during the past 10 years, tied up a large portion of the FREP's capacity.
- Following an increased error rate of 20% in the prior year, the 15% error rate for 2020 was in line with the error rates for 2017 and 2018. 75% of companies accepted the FREP's finding of an error in 2020. This acceptance rate was slightly lower than the 84% average for the period 2017 to 2020.
- The number of companies subject to German enforcement remains stable at approximately 550.

- The new financial reporting standards IFRS 15, IFRS 9, and IFRS 16 remained focal points in 2020; the FREP made recommendations for future financial reporting purposes regarding all three of these financial reporting standards.
- The follow-up is encouraging once again: To the extent determinable, errors identified were corrected in the subsequent financial statements. As in prior years, companies implemented the FREP's recommendations in the large majority of cases.
- FREP staff continued to contribute to the harmonization of enforcement in Europe in 2020 by actively participating in the European Enforcers Coordination Sessions (EECS) and other working groups of the European Securities and Markets Authority (ESMA).
- The FREP's expenses of EUR 5.9 million were higher than in the prior year (EUR 5.5 million).

## 2 Anniversary in year of crisis

The FREP had to deal with various challenges and crises last year (see Figure 1).

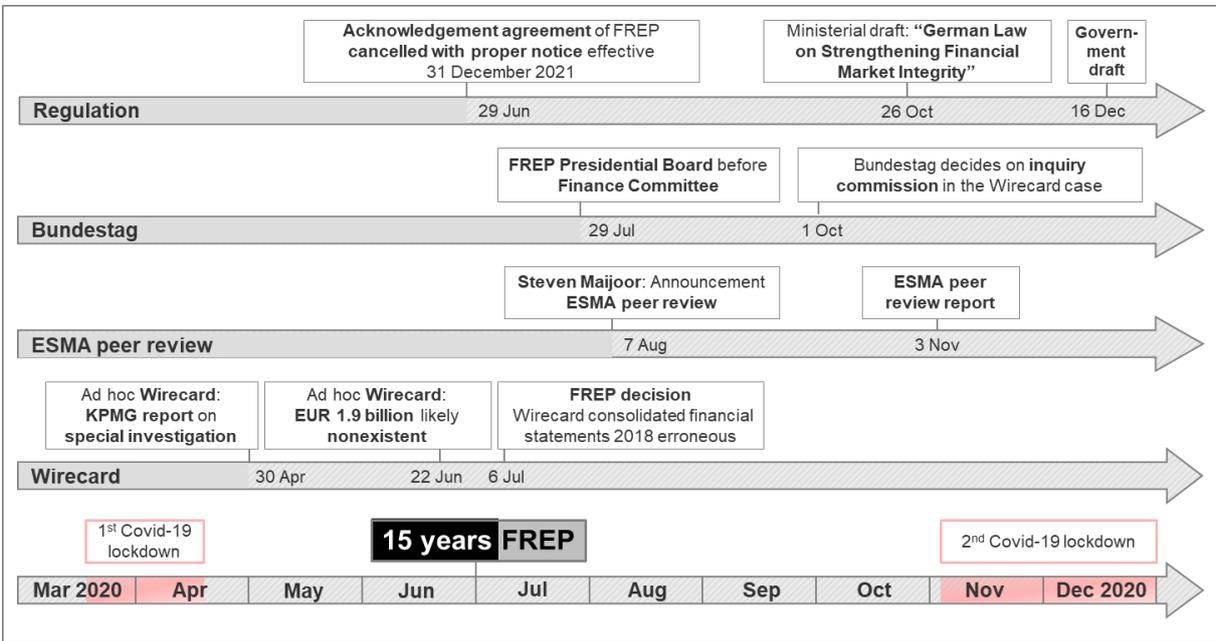


Figure 1: Significant events in 2020

It was the FREP’s 15<sup>th</sup> anniversary on 1 July 2020. During these 15 years, the FREP has completed more than 1,500 examinations (including more than 110 indication-based and almost 50 request-based examinations); just under 300 of these examinations found the financial statements to be erroneous. In 78% of cases in which errors were identified, the companies concerned accepted the result of the examination (see Figure 2). These results demonstrate the efficiency and effectiveness of the privately organized FREP in regular financial statement oversight procedures without any forensic component, and they also illustrate the high technical quality of the FREP’s work.

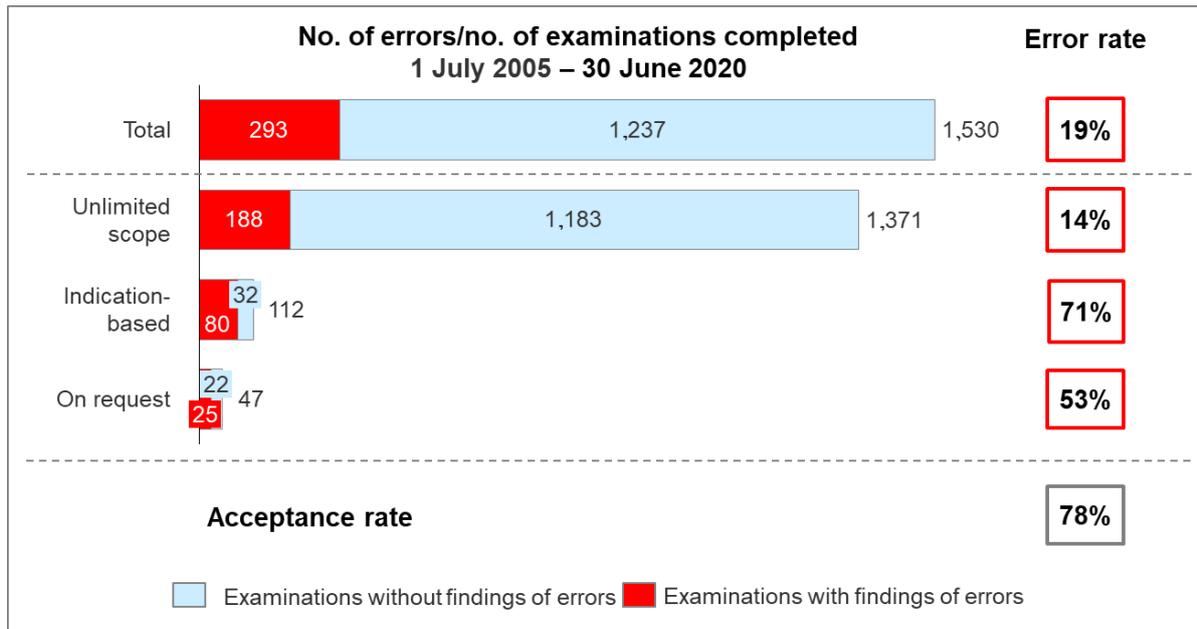


Figure 2: 15 years of FREP – number of FREP examinations completed by type of examination (incl. error rates) and acceptance rate

In early March 2020, it became evident that Covid-19 would grow into a worldwide pandemic and significant restrictions on the daily work routine became probable. So the FREP very quickly developed a plan both technologically and organizationally sound – including providing the infrastructure – that has enabled the FREP’s staff to perform all of their tasks from home since mid-March 2020.

Following publication of KPMG’s report on the special investigation of Wirecard AG at the end of April 2020, the FREP’s examination team analyzed the insights gained in that investigation as part of its ongoing examination of Wirecard AG’s consolidated financial statements as at 30 June 2018 and the six months then ended. The BaFin requested additional FREP examinations of Wirecard AG’s financial statements for the reporting dates 31 December 2018, 30 June 2019, as well as 31 December 2017. On 6 July 2020 – shortly after issuance of the ad hoc disclosure dated 22 June 2020 that there is a prevailing likelihood that bank balances in the amount of EUR 1.9 billion do not exist – the FREP completed two Wirecard examinations (reporting dates 30 June 2018 and 31 December 2018) with findings that the financial statements were erroneous and terminated two examinations (reporting dates 31 December 2017 and 30 June 2019) due to a lack of cooperation by the

company. Since the company did not accept the FREP's findings of an error, examinations were opened at BaFin level for all four reporting dates.<sup>1</sup>

On 29 June 2020 – one week before completion of the Wirecard examination and two days before its 15<sup>th</sup> anniversary – the FREP was served proper notice of cancellation of its acknowledgment agreement by the Federal Ministry of Justice and Consumer Protection [*Bundesministerium der Justiz und für Verbraucherschutz*] (BMJV). The cancellation letter explained that the BMJV and the Federal Ministry of Finance [*Bundesministerium der Finanzen*] (BMF) had agreed to “critically review the currently two-tiered financial statement oversight procedure in light of current events”. The following weeks were marked by efforts to inform the public of the FREP's perspective on the issue in order to counter the highly critical media reports: The FREP is optimally positioned to detect accounting errors, but not to detect financial statement fraud. For the latter, the FREP as a private organization is vested with neither the required powers to obtain information or to intervene nor the human or financial resources.

By giving explanations and by the responses provided in questioning sessions regarding the enforcement procedure relating to Wirecard AG, including those before the Finance Committee of the Deutsche Bundestag on 29 July 2020, the FREP Presidential Board contributed considerably to rendering the discussion more objective at the political level.

In the letter from ESMA chairman Steven Maijoor dated 7 August 2020, ESMA announced a peer review regarding compliance with the ESMA Guidelines on Enforcement of Financial Information in the Wirecard case. During the following months until publication of the final report on 3 November 2020, all questions posed by ESMA were answered in detail and all documents necessary for the investigation were submitted on time, which for the FREP – with normal operations ongoing – was only possible by putting extreme demands on its limited human resources. Additionally, all panel members involved in the examinations responded comprehensively and transparently to critical questions posed by ESMA in a two-day virtual meeting. Unfortunately, the ESMA report, which the FREP believes to have been prepared under significant time pressure, was considerably impacted by hindsight bias, despite the ESMA peer review staff acquainting themselves very extensively with the FREP's

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<sup>1</sup> See the announcement of examination orders by the BaFin pursuant to sections 108 (1) sentence 2 no. 1, 107 WpHG dated 3 August 2020 made pursuant to section 107 (1) sentence 5 WpHG; published on the website of the Federal Gazette on 4 August 2020.

working papers. A further critical aspect to note is the fact that ESMA assessed compliance with the Guidelines on Enforcement of Financial Information in the Wirecard case, although these Guidelines only govern the enforcement of financial reporting requirements but not the detection of financial statement fraud. In addition, the peer review did not look at how other European enforcers deal with cases of financial statement fraud. The FREP's statement in response to the ESMA report, published as an annex to that report, is appended here as Attachment I.

