

Göran Tidström  
Chairman of the EFRAG Supervisory Board

via email: [info@efrag.org](mailto:info@efrag.org)

Dear Mr Tidström,

**Re: Enhancement of EFRAG - Proposals for Public Consultation**

The German Cooperative and Raiffeisen Confederation e. V. (DGRV) is pleased to submit our general remarks regarding the proposals to strengthen the European contribution to the international standard-setting process, published by EFRAG in July 2008.

Agreement

We support the principal objective that EFRAG should continue to ensure that European views on the development of financial reporting are properly and clearly articulated in the international standard setting process, in particular by responding to proposals issued by the International Accounting Standards Board (IASB) and via providing increased proactive input to the IASB.

Considering the changes in the international financial reporting environment we also agree that it is necessary for Europe to provide its input and advice to the IASB.

It is important to ensure that views expressed by EFRAG are not dominated by any single interest group or constituency. Therefore it is essential, that responsible members acting for EFRAG are independent. They must be committed to acting in European public interest.

We agree that EFRAG has to consider the interests of the various stakeholder groups in Europe, including those preparers and users of entities that are required by law to apply IFRS. Therefore EFRAG's activities should be based on balanced participation of all relevant stakeholders.

Disagreement

We doubt whether the proposals set out in the public consultation present a practical way forward supported by all stakeholders. The discussion paper proposes that the concept of "associate members" of EFRAG may be introduced to enable other European organisations "to play a limited role in EFRAG in return for a lower contribution to the funding of EFRAG". In this way it is hoped to attract stakeholder organizations representing professions and sectors that are currently not or only insufficiently represented in EFRAG. An "associate member" would be entitled to attend the General Assembly – but would have no voting rights. We think EFRAG needs to represent all financial reporting stakeholders. Without voting rights there is no effective opportunity for an "associate member" to participate in the proposed governance structure of EFRAG.

The decision to oblige listed companies in the EU to apply IFRS in their consolidated financial statements significantly changed IASB's role as international standard setter. The EU decision turned IASB into a virtual law maker. This is also relevant for non-listed companies like co-operatives or family-owned entities as far as an increasing number of SMEs apply IFRSs on a voluntary basis. Thus the requirements of SMEs represented by their stakeholder organisations also need to be articulated and represented effectively in the international standard setting process as well as in the governance structure of the new EFRAG. Therefore we recommend to provide voting rights also for "associate members" in the General Assembly. Furthermore in all other organs (the Supervisory Board, the Planning and Resource Committee, the Technical Expert Group and the Consultative Group) experts with SME background should be represented adequately. Otherwise the governance structure of the new EFRAG would be far away from being balanced: The governance process wouldn't be based on balanced participation if the major group of European entities wouldn't be able to participate in the governance structure of the new EFRAG due to missing voting and participation rights.

In addition we see in the EU parliament resolution of April, 24<sup>th</sup> 2008 a strong and clear request to strengthen the European contribution to the international standard-setting process. In its resolution the EU parliament pointed out that the Fourth and Seventh European Company Law Directives should continue to be the legal framework for annual financial statements of SMEs in the EU. As a result it called on the European Commission to arrange a thorough consultation procedure concerning the development of an accounting framework for SMEs in the EU along the lines of ordinary legislative proposals. Therefore in our view advising the European Commission on the development of self contained, independent and comprehensive accounting regulation for SMEs – based on the Fourth and Seventh Company Law Directive – should be another core objective of the new EFRAG. In this regard it is necessary for EFRAG to attract stakeholder organizations representing SME professions and sectors that currently are insufficiently or even not represented in EFRAG's institutions. This should also be observed in the reform of EFRAG's structure.

Finally, EU Parliament complains the existence of numerous organisations involved in the European standard setting process with overlapping competences. Hence EFRAG's structure should be reviewed in this context, especially regarding the Accounting Regulatory Committee (ARC), the Standards Advice Review Group (SARG) and the Roundtable for the consistent application of the IFRS in EU.

Overall, we disagree with the reorganisation of EFRAG in the proposed form. From the perspective of cooperative entities and other SMEs the proposals do not adequately reflect the central requests of the above mentioned EU parliament resolution concerning the representation of SMEs in the standard setting process and the aim to develop a European accounting framework based on current European accounting directives. We encourage EFRAG to review its proposals.

Please feel free to contact representatives of DGRV (Eckhard Ott, [ott@dgrv.de](mailto:ott@dgrv.de), Ulf Jessen, [jessen@dgrv.de](mailto:jessen@dgrv.de)), if you have any questions or desire further exchange of information.

With kind regards,  
German Cooperative and Raiffeisen Confederation e. V.

A handwritten signature in black ink, appearing to be 'Eckhard Ott', written in a cursive style.

Dr Eckhard Ott  
Chairman

A handwritten signature in black ink, appearing to be 'Ulf Jessen', written in a cursive style.

Ulf Jessen  
Technical Director