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**Consultation document on your ad personam mandate on potential need for changes to the governance and funding of EFRAG**

Dear Mr Gauzès,

On behalf of the German Insurance Association (GDV) we appreciate the opportunity to respond to the consultation document on your ad personam mandate on potential need for changes to the governance and funding of EFRAG. In the last two decades EFRAG built an enormous reputation due to its outstanding achievements in the financial reporting area. In the recent past EFRAG has expanded its expertise in non-financial reporting through the European Corporate Reporting Lab @ EFRAG. With its three task forces, the Reporting Lab has already addressed urgent key topics on non-financial reporting, providing proof that EFRAG is very well suited for serving the European public interest also in the non-financial reporting field.

From our perspective, EFRAG has achieved these outstanding results because of its current well-functioning governance structure. However, with an ever-increasing European public interest in sustainability, the European Union has initiated the transition to a more sustainable society and economy. In fact, with its legal framework, the EU has already become the leader in sustainable finance for which the Non-Financial Reporting Directive (2014/95/EU) (NFRD) builds an essential foundation. Consequently, non-financial reporting needs to be further developed to address all the connected multifaceted challenges in this rapidly evolving field. In order to quickly advance the necessary standard drafting process in non-financial reporting, we believe from the current perspective that EFRAG is best suited to fulfil this task in this regard. With the envisaged amendments to the existing governance structure, EFRAG can achieve significant short-term progress at the EU level in order to improve non-financial data quality and availability. In the mid- and long-term, EFRAG could then evolve and aim at stopping the ongoing global fragmentation of non-financial reporting.

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Therefore, it is of utmost importance to ensure compatibility of the initiatives of EFRAG with relevant global initiatives, particularly considering the promising IFRS Foundation's initiative on sustainability reporting which we also support. Both aligned, there is great potential to facilitate a more effective and efficient corporate reporting as well as to serve the growing information needs of sustainable investors operating and investing globally. We truly believe that a robust framework at the global level remains a desirable ultimate objective with the EFRAG's work at EU level as an inherent part of it.

The German insurers believe therefore that the following aspects should be necessarily considered as essential preconditions for the successful outcome of all these valuable efforts at EU level as laid down in your important consultation document:

- Both compatibility with global initiatives and interconnectivity between financial and non-financial reporting must be ensured.
- Only the full two-tier structure, including the two Reporting Boards proposed in the consultation document, is appropriate if considering the importance of the issues and functions to be covered.
- Furthermore, members at all levels of the non-financial pillar should have the necessary level of experience and a good understanding of the reporting processes in practice. Hence, representatives of the private sector with a high level of industry-specific expertise should be properly involved in the envisaged standard drafting process. It would avoid creating unproportionate reporting obligations.
- A robust funding for the non-financial reporting pillar should be provided via a separate budget from the European Commission as the most appropriate approach considering the purpose of the mission.
- EFRAG should resume the independent role as a drafter of standards; with the Commission, the European Parliament and the Council retaining the formal power to set standards as part of the law. At a later stage, with a generally accepted global standard-setting process for non-financial reporting in place, EFRAG could provide the necessary endorsement advice.

We would be delighted if you would like to discuss our response further.

With best regards



Götz Treber  
Head of Centre of Competence  
Corporate Management and Regulation



Lenka de Mauro  
Head of European and  
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