In October 2020, the government responded to the Wirecard financial statement fraud by publishing a ministerial draft of the German Law on Strengthening Financial Market Integrity (FISG) which continues to designate the FREP to perform unlimited scope examinations once a new acknowledgment agreement has been signed. These examinations constitute approximately 90% of all FREP examinations. If financial statement fraud or manipulation is suspected, the FISG provides for the BaFin to become immediately and solely responsible; to this end, the law equips the BaFin with the necessary expanded authority and powers. On 9 November 2020, the FREP commented on questions of liability, the elimination of indication-based examinations, and the BaFin's power to take over unlimited scope examinations at any time, especially when there are indications of erroneous financial reporting.<sup>2</sup> The government draft of the FISG issued on 16 December 2020 is largely unchanged from the ministerial draft with respect to enforcement; as such, it still provides the possibility of maintaining the two-tier enforcement process; key aspects from the FREP's perspective:

- FREP performs unlimited scope examinations, no focused examinations,
- extensive reporting obligations to the BaFin for the FREP,
- expanded possibility to communicate information among BaFin, FREP, APAS, BMF, BMJV, BMWi,
- powers to obtain information from supervisory boards and, therefore, from audit committees as well.

Despite the extensive Wirecard examination, the cancellation of the acknowledgment agreement, public criticism, and the ESMA peer review, ongoing examinations were continued in the usual professional manner and with the cooperation of the companies examined,

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<sup>2</sup> The FREP's comments [*in German only*] can be downloaded from the BMF's FISG website.

and focused examinations were initiated timely. The necessary motivation was founded on the conviction of all involved that the German two-tier financial statement oversight procedure has proven successful in the past and can also continue to make an important contribution to the functioning of the German capital markets going forward.

### 3 Examinations in 2020

#### 3.1 Examination results

The FREP completed a total of 74 examinations in 2020 (prior year: 86). 11 out of 74 examinations identified errors. The error rate of 15% was in line with 2017 and 2018.

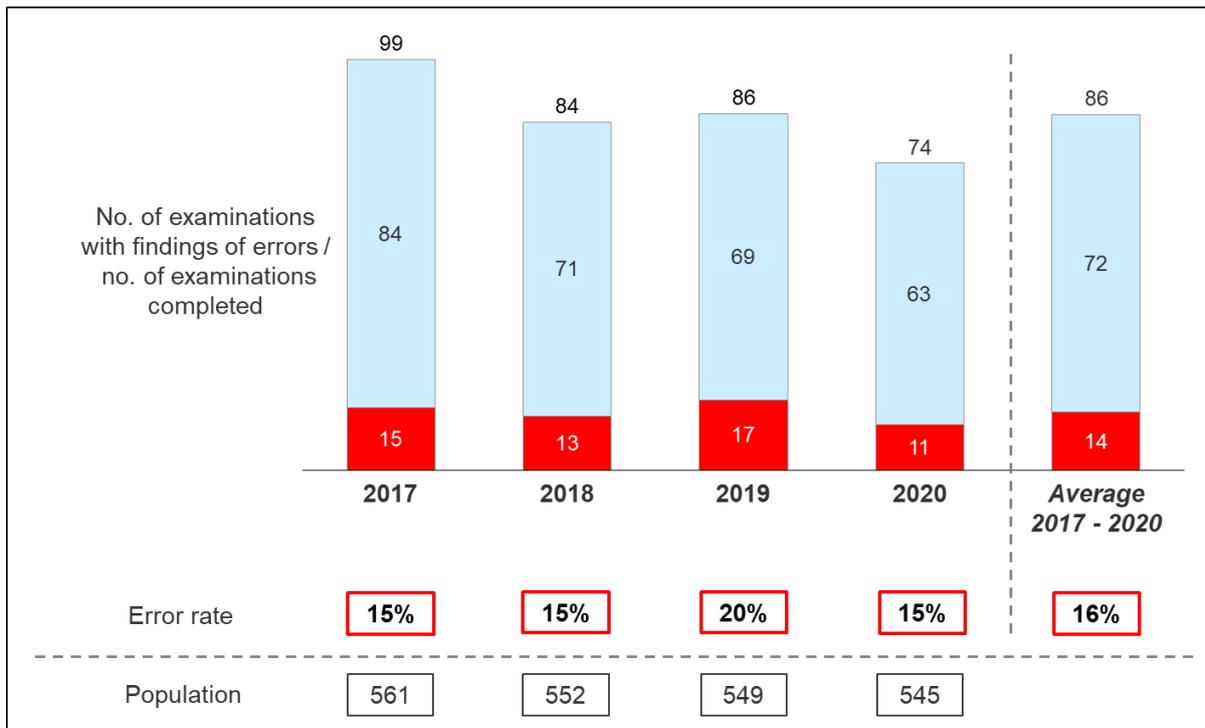


Figure 3: FREP examinations completed, error rate trend, and population

#### Error rate trend

The error rate for 2020 corresponds to the error rates for 2017 and 2018 and is thus lower than in the prior year.

Population trend<sup>3</sup>

The population has remained nearly constant over the past four years (see Figure 3). Prior to that (2005 to 2016), however, the population was declining steadily, especially the population of smaller non-index companies. 18 companies were eliminated from the population during the year while 14 companies were added, resulting in a population of 545 companies for 2020.

Analysis of examinations completed by type of examination

The examinations completed in 2020 consisted of the following: 66 out of 74 examinations completed were unlimited scope examinations. The FREP also completed three indication-based examinations and conducted five further examinations at the request of the BaFin, including four related to semi-annual financial reports (see Figure 4).

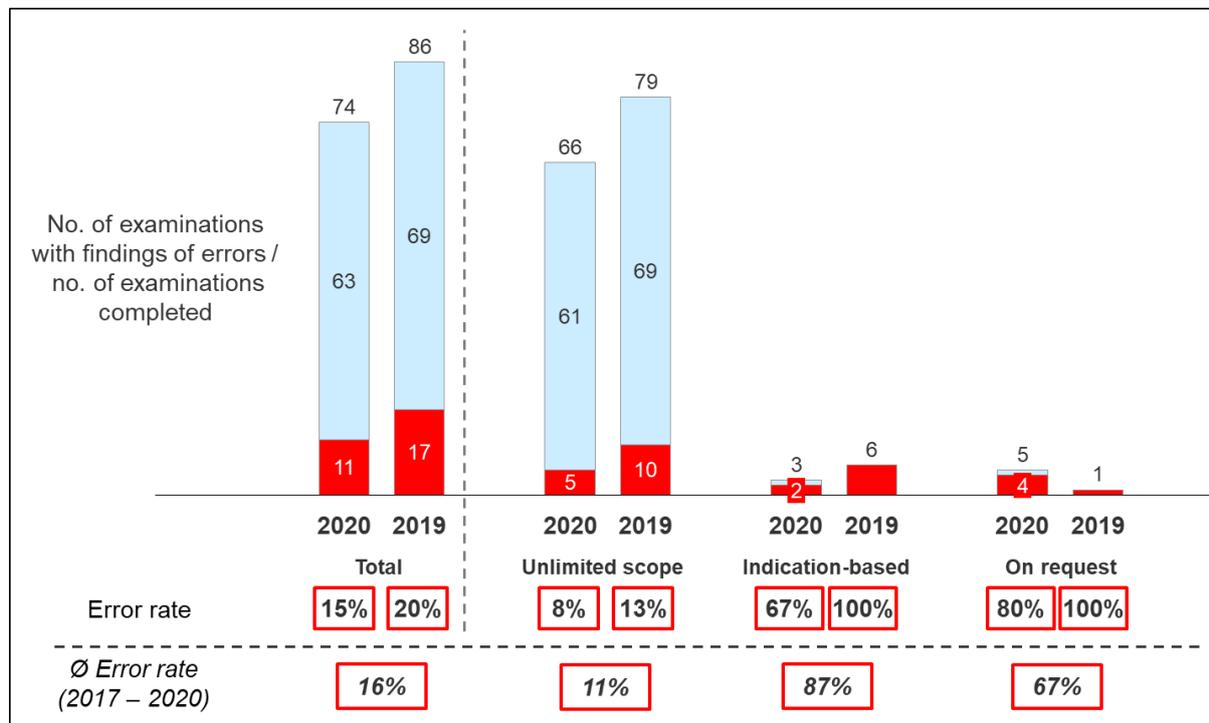


Figure 4: FREP examinations completed by type of examination (incl. error rates)

<sup>3</sup> The number of companies subject to the German enforcement regime (“population”) is determined by the BaFin as at 1 July of each year.

The 8% error rate for unlimited scope examinations was below the prior year level and the average of the past four years (11%). Having found all financial statements subject to an indication- or request-based examination to be erroneous in the prior year, the FREP completed two of three indication-based examinations and four of five request-based examinations with findings of errors in 2020. Hence, while lower than in the prior year, the error rate for these types of examination of 67% and 80%, respectively, remained high (see Figure 4). The resulting average error rate for the comparison period 2017 to 2020 for indication-based examinations was 87%; 67% of request-based examinations completed during the same period identified errors.

The higher number of request-based examinations completed in 2020 is primarily due to two companies (including Wirecard), each having two examinations for different reporting dates.

#### Analysis of focused examinations initiated during the year

In 2020, nine indication-based examinations – four examinations of semi-annual financial reports and five examinations of annual financial reports – were initiated based on decisions by the FREP's Pre-Review Committee. Two of the four examinations of semi-annual financial reports initiated were terminated during the year because either the company did not cooperate or the securities were no longer admitted for trading in an organized market. In 2020, indication-based examinations were initiated as a result of

- the work of the FREP's Media Analysis Committee,
- transmission of confidential information pursuant to section 66c (1) sentence 1 no. 1, sentence 2 WPO by APAS,
- follow-up on recommendations made, and
- information provided by a third party.

Additionally, eight examinations were initiated at the request of the BaFin in 2020. Three of these examinations were completed during the year with a finding that the financial statements were erroneous; another examination was terminated by the FREP due to a lack of cooperation and subsequently initiated by the BaFin.

