

Brussels, 1 October 2020

Dear Madam, Sir

Re: Ad personam mandate on Non-Financial Reporting Standard Setting

The European Commission adopted an updated Work Programme on 27 May 2020 that foresees the publication of a legislative proposal to revise the Non-Financial Reporting Directive (NFRD). Subsequently, the European Commission has mandated EFRAG to undertake preparatory work for the elaboration of possible EU non-financial reporting standards. This mandate is being carried out by a multi-stakeholder [European Lab Project Task Force \(PTF\)](#).

In addition, Executive Vice-President Valdis Dombrovskis has [invited me](#), on an *ad-personam* basis, to provide recommendations on the possible changes to the governance and financing of EFRAG, in case EFRAG were entrusted with the development of possible EU non-financial reporting standards. This invitation is accompanied by an [Annex](#) providing the context within which the question of possible European reporting standard under the NFRD is being considered.

As I aim to provide well informed recommendations to the European Commission, I would like to obtain the contribution of views by all stakeholders with an interest in my mandate. Therefore, I invite you to contribute your views by responding to the questionnaire, attached to this letter, which will allow me to develop the proposals for possible changes to the governance and funding of EFRAG. Thereafter, these proposals will be subject to further public consultation.

I would appreciate to receive the contribution of your views on or before **30 October 2020** to nominations@efrag.org with a copy to myself,

I thank you in advance for your cooperation and contributions.

I also thank those of you that have already provided input since my *ad personam* mandate was made public. I invite to provide me with additional input in case they wish to address additional issues addressed in the questionnaire.

I would be pleased to respond to any questions you may have.



Jean-Paul Gauzès

EFRAG Board President

E jean-paul.gauzes@efrag.org **T** +33-(0)6 15 38 82 24 | **W** www.efrag.org

ANNEX: QUESTIONNAIRE

Deadline for completion: **30 October 2020**

Email: Nominations@efrag.org with copy to jean-paul.gauzes@efrag.org

Your response will be uploaded to the EFRAG website, unless you indicate otherwise.

In your opinion, if EFRAG were entrusted with the development of possible EU non-financial reporting standards in a revised NFRD, how would the following general and specific considerations, identified as relevant to standard setting mechanism, apply if EFRAG were to be the standard setter? (NB: this does not affect EFRAG' present mission)

1. Governance – Structure and due process

- 1.1 Standards need to be developed in the public interest and no individual category of stakeholder may exercise undue influence: How can it be best ensured that standards are developed based on **an inclusive and transparent due process**? What should be the characteristics of such a due process?
- 1.2 **Relevant European institutions and agencies** shall be invited to be fully involved in the development of future standards, including the European Securities and Markets Authority (ESMA): How can these European Institutions and agencies be involved in the development of future standards and in the standard setter? Should there a particular role for ESMA?
- 1.3 To permit **relevant national public authorities** to provide input about whether any future standards are responsive to the public interest, how can these authorities be included in the governance of the non-financial reporting pillar? Which authorities would be the most relevant and how should they be involved?
- 1.4 Should private sector and civil society representatives be involved in the standard setting work? If so, what would be suitable options for doing so in a balanced way? Which stakeholders¹ should be involved? Should the standard setting pillar be a **public-private partnership** like in the financial reporting pillar?
- 1.5 If there were to be **SME** standards derived from the future EU non-financial reporting standards, how should the SME angle be addressed in the governance and in the standard setting process?

¹ The [annex to the invitation](#) of EVP Dombrovskis on the context in which the question of possible European reporting standard under the NFRD is being considered includes a list of possible relevant stakeholders.

- 1.6 Which **governance structure** would you foresee for the EFRAG EU non-financial reporting standard setting pillar? How would this fit in the overall EFRAG governance structure? What relation would there be with the financial reporting pillar, if any?

2. Governance – Cooperation with standard setters and other initiatives

- 2.1 Any future possible EU non-financial reporting standards must be built on **existing reporting standards and frameworks** to the greatest possible extent:
- How can the relevant existing standard-setting organisations be closely associated in future standardisation work? How would you see cooperation and involvement?
 - More broadly, how should cooperation with existing public and/or private initiatives producing international standards and framework be established, to ensure that any future non-financial reporting standards applying in the EU build to the greatest extent possible on existing standards and frameworks?
 - How can the EU non-financial reporting standard setting have a global impact?
- 2.2 How to establish an appropriate **coordination between the financial and non-financial reporting** so as to ensure that financial and non-financial reporting provide an integrated view of the performance, position, development and impacts of reporting companies?

3. Possible changes to finance of EFRAG

- 3.1 What ideas do you have for financing of the non-financial reporting pillar? Should the financing reflect the public-private partnership?

4. Do you have any other comments you want to share?