

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

Brussels, 13 November 2020

Dear Mr Gauzès,

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, EuropeanIssuers welcomes the opportunity to share with you its priorities and vision regarding EFRAG's potential role in this field. However, EuropeanIssuers cannot, at the moment, answer the specific questions raised in your questionnaire, 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.

EuropeanIssuers acknowledges 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. EuropeanIssuers also considers 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. We 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. The Lab, which constitutes an appropriate forum to reflect on a voluntary basis on the interactions between financial and non-financial reporting, is also of great interest to EuropeanIssuers, as several of our members participate actively in its work.

EuropeanIssuers supports 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 principles. It would also be to promote the efforts made by 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, considering the international nature and approach of most of EuropeanIssuers' members, regarding their markets, shareholders or investors, it is worth stressing the increasing pressure they face from international investors, customers and commercial partners to comply with their demands, with particular regards to international reporting requirements. If a European reporting standard were adopted, these investors would probably not change their practices. European 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. For this purpose, considering that most European companies use several different standards to prepare the non-financial statement, with a particular predominance of the GRI framework,¹ we believe that any European initiative in this field should start by referring to them.

EuropeanIssuers invites the European Union to exert greater influence on international reporting and standardisation initiatives in order to promote European work and capitalise on European companies' experience. 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.

EuropeanIssuers also insists on the need for simplification with regards to the reporting requirements laid down by European legislation in force (the "Taxonomy" and "Disclosure" regulations). We take stock of the fact that the development of indicators required by this legislation has already started and prove 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.

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

¹ E.g. most of the Italian and German companies publish their non-financial statements under the NFRD using the GRI framework. In particular, 62% of German companies analysed in an EY study use the GRI framework to prepare the non-financial statement (Source: EY, CSR-Richtlinie Umsetzungsgesetz, Die nichtfinanzielle Erklärung – ein Überblick über das Berichtsjahr 2018, 2019). At the same time, 88% of German companies analysed in a Kirchhoff BDO study use the GRI framework (Source: Kirchhoff, BDO, Nachhaltig gut berichten! Verdrängt die CSR-Berichtspflicht die bisherige Nachhaltigkeitsberichterstattung 2019).

Yours sincerely,



Florence Bindelle

Secretary General

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We aim to ensure that EU policy creates an environment in which companies can raise capital through the public markets and can deliver growth over the longer-term. We seek capital markets that serve the interests of their end users, including issuers. For more information, please visit www.europeanissuers.eu