The number of focused examinations initiated during the year has approximately doubled compared to prior years (2020: 17 focused examinations initiated; 2010 to 2019 on average:

9 focused examinations). In 2020, these examinations comprised nine indication-based and eight request-based examinations. According to the FREP’s selection principles<sup>4</sup>, focused examinations take priority over unlimited scope examinations. Therefore, unlimited scope examinations are only performed to the extent that the FREP’s capacity is not utilized by focused examinations. Along with the other challenges facing the FREP in 2020 (see chapter 2 for further detail), this has decreased the number of unlimited scope examinations completed in 2020 and increased average examination length (see chapter 3.5).

Analysis of examinations completed by company size

An analysis shows that the 2020 error rate of 10% (prior year: 13%) for companies included in an index was approximately in line with the average of the years 2017 to 2020 (9%). For companies not included in a stock index, the error rate of 18% (prior year: 24%) was below the average of the past four years (see Figure 5). The index companies whose financial statements were found to be erroneous in examinations completed during the year consisted of one DAX company twice (Wirecard AG) and one MDAX company.

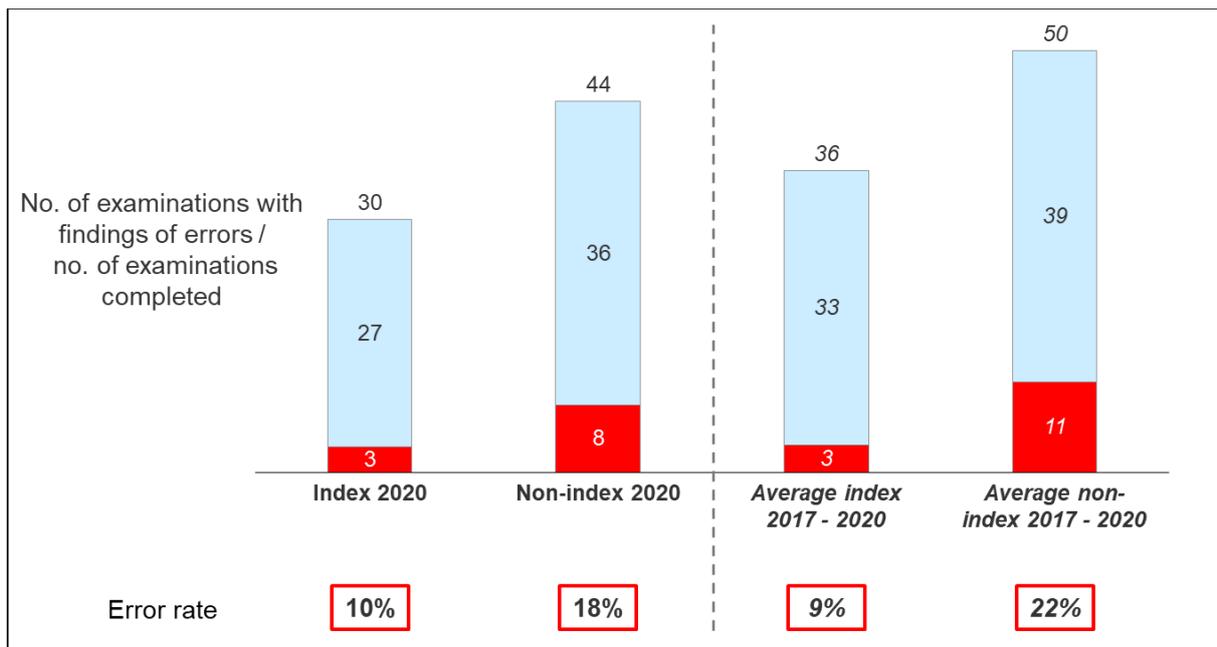


Figure 5: FREP examinations completed by index/non-index (incl. error rate)

<sup>4</sup> The “Principles for unlimited scope examinations in accordance with section 342b (2) sentence 3 no. 3 HGB” in the version dated 15 November 2018 can be downloaded from the FREP’s website.

### 3.2 Types of errors and related analysis

Errors found in 2020 were mainly attributable to the following factors:

- Comprehensiveness and application challenges of IFRS with respect to accounting for complex transactions
- Insufficient reporting in the notes and in the management report

One aspect that stands out is that in both 2019 and 2020, errors were found with respect to IPO costs that were not incremental to issuing additional equity but had been incorrectly deducted from equity rather than expensed (IAS 32.37). The errors were due both to the type of cost deducted (e.g. management bonuses) and to the application of an incorrect allocation basis to distinguish between costs of issuing equity and of obtaining the stock exchange listing. A finding of an error related to IAS 17.38 was similar in that, in measuring the lessor's receivable, initial direct costs (incremental and directly attributable) were included incorrectly, as they were not also incurred in connection with negotiating and arranging a lease.

In addition to violations of IFRS requirements, in 2020, a significant number of infringements was caused by violations of section 238 (1) German Commercial Code [*Handelsgesetzbuch*] (HGB), resulting in a violation of German principles of proper accounting [*Grundsätze ordnungsmäßiger Buchführung*] (GoB) (2020: four of 19 infringements, 2019: three of 51 infringements). The FREP arrives at this finding if accounting records are not reliable or if significant accounting records cannot be provided.

### 3.3 Acceptance rate

When the FREP finds a financial report to be erroneous, it asks the company involved whether it accepts this finding. Before a decision regarding the finding of an error is made, the company is offered the opportunity to discuss the finding – in some cases remotely due to Covid-19 – and most companies accept that offer. This discussion is designed to give companies and their auditors the opportunity to present their perspective and arguments and to enter into open discussions. The FREP's representatives in turn explain their rationale for considering the accounting treatment or presentation in the notes/management report to be inappropriate.

In 2020, the acceptance rate was 75%, slightly lower than in the comparison period (see Figure 6).

Acceptance rate	100%	81%	79%	75%	84%
	2017	2018	2019	2020	Average 2017 - 2020

Figure 6: Trend in error acceptance rate

### 3.4 Financial statement oversight at BaFin level

The BaFin normally initiates its own examination whenever the company has not accepted the finding of an error or the company refuses to cooperate with the FREP in the examination. If the company accepts the FREP’s finding of an error, the BaFin makes the finding of an error public (2020: eight examinations, including six examinations where the FREP had completed its examination in the prior year) or decides not to make the finding of an error public (2020: no examinations).

In 2020, three examinations were referred to the BaFin because the companies had not accepted the FREP’s finding of an error; two of these examinations were initiated at the BaFin level in 2020 (prior year: two examinations). In 2020, the BaFin completed three such examinations that had originated in prior years (prior year: one examination). In one such examination the FREP had completed in 2018, the FREP’s result was confirmed and the error was made public (prior year: one examination). In the other two cases, the BaFin disagreed with the FREP’s finding of an error and ended the examination without finding that the financial reports were erroneous.

In 2020, three examinations were referred to the BaFin because of refusals to cooperate and were initiated at BaFin level. Two of these examinations related to the financial reports of

Wirecard AG.<sup>5</sup> One examination in this category that had been initiated at BaFin level in 2019 was completed in 2020 without finding the financial statements to be erroneous.

For the first time since the two-tier enforcement procedure was introduced, the BaFin has taken over an ongoing unlimited scope examination from the FREP under section 108 (1) WpHG in 2020; therefore, the examination was terminated at FREP level. This was partly based on the fact that BaFin is conducting a special inspection under section 44 (1) sentence 2 of the German Banking Act [*Kreditwesengesetz*] (KWG) and both the inspection and the examination relate to the same subject.

### 3.5 Length of examinations

The following aspects should always be taken into account when evaluating examination length: An examination necessarily involves examining and analyzing one or more issues – almost always complex in nature. This naturally takes time. Additionally, the proper performance of an examination requires sufficient time for careful analysis as to why a company's accounting treatment may not accurately reflect the issue identified. The company must be heard regarding the matter and the company must be given sufficient time for this. Particularly when it comes to critical issues, this also requires time-consuming involvement of company personnel, which frequently interferes with the company's internal processes, such as, for instance, the preparation of quarterly financial statements.

An analysis of the length of examinations for the years 2017 to 2020 shows that, on average, examinations were completed in 8.3 months. 82% of these examinations were completed within one year, 38% within six months. About 18% of examinations lasted longer than one year. These cases frequently (44%) resulted in a finding of an error (see Figure 7).

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<sup>5</sup> See the announcement of examination orders by the BaFin pursuant to sections 108 (1) sentence 2 no. 1, 107 WpHG dated 3 August 2020 made pursuant to section 107 (1) sentence 5 WpHG; published on the website of the Federal Gazette on 4 August 2020.

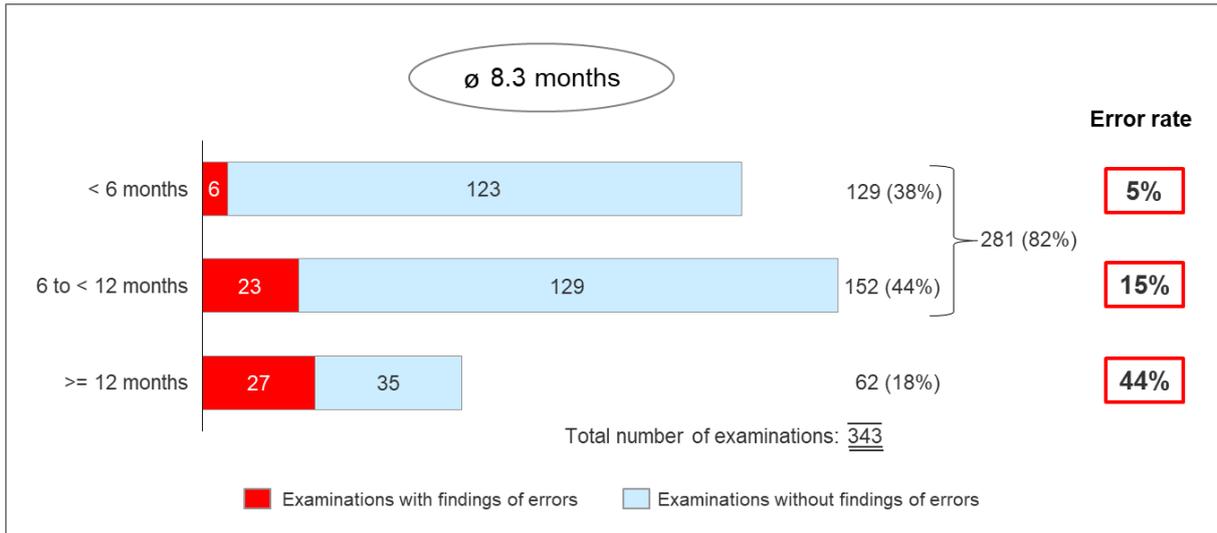


Figure 7: Length of examinations 2017 to 2020 (incl. error rate)

In 2020, examinations lasted an average of 9.5 months (prior year: 8.4 months). Along with the unusually high number of initiated focused examinations requiring prioritization (see chapter 3.1), the increase in examination length was also attributable to the year’s other challenges such as the ESMA peer review (see chapter 2 for further detail), which made heavy demands on the FREP’s limited human resources. Additionally, many companies requested an extension, especially due to the Covid-19 situation, delaying the completion of some examinations in 2020.

