

EFRAG  
European Corporate Reporting Lab  
35 Square de Meeûs  
B-1000 Brussels  
Belgium

Weinheim, 26/06/19

Dear Sir or Madam,

**RE: EUROPEAN LAB CONSULTATION ON FUTURE PROJECTS**

We appreciate the opportunity to comment on EFRAG's consultation regarding the future projects of the European Corporate Reporting Lab @EFRAG (European Lab).

The Association for Participation in the Development of Accounting Regulations for Family-owned Entities (VMEBF) was founded in 2006 and consists of German companies with a strong family shareholder background. Beyond its members, the association represents a huge number of family-owned large and medium-sized entities in Germany, often legally organised in the form of partnerships. The objective of the VMEBF association is to make the role of German family businesses as stakeholders in the development of international financial reporting more visible and to act as a constructive partner for the standard setters. We work closely together with the German standard setter ASCG (Accounting Standards Committee of Germany) and the German Institute of Chartered Auditors (IDW – Institut der Wirtschaftsprüfer in Deutschland e.V.) as well as other political institutions.

We agree with the principal focus of the activities of the European Lab. However, we believe that the European Lab should – irrespective of what will be its next projects – have in mind the impact of its activities on non-listed or family-owned entities. Although those entities generally are not in the scope of the Non-Financial Reporting Directive, the activities of the European Lab will affect their business models and reporting practices, mainly due to the importance of those entities in the supply chains of large (listed) entities. Having this in mind, the European Lab should seek to include the perspectives of SMEs and non-listed or family-owned entities when discussing each of the projects suggested in the current consultation document.

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With regard to the proposed projects, please find our priorities and reasoning below.

**Project 1.1** – Reporting on human rights and other social matters in the supply chain

***Priority***

- Highest
- Medium
- Lower

***Reasoning for our selection and ranking***

Although we acknowledge the importance of reporting on certain aspects that are – in a wider sense – addressed within the Non-Financial Reporting Directive, we do not think that those are the most pressing reporting challenges with regard to non-financial reporting. We rather think that corporate practice may shortly develop best practice standards on how and what to report in the context of human rights and other social matters in the supply chains of reporting entities. Moreover, we observe various initiatives already addressing those topics on a national or supranational level.

**Project 1.2** – Reporting on human capital management

***Priority***

- Highest
- Medium
- Lower

***Reasoning for our selection and ranking***

Since many years, the shortage of skilled labor is an enormous risk for entities in several European countries. Moreover, in most industrialized countries know-how and other intangible assets that are not recognized in the financial statements are among the most important factors driving business performance and value creation. As a consequence, human capital is also an important driver for the sustainability of entity business models in an innovative environment. Having said that, we believe that a project on reporting on how an entity manages its human capital seems to have a high priority.

**Project 1.3** – Reporting on human capital and social capital impacts of climate adaptation and mitigation policies

***Priority***

- Highest
- Medium
- Lower

***Reasoning for our selection and ranking***

As already pointed out in our assessment of project 1.2, human capital seems to be one of the most important value drivers in an innovative environment. Moreover, we believe that innovation is the only way to counteract anthropogenic climate change. With that in mind, we would also give a project on reporting on human capital and social capital impacts of climate adaptation and mitigation policies a high priority.

**Project 2** – Reporting of non-financial risks and opportunities, and linkage to the business model

***Priority***

- Highest
- Medium
- Lower

***Reasoning for our selection and ranking***

We observe some uncertainties in relation to the reporting of non-financial risks (according to e.g. the Non-Financial Reporting Directive) and especially their linkage to entity business models. Moreover, current regulation remains silent on reporting of the non-financial opportunities of an entity. We would expect the project to focus especially on that last-mentioned aspect of non-financial reporting. However, as reporting of risks and opportunities is not new for most entities (although primarily in a financial context) we believe that project 2 should only be given a medium priority.

**Project 3** – Reporting on the materiality assessment process and outcomes for Environment, Social and Governance (ESG) matters

***Priority***

- Highest
- Medium
- Lower

***Reasoning for our selection and ranking***

As the assessment of materiality is addressed in several reporting frameworks and most entities already have installed processes and routines regarding materiality assessment, we do not think that project 3 should be given a high priority.

**Additional questions:**

***Are there other topics that you advise the European Lab to add to its agenda?***

We believe that the projects as pointed out in the consultation document are appropriate and leave enough room for discussion.

**Please provide any details of interaction you may be aware of with the work of other initiatives, in respect of the topic you rank as highest priority:**

No comments.

If you have any further questions or like to talk about our reasoning, please do not hesitate to contact us.

Kind regards,

Association for Participation in the Development of  
Accounting Regulations for Family-owned Entities (VMEBF)



Andreas Janssen



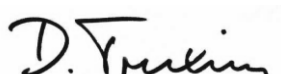
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