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Subject: Consultation Document on the Ad Personam Mandate on potential need for changes to the governance and funding of EFRAG

Dear Mr. Gauzès,

Eumedion welcomes the opportunity to provide input to your preliminary proposals regarding changes to the governance structure and financing of EFRAG if EFRAG were entrusted with the development of possible EU non-financial reporting standards. Eumedion is the dedicated representative of the interests of 53 Dutch and non-Dutch institutional investors, all committed to a long term investment horizon. Eumedion aims to promote good corporate governance and sustainability in the companies our participants invest in. We regard widely accepted financial and non-financial reporting standards as a critical part to the well-functioning of capital markets, since investors are dependent on the quality of these standards for allocating their own and entrusted capital. Such standards are instrumental for responsible and engaged investors to live up to their fiduciary duties. Together our participants invest over € 6 trillion of capital in equity and corporate non-equity instruments. Below you will find our answers to the specific questions raised in the consultation document. They build upon our suggestions, made in the beginning of November 2020, in response to your call for views dated 1 October 2020 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.

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?

Yes, we agree. However, we suggest to specify the phrase “for a sufficient period of time” by adding “which should last at least three months”.

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?**

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?

The goals of non-financial reporting standards should be to provide transparency, consistency, comparability, relevance and reliability in corporate non-financial reporting for its intended target audience. The application of such standards should become mandatory and verifiable by external auditors. We strongly believe that a non-politicised, independent standard-setting process is a precondition for the accomplishment of these goals. Representation of Member States (through their national public authorities) in either the EFRAG Board, the Non-Financial Reporting Board or in the TEG for Non-Financial Reporting does not fit with this principle. We can imagine that Member States (through their national public authorities) are represented in a Consultative Forum or be observers in the EFRAG General Assembly. In order to ‘connect’ other continents it would probably make sense to also involve the 13 non-EU countries that are member of the International Platform on Sustainable Finance and international bodies (such as the FSB, IOSCO, the UN, the World Bank, the IMF and the OECD) in this Consultative Forum or in the EFRAG General Assembly. The more the EU takes into account the perspectives around the globe on sustainability topics, the better a global standard setting body, like the IFRS Foundation is intending to create, can move ahead in bringing these standards to a multifold number of jurisdictions around the globe.

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?**

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 foresee that the non-financial reporting standards have to be endorsed by the EU legislators for legal application by the EU listed companies. At the same time a non-politicised, independent standard-setting process and global consistency are preconditions in generating stakeholders' trust in non-financial reporting standards. We also believe that consistent application, auditability and enforceability are key in the development process of generally accepted European non-financial reporting standards. Consequently, we prefer the involvement of the European Commission, the European Supervisory Authorities, the ECB and the possible IFRS Foundation's Sustainability Standards Board as observers in the EFRAG Board, the Non-financial Reporting Board and in the TEG for Non-Financial Reporting.

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?**

These stakeholders can have valuable input for the TEG for Non-Financial Reporting and the Working Groups. However, the members of the TEG for Non-Financial Reporting should be appointed based on their in-depth knowledge and expertise of non-financial reporting topics in general. The members of the working groups should be appointed based on their knowledge and expertise on the specific topic for which a reporting standard will be developed. We are not in favour

of having pure representatives from specific stakeholder groups represented in the EFRAG Board and in the Non-Financial Reporting Board (see also our answers to questions 7 and 8).

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?**

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

We are not in favour of appointing representatives of a specific group of companies in the official EFRAG governance bodies. We are of the opinion that the characteristics of groups of companies should be considered in the drafting process of all reporting standards. We believe it would be sufficient to seek input for SMEs/SMPs in the public consultation and outreaches. This input should be considered by the Non-Financial Reporting Board when finalising the specific standard. Only in the situation that it is decided to establish a differentiated and simpler non-financial reporting regime for SMEs, we can imagine that for that project a special SME-focused Working Group is established.

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?

In order to support the issuance of the first set of standards, we would suggest to establish a consultative working group, where standard-setters and other organisations which have been active and that have issued guidance in the non-financial/sustainability reporting area would be represented (e.g. GRI, SASB, IIRC, TCFD, CDP and CDSB).

As mentioned in other questions, we have underlined the importance of global cooperation and consistency. Consequently we believe it is key to involve the IFRS Foundation's Sustainability Standards Board (when established) in the EU non-financial standard setting process by appointing this organization as observer in some of EFRAG governance bodies.