After reviewing the documents submitted by a company at the beginning of the examination (specifically the financial report and related long-form audit reports issued by the auditors), the responsible panel member prepares an initial letter containing detailed inquiries on the areas being examined, which are specifically selected for each examination. Additional sets of questions may follow once the initial response has been critically reviewed. This normally occurs if the responsible panel member believes that issues have been identified that could result in a finding that the financial statements are erroneous.

Therefore, the number of sets of questions in an examination is correlated to the error rate, as demonstrated by the following diagram (Figure 8) of the number of sets of questions per examination completed in the period from 2017 to 2020:

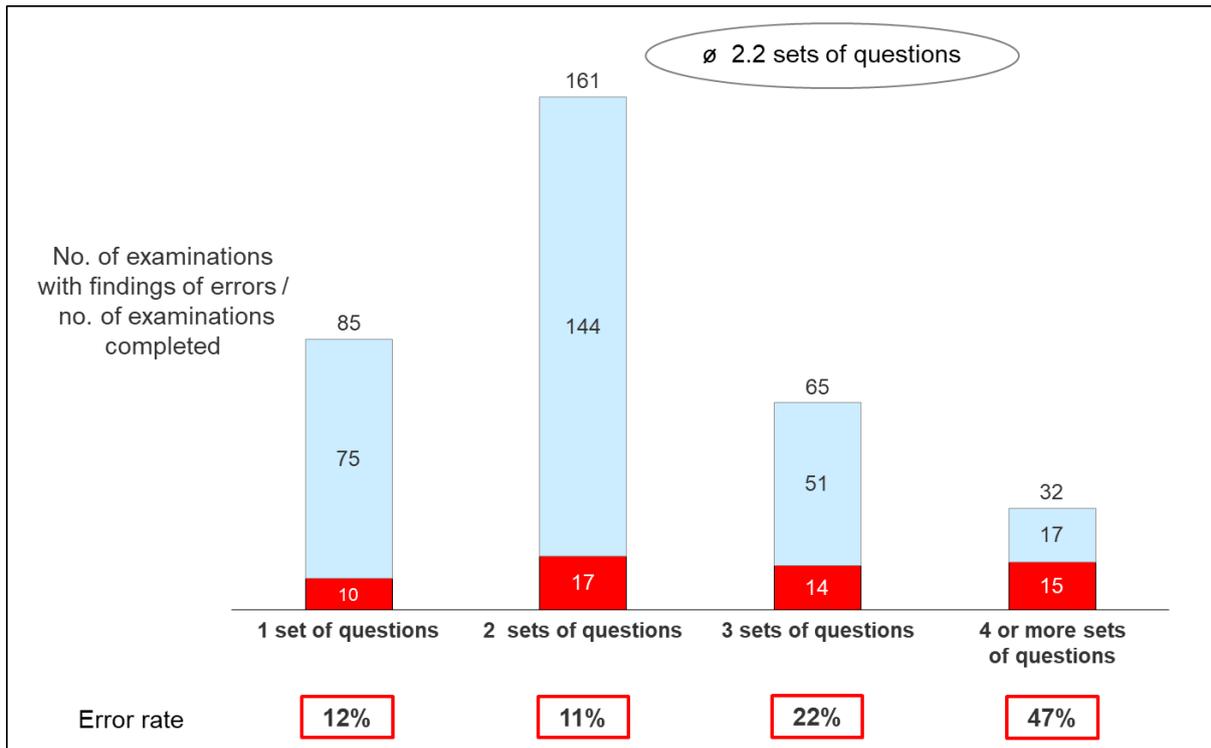


Figure 8: Number of sets of questions 2017 to 2020 (incl. error rate)

The number of sets of questions averaged 1.9 in 2020 (prior year: 2.1).

### 3.6 Types of recommendations and related analysis

As part of its error prevention function, the FREP makes recommendations to numerous companies for future financial reporting purposes in order to eliminate weaknesses and improve the quality of financial reporting (see chapter 4.1).

Figure 9 shows the categories of recommendations most common in 2020:

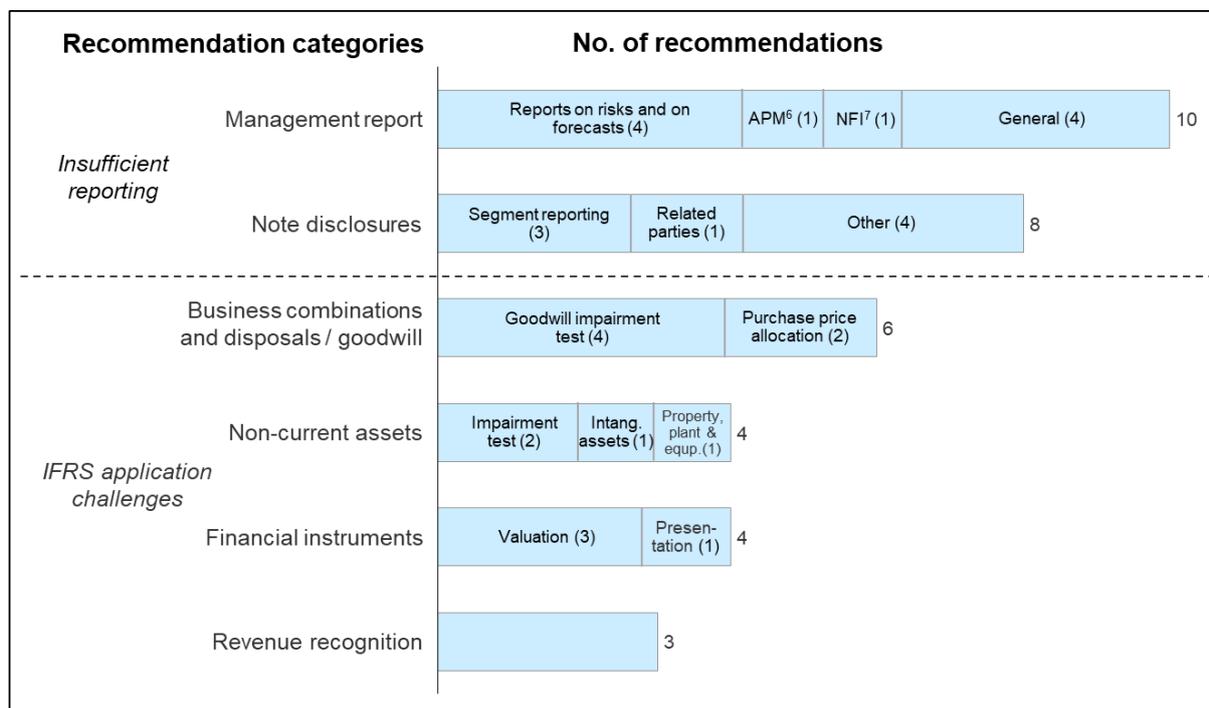


Figure 9: Most common types of recommendations

In 2020, recommendations were once more mainly attributable to insufficient reporting in the notes and management reports. The diagram above sets out the issues giving rise to the recommendations in these categories. “General” in the management report category includes, for instance, recommendations made regarding the discussion of the company’s results of operations and liquidity. The recommendations included in “Other” in the note disclosures category were made to improve disclosures regarding factoring and reverse factoring transactions, the disaggregation of revenue, the description of judgements made, as well as with respect to disclosures regarding sources of estimation uncertainty. Further, application challenges of IFRS were noted with respect to accounting for complex transactions especially in the business combinations and disposals/goodwill, non-current assets, financial instruments, and revenue recognition categories.

<sup>6</sup> APM: Alternative Performance Measure

<sup>7</sup> NFI: Nonfinancial Information

Attachment III *[in German only]* to this report sets out selected anonymized recommendations for future financial reporting purposes made by the FREP in these and other categories in 2020.

### **3.7 Enforcement of new financial reporting standards**

Enforcement examinations focused once more on IFRS 15 – Revenue from Contracts with Customers – and IFRS 9 – Financial Instruments – in 2020, since these standards were selected as enforcement priorities for 2020; the (initial) application of IFRS 16 – Leases – was an additional area of particular significance for examinations.

The examinations completed in 2020 scrutinized various issues related to IFRS 15. These included issues regarding the disaggregation of revenue, role of principal or agent, identification and categorization of performance obligations, estimating variable consideration, as well as various note disclosures such as the discussion of significant judgements. The examination procedures performed did not result in any findings that financial statements were erroneous; however, the FREP made recommendations to companies for future financial reporting purposes.

In mid-2020, the FREP established an internal working group that meets monthly and deals with issues specific to examinations of financial institutions, with a significant focus on issues relating to IFRS 9. Issues discussed during the year related, for instance, to derivatives settled via central counterparties and disclosure requirements regarding the calculation of expected credit losses.

Regarding the new leasing standard IFRS 16, the FREP replied to a case-related ex-ante query in 2020 which dealt with the applicability of the standard to leases of land that are entered into as part of development projects. Additionally, various issues related to IFRS 16 were discussed with companies as part of examinations performed; there was one case of a finding that financial reports were erroneous that resulted from the discussion of the impact of the initial application of IFRS 16. Another controversial issue was separating components of a contract.

Attachment III *[in German only]* to this report sets out recommendations made in 2020 regarding each of the financial reporting standards discussed above.

**3.8 Follow-up**

In 2020, the FREP has once more systematically followed up on the correction of errors found in the prior year as well as on the implementation of recommendations made in the prior year based on publicly available information.<sup>8</sup> Where it was determinable whether identified errors had been corrected, the FREP found that the correction had indeed been made (see Figure 10).

