

**Mr. Jean-Paul Gauzès**  
**EFRAG Board President**  
**EFRAG European Financial Reporting Advisory Group**  
AISBL-IVZW  
35 Square de Meeûs B-1000 Brussels  
Belgium

Paris, 18 December 2020

**Re: Ad personam mandate on 'potential need for change to the governance and funding of EFRAG'**

Dear Mr Gauzès,

The FFA (Fédération Française de l'Assurance) represents more than 90% of the premium income of the French insurance market, gathering both insurance and reinsurance companies. The French insurance industry is strongly committed to sustainable development and fully supports the European Green Deal and similar initiatives in France. We believe France is one of the leading markets in sustainability innovation.

The FFA welcomes the opportunity to comment on the EFRAG President's ad personam mandate to provide recommendations on the possible changes to the governance and funding of EFRAG, in case EFRAG would be entrusted with the development of the possible EU non-financial reporting standards.

The FFA commends the leading role of Europe in the field of sustainable finance and believes relentless engagement by all stakeholders will be needed to successfully achieve the goals of sustainability and resilience set out by the European Commission. The French insurance industry is committed to fulfilling its pledge in this regard and calls for a stable and open dialogue with the European bodies - as the EFRAG - to drive forward and deliver the European sustainable agenda.

➤ ***A need for streaming and standardized non-financial reporting at European Level***

The FFA is firmly committed to contribute to the development of the non-financial reporting standards and acknowledges that disclosure of sustainability information needs to be streamlined. The profusion of frameworks, standards and *ad hoc* data requests is unsatisfactory, both for companies that prepare non-financial reporting and for users such as investors. To that end, non-financial standardization is key.

In this context the FFA fully supports the development of European non-financial standards aiming at building a clear, robust, consistent, reliable and comparable Sustainability reporting framework. This will be crucial to successfully deliver the European Commission's sustainable finance agenda while also ensuring that supplementary reporting burden on companies is limited.

We believe it will be crucial to strike the right balance between fostering sustainability and upholding European industry's competitiveness.

EFRAG has a solid legitimacy within the accounting field and strong connections with the relevant stakeholders of financial reporting. Therefore, it should embrace the leading role in the development of EU non-financial standards.

This said, the potential new role for EFRAG looks substantially different than in the past. Indeed, its current role involves "providing advice to the Commission on all issues relating to the application of IFRS in the EU. EFRAG's role is to provide its opinions in order for the Commission to take a view on endorsement of any IFRS [for application in the EU]'.

The renewed scope of EFRAG's missions requires taking a different approach. The EFRAG would be assisting the European Commission with technical expertise in preparing draft legislation while the European Union decision-making bodies would be retaining the formal power to set standards in European law.

In this context, the role of the European institutions in the endorsement process and in the supervision of EFRAG 's new role should be better specified.

➤ ***Governance within the new EFRAG's board on non-financial standards***

Should EFRAG be entrusted for the development of possible EU non-financial reporting standards, the governance structure of the new branch of EFRAG should duly reflect the various considerations with regard to stakeholders' expectations.

We believe that European sustainability reporting standards should satisfy all involved stakeholders, from preparers and investors to consumers, public authorities and civil society. To this extent, the governance of the EFRAG's board should reflect an open, transparent, and democratic process.

The Non-Financial Reporting Board (and the TEG) should be slightly larger than the current Financial Reporting bodies as non-financial reporting is of significant interest to a wider range of stakeholders than financial reporting.

Nevertheless, numerous and various stakeholder expectations may undermine the adoption of standardized content as reflecting all positions may result in overly detailed and burdensome standards for companies.

In this context, it is important to ensure that:

- inclusive and regular dialogue is established aiming at considering stakeholders' expectations,

- particular attention is given to companies' strain in reporting, especially the cost of producing data and the sensitivity of some information which could have consequences on the competitiveness of European companies against competitors from other regions.

Therefore, the FFA takes the view that the financial service industry and in particular the insurance industry, being the biggest institutional investor in Europe, should be represented on the board. This is all the more essential as they are doubly involved, both as providers of non-financial reporting and as institutional investors.

Regarding the involvement of European institutions and agencies, as their role as observers has been successful in EFRAG's financial process we would recommend that they have a similar role in the non-financial process. We do not believe that ESMA should be treated differently to other European institutions in this context.

The European Commission, as the main funder of EFRAG, should remain represented in the General Assembly and should also be on the Oversight Board.

The FFA also deems useful to associate national accounting standard setters. Some of them are already working on non-financial disclosures and could play a role as experts on the connectivity between financial and non-financial information, thus ensuring there are no gaps or overlaps between the two referential. In some countries it could be within the financial reporting standard setter, in others it may be within other bodies (not least because not every member state has its own financial reporting standard setter). The Member States should identify relevant experts/representatives.

Finally, we believe that the Chair of the Non-Financial reporting Board and Non-financial TEG should be represented at the Global Reporting Platform set up by the European Commission.

### ➤ **Due process**

The FFA highlights the need that EFRAG's structures (TEG, working Group...) include representatives of a broad range of stakeholders with a legitimate interest in non-financial information.

The SME sector should have representation at the Non-Financial Reporting TEG and a dedicated working group working on SME standards should be established.

Insurance companies and banks should be closely associated within the elaboration process due to their experience both as providers of non-financial reporting and as institutional investors.

Experts from the European institutions and agencies should be eligible for membership of the Working Groups where they have individuals' staff with the necessary expertise and experience but not as an automatic right.

However, we believe it is not relevant to associate environmental authorities, whose purpose is to ensure environmental law enforcement and monitoring, which is different from non-financial reporting standardization.

To some extent, NGOs could be involved in setting out their expectations on companies' disclosures while academics might be consulted on specific topics as emerging methodologies.

➤ **Funding**

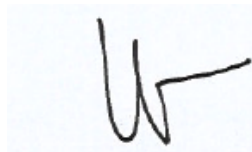
Should EFRAG be entrusted for the development of possible EU non-financial reporting standards, the EFRAG's financial resources should be reinforced in order to be able to pursue and amplify actions currently carried out by the EU Reporting Lab.

As a standard drafter of non-financial reporting for the European Commission, which will be a public mission, the FFA believes that it is necessary that the financing of EFRAG's new activities should be public.

Finally, as mentioned in the previous consultation, we strongly believe that any contribution to the funding of EFRAG should be independent from the governance of the board.

We thank you for your kind consideration, and we stand ready to engage in further discussions on this important matter.

Yours sincerely,



Christine Tarral  
Director of Financial, Prudential and Accounting Affairs