

CONSULTATION DOCUMENT EFRAG

AECA- SPANISH ASSOCIATION OF ACCOUNTING AND BUSINESS ADMINISTRATION RESPONSES

QUESTION 1 - DUE PROCESS

Do you agree that the above reflects the key due process steps for open and transparent non-financial standard setting? If not, which other steps would you advise me to consider or to remove?

In general, the defined procedure is adequate. Nevertheless, we recommend EFRAG two points to consider. The global market is demanding one global and unique sustainability standard, so we recommend EFRAG to incorporate global participation at some point as this work should be useful to attract global investors. Besides, align and be cooperative with the work that SSB/IFRS is planning to do.

In order to overcome this new role and responsibility, EFRAG should make an investment to incorporate new staffs with experience at different fields such as accountability, digitalization strategy skills/IT, standard settings, academics and practitioners.

QUESTION 2 - MEMBER STATES AND NATIONAL PUBLIC AUTHORITIES

Considering the proposed new governance structure (see section 5 EFRAG proposed new core structure) at what level do you consider that the relevant national authorities should be involved and should they be members or observers:

- EFRAG General Assembly?
- The EFRAG Board responsible for the oversight of the Non-Financial Reporting Board (see diagram in the Preliminary Report)?
- The Non-Financial Reporting Board?
- TEG for Non-Financial Reporting?

The ideal layer is that they are located in the upper parts, such as EFRAG General Assembly and EFRAG Board, which consensually direct the appointments for the Non-Financial Reporting Board/TEG for Non-Financial Reporting

Should a Consultative Forum (similar to the Consultative Forum of Standard Setters in the Financial Reporting pillar) or any other form of advisory committee; be created for the Member States and national public authorities?

We understand that it is not necessary, in order not to overload a structure that seems well defined. Nevertheless, have regulatory representation at EU country level it is important to reach consensus at regulatory adoption level, as well as, the collection and accessibility of the sustainability information which is key to make this plan really successful and avoid the perception of reporting firms that this is a new reporting burden.

QUESTION 3 - EUROPEAN INSTITUTIONS AND AGENCIES

Considering the proposed new governance structure (see section 5 EFRAG proposed new core structure) at which level do you consider European institutions and agencies should have representatives and should they be members or observers:

- The EFRAG Board responsible for the oversight of the Non-Financial Reporting Board (see diagram in the Preliminary Report)?
- The Non-Financial Reporting Board?
- TEG for Non-Financial Reporting?
- The Working Groups?

In this case, it seems convenient that both of them can have representation in at least the Non-Financial Reporting Board, with more direct involvement in the development making of the standards and adoption. But to consider the role that each one is going to have and motivation. Agencies and institutions can catalyze the adoption but the interest and main reporting

impact will be forced towards companies and main users of the information. Therefore, these two groups should be considered in advance to design a standard that it is useful for investment decisions and others, and do not create barriers in early adoption.

Should a Consultative Forum or any other form of advisory committee; be created for European Institutions and Agencies to provide input to the TEG for Non-Financial Reporting and the Non-Financial Reporting Board?

We understand that it is not necessary, in order not to overload a structure that seems well defined.

QUESTION 4 - PRIVATE SECTOR AND CIVIL SOCIETY

Considering the proposed governance structure (see section 5), at which level do you consider private sector and civil society ought to have representatives:

- The EFRAG Board responsible for the oversight of the Non-Financial Reporting Board (see diagram in the Preliminary Report)?
- The Non-Financial Reporting Board?
- TEG for Non-Financial Reporting?
- The Working Groups?

As in the Question 3, it seems convenient that they can have representation in at least the Non-Financial Reporting Board, with more direct involvement in the making of the standards.

QUESTION 5 - SMEs

Considering the proposed governance structure (see section 5), at which level do you consider SMEs (SMPs) should be represented:

- The EFRAG Board responsible for the oversight of the Non-Financial Reporting Board (see diagram in the Preliminary Report)?
- The Non-Financial Reporting Board?
- TEG for Non-Financial Reporting?
- A SME- focused Working Group?