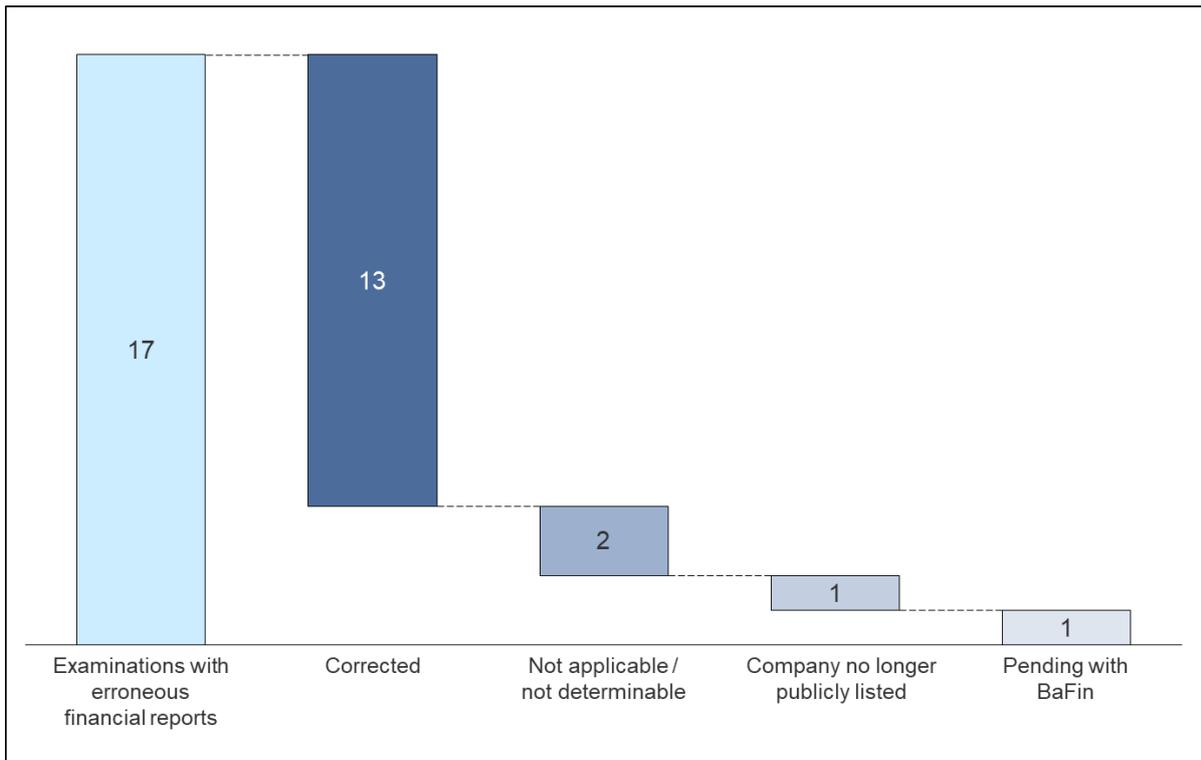


Figure 10: Correction of FREP errors found in 2019

As in prior years, the follow-up on recommendations found that – to the extent determinable – recommendations made were implemented (see Figure 11).

<sup>8</sup> If, at the time of the follow-up, a company is no longer subject to the enforcement regime, financial statements are not available, or an examination is still pending at the second tier, i.e. with the BaFin, the follow-up is omitted.

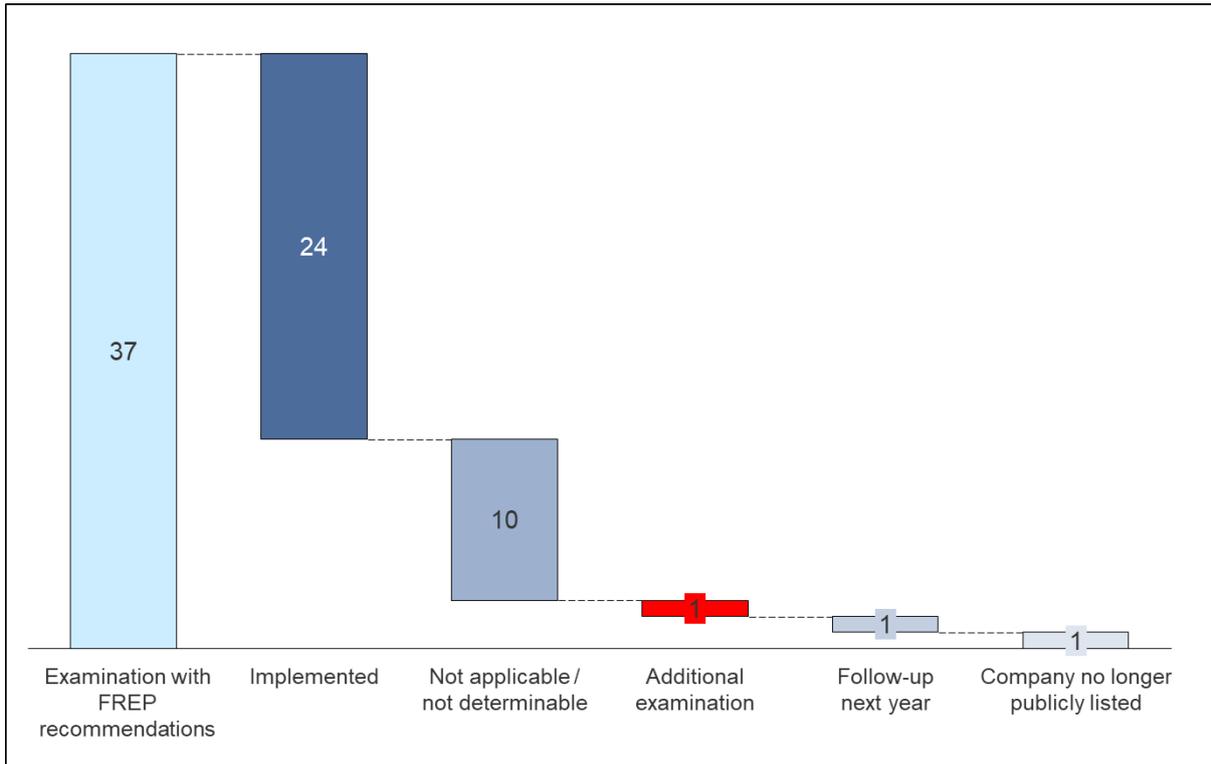


Figure 11: Implementation of recommendations made in 2019

In one case, issues related to a recommendation made led to initiation of an indication-based examination in 2020.

This demonstrates once more that the follow-up is an instrument capable of improving the quality of financial reporting in the German capital markets. The FREP will continue to follow up timely on whether errors are corrected and recommendations are implemented.

## 4 Error prevention

### 4.1 Overview

The FREP once again undertook several error prevention activities to help prevent future errors this year (see Figure 12).



Figure 12: Error prevention activities of the FREP

For instance, the FREP made nearly 50 individual recommendations with respect to future financial statements to companies subject to examinations (see chapter 3.6 for categories of recommendations). Selected anonymized recommendations made by the FREP in 2020 are set out in Attachment III to this report *[in German only]* to facilitate a more general preventative effect of these recommendations beyond the relevant company subject to examination.

In addition, the FREP announced its enforcement priorities for 2021 in November 2020 in order to give companies and auditors an opportunity to critically review the corresponding accounting issues in depth during the preparation and audit of financial reports (see chapter 4.2 for further detail).

Furthermore, the FREP's prevention activities once more included its annual discussions with audit firms in 2020 (see chapter 4.3 for further detail).

The FREP also continued to share experiences with audit committee members regarding enforcement-related issues using a variety of platforms in 2020 with the aim of raising awareness of errors the FREP considers avoidable.

Case-related ex-ante queries represent another error prevention instrument aimed at preventing errors and providing guidance to companies during financial statement preparation (see chapter 4.4 for further detail).

To improve the quality of financial reporting standards, the FREP's preventative instruments include a regular dialog with standard setters as well. During the year, a panel member participated in a webinar held by the European Financial Reporting Advisory Group (EFRAG) and the International Accounting Standards Board (IASB) on the topic of Business Combinations – Disclosures, Goodwill, and Impairment in order to share the FREP's experiences.

Furthermore – to the extent possible under the conditions of the Covid-19 pandemic – the FREP's preventative measures continued to focus on public relations activities in the form of speeches, seminars, as well as articles and commentaries in 2020 (see chapter 4.5 for further detail).

## **4.2 Enforcement priorities for 2021**

In November 2020, the FREP published its enforcement priorities for the following calendar year. Unlike in prior years, four (rather than three) “European Common Enforcement Priorities” were defined in 2020, resulting in a total of six enforcement priorities when combined with the two national enforcement priorities. These are addressed by the FREP in unlimited scope examinations to the extent relevant.

This year, enforcement priorities were primarily selected based on the potential implications of the Covid-19 pandemic for financial reports as well as issues that have proven particularly critical or susceptible to error in the past.

The following enforcement priorities were defined for 2021:

1. IAS 1 Presentation of Financial Statements
  - Going concern assumptions
  - Significant judgements and estimation uncertainty
  - Presentation of COVID-19-related items in the financial statements
2. IAS 36 Impairments of Assets
3. IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures
4. IFRS 16 Leases
5. IAS 24 Related Party Disclosures
6. Section 315 HGB Group management report – risk reports taking into account the implications of COVID-19

The first four enforcement priorities represent the “European Common Enforcement Priorities” identified by national enforcers in cooperation with ESMA with respect to financial reporting.<sup>9</sup> The first two European Common Enforcement Priorities related to financial reporting include potential implications of the Covid-19 pandemic on the presentation of financial statements in accordance with IAS 1 and on the IAS 36 impairment test including the related note disclosures. Another priority is note disclosures about risks arising from financial instruments and, with a particular focus on financial institutions<sup>10</sup>, the calculation of expected credit losses in light of the Covid-19 pandemic, including the relevant note disclosures (IFRS 7 and IFRS 9). The fourth European enforcement priority focuses on amendments to IFRS 16 in connection with the IASB publication “Covid-19-Related Rent Concessions” dated 28 May 2020<sup>11</sup> and on certain note disclosures.

