



EUROPEAN COMMISSION

Commissioner Mairead McGuinness
Financial Services, Financial Stability and Capital Markets Union

Brussels, 12 May 2021
(2021) 3446929

Dear Mr. Gauzès,

Dear Jean-Paul,

I am replying to your letter of 28 February, co-signed with Patrick de Cambourg, with which you submitted the report of the EFRAG Task Force on European corporate sustainability reporting standards, as well as your own recommendations for changes to EFRAG's governance if EFRAG were asked to develop such standards.

These reports were drafted at the request of Executive Vice-President Dombrovskis, in letters addressed to you on 25 June 2020. Both EVP Dombrovskis and I wish to express our gratitude to you personally as well as to Patrick de Cambourg and the other members of the Task Force for the quality of your reports.

On 21 April, the European Commission adopted a legislative proposal for a Corporate Sustainability Reporting Directive to revise and strengthen the provisions introduced by the existing Non-Financial Reporting Directive.

The proposal would oblige companies under the proposed scope to report according to European sustainability reporting standards, and would empower the Commission to adopt such standards as delegated acts. The proposal sets out the conditions under which the Commission could adopt these delegated acts and states that the Commission shall take into account the technical advice of EFRAG, "provided such advice has been developed with proper due process, public oversight and transparency and with the expertise of relevant stakeholders, and is accompanied by cost-benefit analyses that include analyses of the impacts of the technical advice on sustainability matters."

In addition, the proposal specifies that the Commission would adopt a first set of standards by the end of October 2022. It also specifies that the Commission would adopt a second set of standards by the end of October 2023, including sector-specific standards and proportionate standards for SMEs.

It is therefore my pleasure to invite EFRAG to launch as soon as possible the necessary technical work to develop draft sustainability reporting standards consistent with the requirements set out in the Commission's proposal. These draft standards should build on the recommendations contained in the Task Force report, and on the Task Force's expertise and leadership.

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Mr Jean-Paul Gauzès,
President of the Board,
European Financial Reporting Advisory group (EFRAG)
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The Corporate Sustainability Reporting Directive (CSRD) proposal is a key initiative of the EU sustainable finance agenda and important to meet the objectives of the European Green Deal. Therefore, the timelines contained in the Commission's proposal assume the development of draft sustainability reporting standards in parallel to the negotiations of the proposed CSRD, similar to the approach taken in the development of the EU taxonomy for sustainable activities.

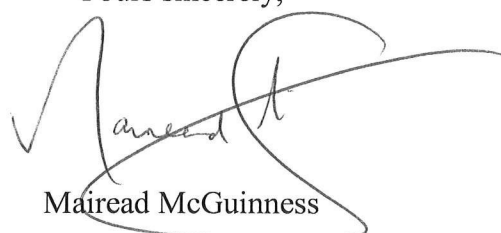
In order to respect these timelines, EFRAG should aim to submit the first set of draft standards by 15 June 2022. In any case, EFRAG should not submit any draft standards to the Commission unless or until (i) the necessary reforms to EFRAG's governance have been fully implemented, in line with your recommendations, and (ii) the co-legislators have reached a political agreement on the Commission's proposal.

I fully support your recommendations for reforms to EFRAG's governance to accommodate the new task of developing sustainability reporting standards, and I invite you to move ahead with those reforms as quickly as possible while respecting all legal requirements. However, in view of the timelines contained in the Commission's proposal, the technical work to develop draft standards will need to begin before the above-mentioned governance reforms have been officially enacted in EFRAG's statutes.

I therefore encourage EFRAG to put in place interim working methods that build on the experience gained by the Task Force and foreshadow the governance reforms and processes you propose, to ensure transparency and due process in the standard-setting process from the beginning. These interim steps should be taken in a pragmatic spirit to allow work to start as quickly as possible, with an appropriate handover to the EFRAG revised governance structure at the earliest opportunity.

I thank you again for your cooperation on this important new initiative. Please do not hesitate to contact DG FISMA for any further clarifications that may be necessary during the course of this work.

Yours sincerely,



Mairead McGuinness

c.c. Patrick de Cambourg, Chair of the Autorité des normes comptables and
Chair of the EFRAG Task Force on European corporate sustainability reporting standards