In this case, it seems convenient that they can have representation in the Non-Financial Reporting Board and the TEG for Non-Financial Reporting, with more direct involvement in the making of the standards and in defining the specific issues affecting SMEs whenever this new reporting requirement is going to be demanded to SMEs which does not have the same level of adoption and resources as the large and listed that nowadays are more familiar with this type of reporting

Would it be sufficient to seek input of SMEs/SMPs in the public consultation and outreaches rather than involve them in the governance bodies?

In our opinion, participation in the governance bodies is necessary, since the information produced by large companies will in many cases be a function of the information from the SME, although this will depend on when the SMEs are expected to start reporting. Maybe this can be covered with a special “supply chain” reporting programme. As it already exists at CDP for climate disclosure.

QUESTION 6 - COOPERATION WITH OTHER STANDARD

SETTERS AND INITIATIVES

What do you see as main features of cooperation with the (global) reporting initiatives? What kind of involvement could you consider?

We agree that the EFRAG should and must use its relationships to work with relevant global stakeholders on this issue to achieve easier and more effective adoption. EFRAG will probably need to plan strategically with whom to engage and when. For example, we can see that in the first stage, from a leadership position, close dialogue and engagement should be advanced with the IFRS Foundation, large listed companies as preparers, investors as users and standardisation bodies (CDP, GRI, TCFD...) and accounting associations to assist in standardising the accounting side of sustainability reporting and also digital standardisation initiatives/communities such as XBRL international for the digitisation strategy.

As an accounting association, AECA is more than happy to share its experience and assist the EFRAG in this fascinating project.

QUESTION 7 - EFRAG BOARD

What in your view should be the maximum size the new EFRAG Board?

Which stakeholders should be represented and in which proportion?

Should there be observers? If so, who should be the observers?

Do you foresee any obstacles that may arise were the EFRAG Board charged with oversight to include representatives of the Non-Financial Reporting Board and the Financial Reporting Board?

Should the EFRAG Board appoint the members of both TEGs and the European Lab, or should this be done by their respective Boards (Non-Financial Reporting Board and the Financial Reporting Board)?

In our opinion, the number of members may have to be increased a little, giving entry to parties interested in non-financial information and perhaps reducing some of the financial reporting, although at the beginning there should still be a greater weight of members related to financial information, to end up balancing out in the medium term.

We do NOT believe that the presence of observers is necessary.

In principle, there should be no greater obstacle than understanding between people who usually handle different points of view (financial/non-financial), but who must work together to reach agreements. Finally, it seems appropriate that the Non-Financial Reporting Board and the Financial Reporting Board should be the bodies that appoint the members of the respective TEG, in order to follow the order of the chain of command.

QUESTION 8 - NON-FINANCIAL REPORTING BOARD

What in your view should be the maximum size of the new Non-Financial Reporting Board?

Which stakeholders should be represented and in which proportion?

Should there be observers? If so, who should be the observers?

Should the Non-Financial Reporting Board members be appointed by the EFRAG General Assembly on recommendation of the EFRAG Board or directly by the EFRAG Board?

How can the interconnectivity between the Financial Reporting Board and the Non-Financial Reporting Board be ensured?

It could consist of no more than 10 components, with a balanced weight distributed in several taskforces Digitalization, materiality(financial, double), accounting standard (environmental, social, corporate governance and other elements (e.g. corruption and bribery, respect for human rights)). Including experts in digitalization strategy, auditors and accountants. We do not believe that the presence of observers is necessary, even more so with the supervision of the EFRAG Board.

Again with reference to the chain of command, it seems appropriate that the Non-Financial Reporting Board be appointed directly by the EFRAG Board.

In relation to the interconnectivity of both Boards, they should initially hold their meetings with at least two representatives of the other Board, with a voice but without a vote. As the work develops, and according to the feedback obtained, in the medium and long term the interconnectivity and ultimately the joint work should take place.