The two enforcement priorities “IAS 24 Related Party Disclosures” and “Section 315 HGB Group management report – risk reports taking into account the implications of COVID-19” represent the FREP’s national priorities.

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<sup>9</sup> Further issues addressed by ESMA that are relevant to the FREP are the particular responsibility of management/supervisory boards for ensuring the consistency of financial reports in times of increased uncertainty, the European Single Electronic Format (ESEF), as well as once more the potential consequences of various Brexit scenarios. The common European enforcement priorities along with detailed explanations can be downloaded from the ESMA website.

<sup>10</sup> See also the ESMA Public Statement „Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9”, which is available for download from the ESMA website.

<sup>11</sup> Endorsed in the EU on 9 October 2020 (see Regulation (EU) 2020/1434 of 12 October 2020).

The reason for selecting related party disclosures as an enforcement priority is the large number of the FREP's findings of errors and recommendations in this subject area. The group management report was selected as an enforcement priority because the implications of the Covid-19 pandemic for companies' risks can be material, making a sufficiently reliable description and assessment of these risks particularly important.

The details of the FREP's national enforcement priorities are as follows:

#### IAS 24 Related Party Disclosures

- Determination/identification of related parties (IAS 24.9)
- Disclosures concerning the ultimate controlling party (IAS 24.13)
- Disclosures concerning the nature of the relationship, amount, and terms and conditions of transactions, as well as concerning outstanding balances (IAS 24.18)
- Categorization of related party disclosures (IAS 24.19)
- Consistency of disclosures with the dependency report and correct reproduction of the closing statement (section 312 (3) AktG (German Stock Corporation Law))

#### Section 315 HGB Group management report – risk reports taking into account the implications of COVID-19

- Completeness and appropriateness of disclosures concerning significant risks (section 315 (1) sentence 4 HGB, particularly regarding:
  - Individual risks and risks jeopardizing the continued existence of the company as a going concern (section 315 (1) sentence 4 HGB)
  - Risks arising from the use of financial instruments (section 315 (2) sentence 1 no. 1 HGB): extent of credit and liquidity risk, presentation and discussion of significant financial risks related to financial covenants (IFRS 7.18 et seq. and IFRS 7.31 et seq.)
- Consistency between the reports on risks and on forecasts

#### **4.3 Discussions with audit firms**

Each year, the FREP generally holds discussions with the management boards or managing directors of the five largest German audit firms. Additionally, discussions are also held with the managing directors of two medium-sized audit firms; different firms are selected each

year. The aim of these talks is twofold: to provide insight on the FREP's activities using specific cases as well as to give the audit firms an opportunity to report on observations and results of past examinations from their point of view. Issues addressed in this year's discussions, held both remotely and in person, included errors identified in the most recent round of examinations, issues noted in the financial reports of companies audited by the relevant audit firm, regulatory issues, and the implications of the Covid-19 pandemic on companies audited as well as on financial statement audits and enforcement.

Once a year, the FREP also shares experiences with representatives of medium-sized audit firms auditing publicly listed companies via the platform of the IDW. This sharing of experiences is intended to make the FREP's approach transparent to auditors in order to raise the auditors' awareness of potential problem areas. In January 2020, the FREP gave a speech at this event discussing the enforcement priorities for 2020 in order to make auditors aware of the associated sources of errors.

#### **4.4 Case-related ex-ante queries**

One case-related ex-ante query was submitted in 2020 (prior year: five ex-ante queries, four of which accepted for review and three completed). The ex-ante query met the requirements to be accepted for review by the FREP and was completed, as was an ex-ante query the FREP had accepted for review at the end of 2019. The FREP did not consider the accounting treatment proposed in the current year case acceptable; the accounting treatment proposed in the prior year ex-ante query was considered acceptable. The ex-ante queries completed during the year dealt with the applicability of IFRS 16 and with the reallocation of goodwill.

Since their introduction in November of 2009, the FREP has completed a total of 25 case-related ex-ante queries, considering the proposed accounting treatment acceptable in 12 cases and not acceptable in 13 cases.

#### **4.5 Public relations activities**

In 2020, the FREP once again used its general public relations activities to provide insight into its activities as well as into technical topics specific to financial reporting. The president, vice president, and managing director as well as the FREP's panel members gave presentations and participated in discussions – remotely as well as in person – at approximately a

dozen technical conferences. These events were primarily aimed at auditors and supervisory board members.

The speeches dealt mainly with national and European developments in enforcement. As in prior years, the FREP's Presidential Board delivered a speech on the enforcement priorities issued for the following year at the annual Financial Statement Oversight conference of Deutsches Aktieninstitut in November, which was held as a hybrid event this year. This speech was also presented at virtual events put on by the German Audit Committee Network and the Financial Experts Association in order to specifically raise supervisory board members' awareness of these issues.

## 5 Developments in Europe

### 5.1 ESMA Corporate Reporting Working Groups

In order to further harmonize enforcement in Europe, ESMA has various working groups on corporate reporting in which FREP representatives were members in 2020 (see Figure 13).

The Guideline on Enforcement of Financial Information Task Force, which includes a representative of the FREP, completed its activities for the time being by issuing the amended ESMA Guidelines on Enforcement of Financial Information on 4 February 2020. Following the publication of the official translations of the amended guidelines by ESMA on 23 November 2020, national enforcers are now required to notify ESMA whether they comply with the guidelines, stating their reasons in case they do not (fully) comply.<sup>12</sup> The revised guidelines generally become effective on 1 January 2022.<sup>13</sup>



Figure 13: Overview of ESMA Working Groups

The FREP's active participation in the EECS remained a key component of European cooperation in 2020. The EECS represents a permanent forum for national enforcers and ESMA to discuss IFRS application issues of transnational interest. Due to the Covid-19 pandemic, the EECS met in person only once in 2020, with the remaining six meetings conducted remotely. Along with the regular meetings, three events were held in connection with ESMA publications on various implications of the Covid-19 pandemic. In 2020, the FREP presented, on an anonymous basis, issues in the EECS meetings arising either from ongoing examina-

<sup>12</sup> See, for instance, par. 14 of the "Guidelines on enforcement of financial information" dated 4 February 2020 [German translation dated 23 November 2020]; the Guidelines can be downloaded from the ESMA website.

<sup>13</sup> Unless a decision is made at the national level to implement the changes earlier, revised Guidelines 5, 6, 6a, and 6b become effective on 1 January 2022 (ibid., par. 7).

tions as emerging issues (i.e. before a decision was taken in the national enforcement procedure) or from decisions taken in actual examinations. ESMA publishes extracts containing selected decisions of national enforcers discussed at the EECS meetings. A total of 261 decisions by national enforcers have been published in the 24 extracts published to date; for legal reasons, cases from Germany are not included. In addition, the FREP participated in a fact-finding investigation by ESMA in 2020 which addressed the implications of the Covid-19 pandemic on the semi-annual financial reports of particularly hard-hit industries. The results will be published in ESMA's activity report.

The FREP also participates in the permanent Narrative Reporting Working Group implemented in 2018. This working group was established in order to help create consistent, efficient, and effective enforcement practices on nonfinancial information disclosures and alternative performance measures. In 2020, the working group dealt mainly with the further harmonization of enforcement activities regarding nonfinancial statements. The members of the working group also continued to extensively discuss the various frameworks for preparation and disclosure of nonfinancial reports, since nonfinancial information remains highly significant.

Since the beginning of 2020, the FREP has also been represented in the permanent European Single Electronic Format Working Group. This working group is updating the regulatory technical standard (RTS) specifying the technical requirements of the single electronic reporting format. It develops guidelines on their correct application and encourages consistent enforcement practices with respect to enforcing the correct application of the RTS. In 2020, the working group met seven times, addressing, inter alia, the ESMA Conformance Suite, a set of files enabling users to determine whether the software they are using operates in conformance with ESEF. Additional topics addressed were enhancement of the RTS and enforcement of ESEF.

The temporary working group named Financial Institution Task Force established in 2018 continued its activities in 2020. Its subject remains application issues regarding IFRS 9 and issues relating to IFRS 17 – Insurance contracts – which is currently still undergoing the endorsement process. A representative of the FREP contributes his knowledge and experience to this task force as well.

## 5.2 Application of the European Single Electronic Format by German publicly listed companies

The amendment to the EU Transparency Directive<sup>14</sup> in 2013 required companies with securities listed on a regulated market within the EU to prepare their annual financial reports for fiscal years beginning on or after 1 January 2020 in the uniform European Single Electronic Format (ESEF). This requirement is further elaborated in the regulatory technical standard (RTS) developed by ESMA and the ESEF Regulation<sup>15</sup> issued by the European Commission. Under these requirements, consolidated IFRS financial statements must be tagged using a set iXBRL taxonomy.

As part of the process of implementing these European requirements in national law, the Deutsche Bundestag passed the ESEF Implementation Act<sup>16</sup> on 18 June 2020. Along with the amended disclosure requirements codified in section 328 HGB, the Act also amended section 342b (2) HGB, bringing publicly disclosed separate and consolidated financial statements and the related (group) management reports into the scope of enforcement.

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<sup>14</sup> Directive 2013/50/EU of 22 October 2013.

<sup>15</sup> Delegated Regulation (EU) 2018/815 of 17 December 2018.

<sup>16</sup> Act on the Further Implementation of the Directive Amending the Transparency Directive Regarding a Single Electronic Format for Annual Financial Reports [*Gesetz zur weiteren Umsetzung der Transparenzrichtlinie-Änderungsrichtlinie im Hinblick auf ein einheitliches elektronisches Format für Jahresfinanzberichte*]; Federal Law Gazette [*Bundesgesetzblatt*] 2020 Part I No. 38 of 18 August 2020.

## 6 Acknowledgements and outlook

During the year of its 15<sup>th</sup> anniversary, the FREP has confronted great challenges.

The cancellation of the acknowledgment agreement with proper notice by the BMJV in late June faced the FREP with the task of keeping the highly qualified and well-practiced enforcement panel team together and ensuring the usual professional performance of enforcement examinations during the latter half of 2020. For their excellent work, their loyalty, their great team spirit and their high level of commitment, sincerest thanks go to all employees of the FREP, especially the panel members, the vice president, and the managing director. Additionally, it is worth mentioning that both the rapid changeover of the FREP's operations from working in-office to working remotely from home and the preparations for the virtual ESMA peer review, both as regards technology and content, would scarcely have been possible without the eminent commitment of the technical officers and the technical IT officer.