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)?

We believe that the EFRAG Board should not have more than 21 members (including the Chair). We are not in favour of having pure representatives from specific stakeholder groups. As stated before a non-politicised, independent standard-setting practice is key. Consequently, we have a strong preference for a selection process primarily based on professional competence, relevant (senior) experience, track record, professional background and diversity instead of a specific number of representatives from the relevant stakeholders. The mix of board members should broadly reflect the key stakeholders of non-financial reporting, including preparers, investors, employees, Non-Governmental Organisations, sustainability rating agencies, auditors, regulators, public interest bodies and academics.

As mentioned earlier, we prefer the involvement of the European Commission, the European Supervisory Authorities, the ECB and the IFRS Foundation's Sustainability Standards Board (when established) as observers in the EFRAG Board.

We would like to underline the need for independent standard-setting and sound governance practices. This implies that no individual should be both an EFRAG Board member – who is responsible for (a.o.) oversight of all EFRAG's bodies – and member of the Non-Financial Reporting Board and/or the Financial Reporting Board at the same time. We are also not in favour of the possibility that specific organisations are represented in the EFRAG Board and in the Non-Financial Reporting Board and/or Financial Reporting Board at the same time.

We believe that the members of the Non-Financial Reporting Board and of the Financial Reporting Board would be best equipped to appoint the members of their respective TEGs and of the European Lab.

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?

We are of the opinion that the number of members of the Non-Financial Reporting Board should be maximized at 14; that is also the maximum number of members of the International Accounting Standards Board.

The main qualifications for membership of the Non-Financial Reporting Board should be professional competence and recent relevant professional experience instead of a specific number of representatives from the relevant stakeholders. The Board should comprise a group of people representing, within that group, the best available combination of technical expertise and diversity of business and market experience, including preparers, investors, employees, Non-Governmental Organisations, sustainability rating agencies, auditors, regulators and academics, in order that the Board as a group can contribute to the development of high quality, non-financial reporting standards. The members of the Board should be required to commit themselves formally to acting in the public interest in all matters.

As mentioned earlier, we prefer the involvement of the European Commission, the European Supervisory Authorities, the ECB and the IFRS Foundation's Sustainability Standards Board (when established) as observers in the Non-Financial Reporting Board.

The members of the Non-Financial Reporting Board should be appointed by the EFRAG Board.

The interconnectivity between the Non-Financial Reporting Board and the Financial Reporting Board would be ensured by the EFRAG Board that oversees all EFRAG bodies as well as by the EFRAG General Assembly and the due process in preparing non-financial reporting standards.

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?

The maximum size of the new Non-Financial Reporting TEG should be similar to the Financial Reporting TEG: sixteen.

The Non-Financial Reporting TEG should comprise a group of people representing, within that group, the best available combination of technical expertise and diversity of business and market experience, including preparers, investors, employees, Non-Governmental Organisations, sustainability rating agencies, auditors, regulators and academics, in the practical application of non-financial reporting standards and/or analysis of non-financial information.

As mentioned earlier, we prefer the involvement of the European Commission, the European Supervisory Authorities, the ECB and the IFRS Foundation's Sustainability Standards Board (when established) as observers in the Non-Financial Reporting TEG.

Yes, we agree with the proposal that the EFRAG TEG members are recommended by the EFRAG Non-Financial Reporting Board but appointed by the EFRAG Board.

The interconnectivity between the Non-Financial Reporting TEG and the Financial Reporting TEG would be ensured by the EFRAG Board that oversees all EFRAG bodies as well as by the EFRAG General Assembly and the due process in preparing non-financial reporting standards.

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?

Yes, there is still a need for a European Lab in the revised EFRAG governance structure. The Lab provides an environment where stakeholders and companies can come together to develop pragmatic solutions to today's and future reporting needs. Companies could use the Lab to test new reporting formats with stakeholders, and stakeholders can indicate areas where the company's board can add greater value through the information they provide. It can also function as a hub to support innovation in reporting by gathering and sharing evidence from the market. Consequently, it can provide the broader corporate community with feedback from stakeholders on the value that possible new reporting formats bring. Given this mandate, we agree that the European Lab could address both non-financial reporting and financial reporting topics.

We hope that our comments and suggestions are of any assistance. If you would like to discuss our views in further detail, please do not hesitate to contact us.

Yours sincerely,

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