



## EFRAG SUSTAINABILITY REPORTING PILLAR

# CALL FOR EXPRESSIONS OF INTEREST FOR EFRAG MEMBERSHIP

16 November 2021

### BACKGROUND

On 21 April 2021, the European Commission adopted a [legislative proposal for a Corporate Sustainability Reporting Directive \(CSRD\)](#) which would require companies within its scope to report in compliance with European sustainability reporting standards adopted by the European Commission as delegated acts. Under the proposed CSRD, EFRAG would be the technical advisor to the EC developing draft standards and conducting impact analyses, using proper due process, public oversight and transparency, and the expertise of relevant stakeholders.

At the [request of the European Commission](#) and in parallel to the elaboration and adoption of the legislative proposal, EFRAG has already carried out extensive work on key changes to its governance and funding and on standard-setting matters related to sustainability reporting.

The timeline contained in the proposal assumes the elaboration of draft sustainability reporting standards in parallel to the legislative process of the proposed CSRD. To meet this timeline, Commissioner McGuinness, in [a letter dated 12 May 2021](#), invited EFRAG to reform its governance as quickly as possible while respecting all legal requirements following the recommendations by Jean-Paul Gauzès in his report [Potential need for changes to the governance and funding of EFRAG](#) which were fully supported by Commissioner McGuinness.

In his recommendations Jean-Paul Gauzès proposed creating a new sustainability reporting pillar alongside EFRAG's existing financial reporting pillar, mirroring its governance. As sustainability reporting is of significant interest to a much wider range of stakeholders than financial reporting, the EFRAG General Assembly will be enlarged to allow additional relevant and interested organisations to participate in and contribute to EFRAG and become EFRAG Member Organisations.

To ensure a balanced representation of stakeholders, the membership of the EFRAG General Assembly is extended with a Chapter covering Civil Society (including NGOs; academics; trade unions and consumer organisations) in addition to its European Stakeholder Organisations Chapter and National Organisations Chapter.

EFRAG Member Organisations can contribute to the sustainability reporting pillar or to the financial reporting pillar or to both. All EFRAG's existing Member Organisations (see Appendix) have expressed an interest in joining the sustainability reporting pillar as well. EFRAG depends on its Member Organisations to be able to fulfil its public interest mission.

EFRAG's existing Member Organisations are currently discussing the governance reform and notably the integration of the sustainability reporting pillar in the existing EFRAG structure.

One of the steps in the governance reform is broadening the EFRAG membership since this will allow all EFRAG Member Organisations (existing and new) to be involved in the decisions on the future governance structure and due process and appoint the members of the relevant bodies in the sustainability reporting pillar.

## BROADENING THE EFRAG MEMBERSHIP

EFRAG launches a call for expression of interest for new member organisations in order to have a balanced representation for all stakeholders with an interest in corporate reporting in its new sustainability reporting pillar<sup>1</sup>. EFRAG is looking to broaden its existing European Stakeholders Organisations Chapter and National Organisations Chapters and to populate its new Civil Society Chapter reflecting EFRAG's public-private partnership model:

- **European Stakeholder Organisations:** preparers (corporates and financial institutions and asset managers); users, the accountancy profession and SMEs/SMPs
- **National Organisations:** national authorities/ministries or national standard setters or other forms of bringing national stakeholders together (countries)
- **Civil Society:** NGOs; academics; and trade unions and consumer organisations

## RIGHTS OF MEMBERSHIP TO THE SUSTAINABILITY REPORTING PILLAR

EFRAG Member Organisations have general rights and specific rights depending on the pillar they contribute to.

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<sup>1</sup> This under the assumption that EFRAG's role as technical advisor to the EC in providing draft EU sustainability reporting standards is confirmed in the political agreement between the EP and Council of Ministers.



### *General rights*

- Nomination of candidates for the EFRAG Administrative Board, if applicable<sup>2</sup>
- Deciding on the composition of the EFRAG Administrative Board (appointments) including the President of the Administrative Board<sup>3</sup>
- Deciding on the governance of EFRAG
- Deciding on the EFRAG Statutes and EFRAG Internal Rules
- Approving the financial statements
- Participating in the Discussion Forum meetings of the EFRAG General Assembly to debate on strategy and broader orientations relevant to the environment in which EFRAG's activities take place

### *Specific rights related to the sustainability reporting pillar*

- Nomination of candidates for the EFRAG Sustainability Reporting Board
- Deciding on the composition of the EFRAG Sustainability Reporting Board (appointments)<sup>4</sup>
- Determining the work plan and annual budget for the sustainability reporting pillar

## **OBLIGATIONS MEMBERSHIP SUSTAINABILITY REPORTING PILLAR**

Candidate member organisations must have a proven interest in and experience of and be active in the sustainability reporting domain.

EFRAG Member Organisations contribute to the funding of the sustainability reporting pillar and commit to two years of funding. The contribution to the funding is organised by Chapter and differs for each Chapter. The contribution to the funding for the European Stakeholders

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<sup>2</sup> See for the description of EFRAG's future governance structure the recommendations of Jean-Paul Gauzes Chapter 4 of his report [Potential need for changes to the governance and funding of EFRAG](#) with the exception of the Civil Society Chapter only candidates nominated by member organisations that contribute to the funding of both the financial reporting pillar and the sustainability reporting pillar of EFRAG can be appointed as an EFRAG Administrative Board member.

<sup>3</sup> The composition of the EFRAG Administrative Board has tentatively been agreed as follows: President; 5 seats European Stakeholders Chapter; 9 seats National Organisations Chapter and one seat Civil Society Chapter. No final decision has been taken (the change to the EFRAG Internal Rules is subject to approval by the EFRAG General Assembly).