We extend our sincerest thanks to the members of the Governing Board (an honorary role), especially to the chairman of the Governing Board. They dealt with a multitude of issues in numerous meetings during the latter half of 2020 while at the same time working to protect the reputation of the enforcement panel and its continued existence as well as providing outstanding advice to the FREP's leadership on all tasks at hand. In this respect, heartfelt thanks also go to the chairman of the FREP's Nomination Committee for his commitment. Many thanks, too, go to the members of the FREP association, who also actively worked to ensure the continuation of the two-tier enforcement regime with a FREP at the first tier.

Additionally, the FREP would like to thank the companies examined and their auditors for their willingness to cooperate and for the extensive technical discussions, and the BaFin and the APAS for the constructive collaboration. The FREP would also like to extend its particular gratitude to all others involved, who have generously supported it: The members of the Nomination Committee, our advisory group, the ASCG, the audit firms, the IDW, and the WPK. We would like to thank the responsible bodies at the BMJV and BMF for the consistently constructive dialog.

In 2021, signing a new acknowledgment agreement will be essential in order to continue the successful two-tier financial statement oversight model in a modified format starting in 2022. The FISG offers the opportunity to regain lost confidence in the capital markets by having the privately organized FREP perform the regular financial statement oversight procedures but

any cases of financial statement fraud immediately becoming the responsibility of the BaFin, which will be equipped with additional sovereign powers.

The enforcement of ESEF will have to be integrated into the operational examination process in 2021, following related preparations made in 2020. Additionally, the FREP will need to overcome the persistent challenges related to the Covid-19 pandemic – both with respect to the enforcement of financial reporting and the FREP's operations.

In the European context, the FREP, together with the BaFin, will continue to work closely with the European enforcers in 2021. As part of these activities, representatives of the FREP will regularly attend the meetings of the various ESMA Working Groups.

Finally, the FREP will once again focus on prevention activities in order to help improve the quality of financial reporting for the long term.

Professor Dr. Edgar Ernst  
(President of the Enforcement Panel)

## List of abbreviations

AktG	German Stock Corporation Act ( <i>Aktiengesetz</i> )
APAS	German Audit Oversight Body APAS at the Federal Office for Economic Affairs and Export Control ( <i>Abschlussprüferaufsichtsstelle APAS beim Bundesamt für Wirtschaft und Ausfuhrkontrolle</i> )
APM	Alternative Performance Measure
ASCG	Accounting Standards Committee of Germany ( <i>Deutsches Rechnungslegungs Standards Committee e. V.</i> )
BaFin	Federal Financial Supervisory Authority ( <i>Bundesanstalt für Finanzdienstleistungsaufsicht</i> )
BMF	Federal Ministry of Finance ( <i>Bundesministerium der Finanzen</i> )
BMJV	Federal Ministry for Justice and Consumer Protection ( <i>Bundesministerium der Justiz und für Verbraucherschutz</i> )
BMWi	Federal Ministry for Economic Affairs and Energy ( <i>Bundesministerium für Wirtschaft und Energie</i> )
CSR	Corporate Social Responsibility
EECS	European Enforcers Coordination Sessions
ESEF	European Single Electronic Format
ESMA	European Securities and Markets Authority
EU	European Union
FISG	German Law on Strengthening Financial Market Integrity ( <i>Finanzmarktintegritätsstärkungsgesetz</i> )
FREP	Financial Reporting Enforcement Panel ( <i>Deutsche Prüfstelle für Rechnungslegung DPR e. V.</i> )
DRS	German Accounting Standard ( <i>Deutscher Rechnungslegungs Standard</i> )
GoB	German principles of proper accounting ( <i>Grundsätze ordnungsmäßiger Buchführung</i> )
HGB	German Commercial Code ( <i>Handelsgesetzbuch</i> )
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDW	Institute of Public Auditors in Germany ( <i>Institut der Wirtschaftsprüfer e. V.</i> )
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering

iXBRL	Inline Extensible Business Reporting Language
KWG	German Banking Act ( <i>Kreditwesengesetz</i> )
NFI	Nonfinancial information
RTS	Regulatory technical standard
WpHG	German Securities Trading Act ( <i>Wertpapierhandelsgesetz</i> )
WPK	German Chamber of Public Accountants ( <i>Wirtschaftsprüferkammer KöR</i> )
WPO	German Public Accountant Act ( <i>Wirtschaftsprüferordnung</i> )

## **Attachments**

- Attachment I: Annex 4 of ESMA's Peer Review Report (ESMA42-111-5349) – FREP's statement in response to the fast track peer review report
- Attachment II: How to access previously published findings of an error
- Attachment III: Selected anonymized recommendations for future financial reporting purposes made by the FREP in 2020

## **Annex 4 of ESMA's Peer Review Report (ESMA42-111-5349) – FREP's statement in response to the fast track peer review report**



### **FREP's statement in response to the fast track peer review report**

FREP welcomes the objective of the peer review to promote best practice across NCAs and ESMA with a view of harmonising enforcement activities and enhancing the effectiveness of the financial reporting supervisory system. However, FREP does not agree with the ratings given to FREP by the PRC. The findings do not adequately reflect or correspond to the tasks and responsibilities under the legal framework for financial reporting enforcement applicable to FREP, are not supported by the evidence and explanations provided during the review process and are distorted by hindsight bias.

The European examination framework was designed to identify errors in financial reporting, not sophisticated fraud schemes initiated and maintained by the management board. In fact, neither the Transparency Directive nor the GLEFI address or require fraud examinations. On the contrary, the statutory framework in which FREP operates relies explicitly on the examined company's cooperation, which includes providing truthful and accurate information and statements. Accordingly, FREP, as a private entity designated under the Transparency Directive, is not vested with the same powers and resources as a public authority and is neither equipped nor mandated to detect fraud schemes, in particular when conducted with such a high degree of criminal energy as in the case of Wirecard.

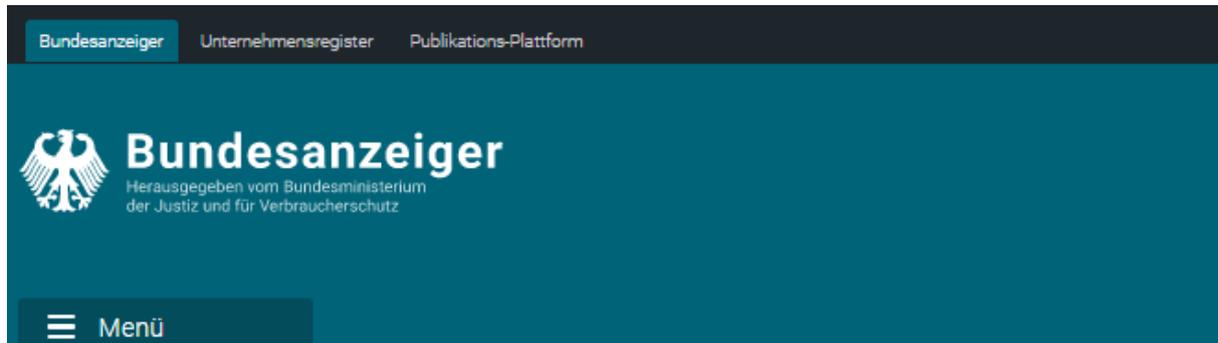
First, FREP does not agree with the PRC's assessment of FREP's selection methods with respect to the allegations against Wirecard in the media between 2015 and 2018. In FREP's view this does not fairly reflect the predominant picture of the company during that period. In fact, when exercising our professional judgement, we addressed potential risks in connection with the allegations and considered Wirecard's overall coverage in the media. At the time, the company was widely regarded a flagship of the German Fintech innovation and the predominant view in the media was very positive.

Second, FREP does not agree with the PRC's assessment relating to the examination practices concerning the 2014 financial report. The scoping and procedures of examinations including the handling of allegations that arose during the examination and documentation were appropriate and based on the assumption that the documentation provided by the company was accurate and not intentionally forged and that Wirecard's management and staff were cooperating truthfully with FREP. This assumption was and is in line with the statutory framework and expectations applying to FREP when conducting an examination. In this context it appears important to note that the German prosecutor, citing a crown witness, found that Wirecard's management decided in late 2015 to implement the fraud scheme.

Finally, FREP notes that despite the PRC's intention and measures to avoid hindsight bias, the assessment is tainted by the distortions that arise from it and does not fairly account for the information that was available and reasonably obtainable to FREP within its legal powers and resources during the 2015-2018 period.

FREP believes that it has been conducting the examinations appropriately and the approach as to scoping and conducting its examination has been in line and complied with the expectations reflected in the Guidelines on the Enforcement of Financial Information.

