

Le Directeur Général

Jean-Paul Gauzès
President
European Financial Reporting Advisory Group
35 Square de Meeûs
B-1000 Brussels, Belgium

Paris, 12 November 2020

Dear President,

Following the invitation Mr Valdis Dombrovskis, Executive Vice-President of the European Commission, extended to you on an *ad personam* basis, you have consulted stakeholders to collect views on the possible changes to the governance and financing of EFRAG, if EFRAG were entrusted with the development of possible EU non-financial reporting standards. In this context Afep member companies, who include the most active and transparent companies in terms of non-financial reporting, wish to share with you their priorities and vision regarding EFRAG's potential role in this field. As of today, Afep member companies cannot however answer the specific questions raised in your consultation, pending the decision from the European Commission regarding a future European non-financial reporting framework and the review of the Non-Financial Reporting Directive (NFRD) and in the absence of details regarding the missions that EFRAG could be entrusted with.

Afep member companies acknowledge the key role EFRAG plays in the field of international accounting standardisation through its contribution to the IASB's consultations and advice provided to the European Commission in the endorsement process of newly issued IFRS. EFRAG is thus most instrumental in adapting IFRS to the needs of European companies. Companies also consider that the public-private partnership strengthens Europe's positions vis-a-vis the IASB and ensures the participation of preparers in the endorsement process. This partnership should be preserved. They support the establishment of the European Corporate Reporting Lab and the extension of EFRAG's remit in order to stimulate innovation in the field of corporate reporting by identifying and sharing good and new practices. In this regard, the Lab constitutes an appropriate forum to reflect on a voluntary basis on the interactions between financial and non-financial reporting. Afep members participate actively in the work of the Lab and several Afep members are part of the task force chaired by Mr Patrick de Cambourg (PTF-NFRS).

Afep is supportive of a European action in the field of non-financial reporting standardisation aiming to foster convergence among international initiatives and to promote a European approach. The purpose of such an initiative would not be restricted to the definition of a common set of indicators but would also be to promote the efforts made by French and European companies, which are considered leaders in terms of non-financial reporting, to streamline international investors' requests for non-financial data and eventually to prevent companies from having to comply with multiple reporting standards. As a matter of fact, Afep member companies – and generally speaking large European companies – are global when it comes to their markets, shareholders or investors. Companies face increasing pressure from international investors, customers and commercial partners to comply with their demands. In particular international investors which represent a significant share of large public companies' equity do not show great interest in European reporting requirements.

They prioritise and require disclosures established in accordance with the SASB standard or the recommendations of the TCFD. If a European reporting standard were adopted these investors would probably not change their practices. Large companies therefore consider that the establishment of a European standard-setter in this field, without regards to existing international initiatives, would not streamline the flow of requests from stakeholders they face.

Companies invite the European Union to exert greater influence on international reporting and standardisation initiatives in order to promote European work and capitalise on French and European companies' experience. In this regard, EFRAG could play a major role by strengthening for instance the capacity of the Lab and building on the current agenda: the work of EFRAG's task force could be a source of proposals in international fora. EFRAG's influence could be focused on the following topics:

- Promote a set of common principles for all existing and future standardisation initiatives ; the lack of progress of the harmonisation work undertaken through the Corporate Reporting Dialogue may be tied to the absence of such common principles bringing together the different approaches;
- Identify European specificities and promote them at international level ; put forward amendments to international standards deemed necessary to allow their implementation by European companies;
- Establish effective coordination between European requirements and international standards;
- Guarantee a level playing field between European companies and competitors from third countries by ensuring that European companies are not put at a disadvantage by inappropriate and overburdensome disclosure requirements.

As regards the reporting requirements laid down by European legislation in force (the "Taxonomy" and "Disclosure" regulations), companies insist on the need for simplification. They take stock of the fact that the development of indicators required by this legislation has already started and proves that it is neither necessary to amend existing processes nor the powers of European institutions. Regarding disclosure requirements that would result from the review of the NFRD, the Sustainable Finance Platform established by the European Commission and EFRAG could provide expertise without the need for an amendment of their mandate.

Afep remains at your disposal to answer any question or provide any clarification you deem necessary.

Yours sincerely,

François Soulmagnon

