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Submitted electronically:
To: nominations@efrag.org
Cc: jean-paul.gauzes@efrag.org

Dear Mr Gauzès

Non-Financial Reporting Standard Setting

In response to an email you sent to us, Grant Thornton International Ltd is pleased to provide you with some input following your *ad personam* mandate from Executive Vice-President Valdis Dombrovskis. Our understanding is he has asked you to provide him with recommendations on possible changes to the governance and financing of EFRAG, should EFRAG be entrusted with the development of possible EU non-financial reporting standards.

We set out below some preliminary views we currently have in two areas of governance you were seeking some feedback on.

Structure and due process

1. Our view is any non-financial reporting standards that are issued by the EU following input provided by EFRAG need to:
 - (a) be developed in the public interest, and
 - (b) no individual category of stakeholder should be able to exercise undue influence.
2. We think many of the processes that have been developed and refined for financial reporting standards should be carried across into the making of non-financial reporting standards because our view is EFRAG has already established an inclusive, robust and transparent due processes.
3. The timelines that currently guide the assessment of financial reporting standards for issuance should also be carried across into the non-financial reporting arena because we believe they provide interested stakeholders with more than sufficient time to compile full and complete responses to whatever changes are being proposed.
4. We believe inviting relevant European institutions and agencies, including the European Securities and Markets Authority (ESMA) to be involved in the

development of future standards is appropriate because the insights they have gathered from monitoring and enforcing financial reporting standards can, and should be, taken into consideration when developing non-financial reporting standards. We see little merit in creating new processes to make non-financial reporting standards because the processes currently being followed by the EU to make today's financial reporting standards are, in our opinion, sound and they satisfy the public interest throughout.

5. We see a role for both private and civil society representatives being involved in the setting of non-financial reporting standards. Our view is the IFRS Foundation, a private sector organisation, is well positioned to take on an expanded mandate of creating non-financial reporting standards. Following the initial creation of non-financial financial reporting by a private sector organisation like the IFRS Foundation, an endorsement process that is managed, monitored and funded by civil society representatives like EFRAG prior to endorsement by the EU is essential. We believe adapting and refining many of the current processes used to create today's financial reporting standards will result non-financial reporting standards being produced in an efficient and effective way.
6. If future EU non-financial reporting standards that are applicable to larger reporting entities or publicly accountable entities (because they are listed or deemed to be a public interest entity) are subsequently used to develop standards applicable to all entities, including SMEs, then cost versus benefit principles, similar to those used to develop IFRS for SMEs, should be used.
7. While some concessions on disclosure might be appropriate, our view is that non-financial reporting requirements for SMEs should be developed, reviewed and approved by the same governance group that developed the full non-financial reporting standards.
8. As noted above, EFRAG's financial reporting governance and accountability structures are very thorough thus they ensure high quality financial reporting standards are issued to support the decision making needs of investors in global capital markets around the world, not just in the EU. Given they are currently working well, we would like EFRAG, to the greatest possible extent, being used to endorse non-financial reporting standards as well.

Cooperation with standard setters and other initiatives

9. We believe EFRAG should actively support the IFRS Foundation's intention to expand its current mandate and issue non-financial reporting standards. If it does, our view is some rapid progress could be made, which given the Paris Accord is essential. We believe the IFRS Foundation is currently best placed to marshal all the requisite resources it needs to develop sustainability standards that are fit for purpose.
10. If the EU's non-financial reporting standard setting process is efficiently and effectively deployed, our view is many other countries outside the EU may look to replicate what has EU has done. For many years, notwithstanding the plethora of

sustainability frameworks that currently exist, the EU has in many respects led the way in promoting the reporting of sustainability. We see no reason for this to change. For this reason, we encourage EFRAG to guide, and provide insight on, the best ways to achieve this.

11. We do share a concern with many others that if there is little or no coordination between financial and non-financial reporting standard setters, the opportunity of providing an integrated view of the performance, position, development and the impact of change on reporting entities that is well understood by stakeholders would be remote. Our view is not only prompt, but consistent and well-coordinated progress will result if financial and non-financial reporting standards do end up ultimately being developed and approved by the same organisation(s) that exist today.

In response to the final question you put to us, dealing with how to finance the non-financial reporting pillar, we make the following observation: if some form of levy ends up being imposed on companies to provide the funding necessary to support non-financial reporting standard setting, it should be broadly based and with a fee scale that is determined by a number of metrics, both financial and non-financial.

We trust these comments and observations will assist you in providing guidance back to the EU and EVP Dombrovskis as to the next steps that should be taken in this dealing this critical aspect of business reporting.

If you have any questions or if you would like to discuss any of the matters we have raised, please contact Mark Hucklesby on +44 7385 416 479.

Yours sincerely



Mark Hucklesby

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