## Attachment II: How to access previously published findings of an error



Error findings published to date [*in German only*] can be accessed via the website of the Federal Gazette as follows:

1. Open the website of the Federal Gazette: [www.bundesanzeiger.de](http://www.bundesanzeiger.de) and switch to English (click button “DE” in the upper right corner of the display and change to “EN”)
2. Click on “Extended search”
3. Click the area “Accounting / financial reports”, then select “Error notices”
4. Optional: Enter search term in upper input field (for example “IAS 12” or “XYZ AG”)
5. Optional: Date filter “Publication period”
6. Click on “Search”

**Attachment III: Selected anonymized recommendations for future financial reporting purposes made by the FREP in 2020 [in German only]**

<b>Recommendations 2020</b>	
<b>Business combinations and disposals / goodwill</b>	<ul style="list-style-type: none"> <li>• Bei der Ermittlung des Nutzungswertes zum Zweck der Werthaltigkeitsprüfung ist künftig sicherzustellen, dass der verwendete Abzinsungssatz die Risiken widerspiegelt, die in den geschätzten künftigen Cashflows enthalten sind (IAS 36.55f). Sollte sich der erwartete Erfolg der durchgeführten Investitionen nicht wie geplant einstellen, so sind die Annahmen des Werthaltigkeitstests im Hinblick auf die Werthaltigkeit des Geschäfts- oder Firmenwertes kritisch zu überprüfen. Zudem sind künftig im Anhang die zugrundeliegenden Annahmen zur Cashflow- bzw. Ergebnis-Entwicklung im Detailplanungszeitraum und beim Übergang in die sogenannte ewige Rente anzugeben, so dass die Ausgangsbasis für die Sensitivitätsberechnung erkennbar wird (IAS 36.134 (d) (i) und (ii) sowie (f)).</li> <li>• Bitte beachten Sie bei zukünftigen Unternehmenserwerben, dass die übertragene Gegenleistung nach IFRS 3.37 zum beizulegenden Zeitwert zu bewerten ist (langfristig fällige Kaufpreiszahlungen sind abzuzinsen).</li> <li>• Bitte beachten Sie bei zukünftigen Unternehmenserwerben, dass bei vorläufiger Bilanzierung eines Unternehmenszusammenschlusses nach IFRS 3.45 i.V.m. IFRS 3.B67 a) ii) die Posten, für welche die Bilanzierung unvollständig ist, anzugeben sind.</li> <li>• Zukünftig sind bei Wertminderungstests etwaig bestehende spezifische Risiken des Bewertungsobjektes mittels Adjustierung der konzerneinheitlich ermittelten Kapitalkosten zu berücksichtigen, soweit dies nicht durch die Anpassung prognostizierter Zahlungsströme erfolgt. Dies gilt unabhängig davon, ob der erzielbare Betrag als Nutzungswert (IAS 36.A15 und IAS 36.A18) oder als beizulegender Zeitwert abzüglich Kosten (IFRS 13.B13) bestimmt wird.</li> </ul>

**Recommendations 2020****Revenue recognition**

- Für die zukünftige Rechnungslegung sind die Werbekostenzuschüsse (WKZ) grundsätzlich nicht als Umsatz oder sonstiger betrieblicher Ertrag, sondern gem. IAS 2.11 als Kürzungen der Anschaffungskosten zu berücksichtigen, da sie wirtschaftlich Anschaffungskostenreduzierungen darstellen. Dies gilt insbesondere dann, wenn die Zuschüsse weder an konkrete Marketingleistungen noch an den Nachweis von Marketingaufwendungen geknüpft sind und nicht mit diesen Aufwendungen korrelieren, sondern umsatzabhängig gezahlt werden. Dies gilt auch dann, wenn Zuschüsse gezahlt werden, um Preissenkungen durch Kunden zu ermöglichen (z.B. Listing Fees). Sonstige betriebliche Erträge sind typischerweise dann zu erfassen, wenn Zuschüsse an konkrete, nachzuweisende Marketingaufwendungen geknüpft sind. Umsätze liegen nur bei gewöhnlicher Geschäftstätigkeit vor und ohnehin nur dann, wenn vertraglich eigenständig abgrenzbare Dienstleistungen vereinbart wurden (u.a. IFRS 15.6, IFRS 15.22).
- Umsätze aus dem Vertrieb von Standard-Softwarelizenzen sind künftig entsprechend IFRS 15.B36 netto auszuweisen (Bilanzierung als Agent), wenn die im Zusammenhang mit dem Softwarevertrieb erbrachte Beratungsleistung vordergründig auf die Erfüllung der Lizenzierungsvorgaben des Softwareherstellers gerichtet ist und keine signifikante, vom Kunden nachgefragte Integrationsleistung im Sinne von IFRS 15.29 darstellt. Bei der Beurteilung, ob es sich bei der Beratungsleistung potenziell um eine signifikante Integrationsleistung handeln kann, sind zusätzlich folgende Aspekte zu berücksichtigen: das Verhältnis des Beratungsaufwands und des Lizenzwerts; das primäre Interesse des Softwareherstellers an sachgerechter Lizenzierung, die für die Höhe seiner Einnahmen ausschlaggebend ist; die Tatsache, dass (bei bestimmten Vertragsmodellen) eine Vergütung für einen erfolgten Lizenzverkauf vom Softwarehersteller geleistet wird sowie die Tatsache, dass die Beratungsleistung zeitlich vor der Angebotserstellung, also auch in Fällen, in denen kein Software-Verkauf zustande kommt, erbracht wird.
- Eine tiefere Aufgliederung der Umsätze aufgrund der unterschiedlichen Art, Höhe und Unsicherheit der Erlöse und Zahlungsströme ist für eine erhöhte Transparenz künftig erforderlich (IFRS 15.114).

### Recommendations 2020

<b>Management reports</b>	<ul style="list-style-type: none"> <li>• Im Hinblick auf die Art und die teilweise geringe Höhe der im Geschäftsjahr bereinigten Sondereffekte empfehlen wir, das Vorgehen bei der Einstufung von Sachverhalten als zu bereinigender Sondereffekt im Rahmen der Konzernlageberichterstattung kritisch zu hinterfragen.</li> <li>• Bitte überprüfen Sie, ob die auf der Homepage ihres Unternehmens veröffentlichte nichtfinanzielle Erklärung (CSR-Bericht) und die Angaben zum Diversitätskonzept den Mindestanforderungen der §§ 289c und 315c HGB sowie der §§ 289f Abs. 2 Nr. 6 und 315d HGB an den Inhalt entsprechen.</li> <li>• Sieht man sich als Technologieführer, kommen den quantitativen Angaben zu Forschungs- und Entwicklung ein erhöhter Informationswert zu (DRS 20. 49). Dabei kommt es nicht auf einen organisatorisch abgegrenzten Forschungs- und Entwicklungsbereich an. Auch erfordern IAS 38. 126 f. quantitative Angaben zu den Aufwendungen für Forschung und Entwicklung, soweit eine Aktivierung nicht geboten ist. Bitte gewährleisten Sie künftig, dass die Berichterstattung mit der verstärkten Bedeutung von Forschung und Entwicklung Schritt hält.</li> </ul>
<b>Financial instruments</b>	<ul style="list-style-type: none"> <li>• Verpflichtungen aus Besserungsscheinen sind bereits im Zugangszeitpunkt unter Berücksichtigung der zu diesem Zeitpunkt vorliegenden Kenntnisse bezüglich der Leistungen, die daraus voraussichtlich zu erbringen sein werden, mit dem beizulegenden Zeitwert zu bilanzieren (IFRS 9.3.3.2 in Verbindung mit IFRS 9.5.1.1).</li> <li>• Die Angaben zur Berücksichtigung zukunftsorientierter Informationen (IFRS 7.35G (b)) bei der Anwendung der IFRS 9-Impairmentvorgaben sind zukünftig zu konkretisieren. Es ist zudem im Hinblick auf die historisch niedrigen Ausfallraten in den letzten Jahren und den Erwartungen zur künftigen wirtschaftlichen Entwicklung aufgrund der Corona-Pandemie zu überprüfen, ob die zeitliche Beschränkung etwaiger Anpassungen von Parametern für die Ermittlung erwarteter Kreditverluste auf zwei Jahre angemessen sind (IFRS 9.B5.5.50 und IFRS 9.B5.5.52).</li> </ul>

<b>Recommendations 2020</b>	
<b>Financial instruments</b>	<ul style="list-style-type: none"> <li>• Sofern die Ermittlung erwarteter Kreditverluste auf Basis einer Wertberichtigungsmatrix erfolgt, müssen für die Ableitung von Kreditausfallraten zukünftig alle relevanten Kreditverluste, die in der Vergangenheit für das jeweilige Portfolio angefallen sind, berücksichtigt werden (IFRS 9.B5.5.35).</li> </ul>
<b>Note disclosures</b>	<ul style="list-style-type: none"> <li>• In den Erläuterungen zur Segmentberichterstattung ist die Einstufung als Ein-Segment-Unternehmen deutlicher darzustellen und ausführlicher zu begründen (IFRS 8.22).</li> <li>• Der Umfang und die Ausgestaltung der Factoring- und Reverse Factoring-Geschäfte sind künftig entsprechend ihrer Wesentlichkeit so darzustellen, dass deren Bedeutung für die Finanz- und Liquiditätslage des Konzerns (§ 315 Abs. 1 HGB) sowie die Liquiditätsrisiken (IFRS 7.33 – 35) beurteilt werden können; die Angaben zu den Factoring-Geschäften nach IFRS 7.42E sind zu ergänzen. Darüber hinaus ist das ausgeübte Ermessen bei der Abbildung dieser Geschäfte zukünftig transparent im Konzernanhang darzustellen (IFRS 1.122).</li> </ul>
<b>Provisions</b>	<ul style="list-style-type: none"> <li>• Drohende Verluste aus gegenüber Kunden unverbindlich unterbreiteten Angeboten sind gemäß IAS 37.10 nicht rückstellungsfähig.</li> <li>• Zukünftig sind Rückstellungen i.Z.m. der Beendigung der Arbeitsverhältnisse von Managementpositionen erst zu erfassen, wenn ein hinreichend detaillierter, formaler Plan existiert und an den zum Abschluss des Plans erforderlichen Annahmen sich ablesen lässt, dass an dem Plan wahrscheinlich keine wesentlichen Änderungen mehr vorgenommen werden (IAS 19.167).</li> </ul>
<b>Leases</b>	<p>Erlöse aus weiterbelasteten Betriebskosten, denen keine Leistungserbringung gegenübersteht (z.B. Grundsteuer oder Kosten der Gebäudeversicherung) sind gemäß IFRS 16.B33 den trennbaren Komponenten des Leasingvertrages zuzuweisen. Soweit diese der Leasingkomponente zuzuordnen sind, sind die Erlöse als Teil der Mieterlöse zukünftig brutto auszuweisen.</p>

**Recommendations 2020**

<b>Current and deferred tax</b>	Zukünftig ist die Saldierung wesentlicher positiver und negativer Beträge, wenn sie unterschiedliche Sachverhalte betreffen, in der Steuerüberleitungsrechnung zu vermeiden und eine Bezeichnung der Zeilen in der Steuerüberleitung zu wählen, die die enthaltenen Sachverhalte deutlicher zum Ausdruck bringt (IAS 12.84).
<b>Shareholders' equity</b>	Für ein besseres Verständnis der nicht beherrschenden Anteile sind zukünftig detailliertere Angaben wie beispielsweise eine Beschreibung der vom Anteilsbesitz abweichenden Gewinnverteilungsregelungen - verbunden mit einer Überleitung der Finanzinformationen des beherrschten Tochterunternehmens auf den nichtbeherrschenden Anteil laut Konzernabschluss - zu machen (IFRS 12.10(a)(ii) i.V.m. IAS 1.112 (c)).