QUESTION 9 - TEG FOR NON-FINANCIAL REPORTING

What in your view should be the maximum size of the new Non-Financial Reporting TEG?

Which stakeholders should be represented and in which proportion? Should there be observers? If so, who should be the observers?

Do you agree that EFRAG TEG members are recommended by the EFRAG Non-Financial Reporting Board but appointed by the EFRAG Board rather than be appointed by the EFRAG Non-Financial Reporting Board?

How can the interconnectivity between the Financial Reporting TEG and the Non-Financial Reporting TEG be ensured?

It could consist of no more than 15 components, with a balanced weight among members related to digitalization, finance, environmental, social, corporate governance and other elements (e.g. corruption and bribery, respect for human rights). We do not believe that the presence of observers is necessary, even more so with the supervision of the EFRAG Board.

In our opinion, it seems appropriate that the Non-Financial Reporting TEG be appointed directly by the Non-Financial Reporting Board.

Finally, with respect to the interconnectivity of both TEG, they should initially hold their meetings with at least three representatives of the other Board, with a voice but without a vote. Not only should the work be known in the meetings, but also during the development of the projects. Similar to question 9, as the work develops, and according to the feedback obtained, in the medium and long term the interconnectivity and ultimately the joint work should take place.

QUESTION 10 - ACTIVITIES OF THE EUROPEAN LAB

Do you agree that there is a need for a European Lab activity in the revised EFRAG governance structure?

Do you agree that the European Lab could address both non-financial reporting and financial reporting activities?

Do you have other comments or suggestions regarding the activities of the European Lab?

Perhaps the LAB is not necessary, since the work that comes next could be absorbed by the new structure, so that oversized dimensions are avoided. But the decision should depend on what Labs was doing before and its plans for the future is . It could be interesting to have the lab as a practical structure or organization to test, monitor and research, innovate the sustainability standard practices developed by EFRAG in that way can fill EFRAG with a practical research and innovation for future evolution of the sustainability standard.

Respect to the digital Reporting, AECA made the work of trying to align different frameworks (GRI, UNCTAD ISAR-United Nations, TCFD, IAS-IFRS, CDP, ISO, OCDE) under the reporting requirements of the non-financial reporting Directive (NFRD) in Europe and the transposition of the Spanish law. The result of our model and digital strategy can be found here http://is.aeca.es/wp-content/uploads/2020/11/IRM-FESG_4as.pdf . Our reporting model is recommended by the Spanish Commission (CNMV) for the compliance of the non-financial statement required as part of NFRD. Our experience told us that each standard uses its own scope of the same reporting concepts, in terms of methodology, units, etc. Therefore, is impossible a direct relationship. We recommend IFRS to lead this normalization process taking the reference of international framework but taking what is a common practices and make a clear reference and description of scope, methodology, units as AECA did.

AECA is more than happy to share our experience with the EFRAG as we have been working on the standardisation and digitalization of the non-financial information since the last 15 years with the collaboration and support of Spanish listed and large companies, along with Spanish authorities and regulators with a clear impact as our work, as it is already recommended by the Spanish law and digital taxonomy is acknowledged by XBRL International in 2013. <https://www.xbrl.org/news/is-fesg-taxonomy-for-integrated-reporting-granted-acknowledged-status/>

QUESTION 11 - FUNDING

Considering the proposed governance structure in this consultation document:

Should the majority of the funding, or even all the funding, be provided by the European Commission and the Member States?

Is it important that the private sector contributes to the funding and why? Should the public-private sector partnership model also be reflected in the funding?

Would a levy at national or European level be feasible?

What alternative financing mechanism would you suggest being considered?

The sustainability information produced should be publicly available and under no cost. So the business model of this new board should be supported by the European Commission, member of states mainly with the goal to empower global investment within the EU. Think on other stakeholders like potential contributors, partnering can be possible, like including standard setters, investors programmes, data aggregators, application programmes.....But this will need to be evaluated when the initial level of adoption is clear and when the standard is solid enough to become in a useful tool for decision making in sustainability and financial aspects.