<sup>4</sup> The composition of the EFRAG Sustainability Reporting Board has tentatively proposed and its subject to approval by the EFRAG General Assembly as follows: Chair (nominated by the EC); 8 seats European Stakeholders Chapter (3 non-financial corporations (corporates, listed companies, SMEs/SMPs); 3 financial institutions (banking, insurance, asset managers); 1 auditor; and 1 general user; 9 seats National Standards Setters or National Organisations with permanent seats for the larger countries contributing to EFRAG; and 5 seats Civil Society Chapter (NGOs; trade unions; consumer organisations; and academics, proposing starting with two NGOs) and observers. No final decision has been taken (the change to the EFRAG Internal Rules is subject to approval by the EFRAG General Assembly).



Chapter is based on a sector model<sup>5</sup> with 8 sectors<sup>6</sup> with a minimum amount per member organisation: the contributions for the National Organisations Chapter<sup>7</sup> is based on the size of the country; and the contributions for the Civil Society Chapter would be individually discussed with the interested organisations.

## TIMELINE

In order to maximise the involvement of new EFRAG Member Organisations in the ongoing governance reform and the appointment of the members of the new governance and technical bodies in the sustainability reporting pillar, it is envisaged that the EFRAG General Assembly will decide on the admission of new EFRAG Member Organisations in its 16 December meeting. Therefore the deadline for applications to EFRAG membership has been set on **8 December 2021**.

Later applications for EFRAG membership are also welcome and admission to the membership of EFRAG can take place in EFRAG General Assembly meetings in 2022.

All decisions on the finance structure, size and allocation of seats of the Boards and other governance element and the budget of both the sustainability reporting pillar and the financial reporting pillar are subject to approval of the (enlarged) EFRAG General Assembly.

## MEMBERSHIP EFRAG FINANCIAL REPORTING PILLAR

Information about membership of the financial reporting pillar, which requires a separate financial contribution, can be obtained from the EFRAG CEO at [saskia.slomp@efrag.org](mailto:saskia.slomp@efrag.org)

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<sup>5</sup> Depending on the budget initially estimated at an indicative amount around 80K euro per sector to provide an indication of the contribution (there may be several member organisations with the identified sectors). No final decision has been taken (the change to the EFRAG Internal Rules is subject to approval by the EFRAG General Assembly).

<sup>6</sup> Accountancy profession; Asset management; Banking; Business general; Business listed corporates; Business SMEs/SMPs; Insurance and General users

<sup>7</sup> Depending on the budget, initially estimated at an indicative amount around 175K euro for the four largest countries, 75K euro for the middle countries; 50K euro for the smaller countries and 10K euro for the smallest countries. No final decision has been taken (the change to the EFRAG Internal Rules is subject to approval by the EFRAG General Assembly).

### **BROADENING THE EFRAG MEMBERSHIP**

Applications for EFRAG membership should be submitted by **8 December 2021** for the attention of the EFRAG Board President, Jean-Paul Gauzès providing the information indicated in Appendix 2.

**All applications must be submitted to [nominations@efrag.org](mailto:nominations@efrag.org)**

Further information can be obtained from the EFRAG Board President at [jean-paul.gauzes@efrag.org](mailto:jean-paul.gauzes@efrag.org) or from the EFRAG CEO at [saskia.slomp@efrag.org](mailto:saskia.slomp@efrag.org)

As mentioned above, the EFRAG General Assembly is expected to decide on the admission of new EFRAG Member Organisations in its 16 December meeting. Once admitted, the new EFRAG Member Organisations will be able to participate in the remaining part of the EFRAG General Assembly of that day and participate in the decisions on the governance reform including the amendments of the EFRAG Statutes and Internal Rules and the appointment of the members of the EFRAG Administrative Board and at a later stage the EFRAG Sustainability Board.

Yours sincerely,



**Jean-Paul Gauzès**  
EFRAG Board President





## APPENDIX 1 – BACKGROUND INFORMATION [www.efrag.org](http://www.efrag.org)

### EFRAG MISSION STATEMENT<sup>8</sup>

EFRAG’s mission is to serve the European public interest by developing and promoting European views in the field of financial reporting and ensuring these views are properly considered in the IASB standard-setting process and in related international debates. EFRAG ultimately provides advice to the European Commission on whether newly issued or revised IFRS Standards meet the criteria in the IAS Regulation for endorsement for use in the EU, including whether endorsement would be conducive to the European public good.

EFRAG seeks input from all stakeholders, and obtains evidence about specific European circumstances, throughout the standard-setting process and in providing our endorsement advice. Our legitimacy is built on transparency, governance, due process (which may include field tests, impact analyses and outreaches), public accountability and thought leadership. This enables EFRAG to speak convincingly, clearly, and consistently, and be recognised as the European Voice in financial reporting.

EFRAG is operating in a fast-evolving environment. It is attentive to the need to adapt its activities and its governance to meet the opportunities and challenges in corporate reporting.

### LIST OF EFRAG’S EXISTING MEMBER ORGANISATIONS

#### European Stakeholder Organisations

##### Accountancy Europe

<u>BusinessEurope</u>	European Business Federation
<u>EACB</u>	European Association of Co-operative Banks
<u>EBF</u>	European Banking Federation
<u>ESBG</u>	European Savings and Retail Banking Group
<u>EFAA</u>	European Federation of Accountants and Auditors for SMEs
<u>EFFAS</u>	European Federation of Financial Analysts Societies
<u>Insurance Europe</u>	European Insurance Federation

#### National Organisations

<u>Austrian Group of Standard Setters</u>	Austria
<u>Grouping of five Danish organisations</u>	Denmark
<u>Autorité des Normes comptables (ANC)</u>	France
<u>Accounting Standards Committee of Germany (ASCG)</u>	Germany
<u>Organismo Italiano di Contabilità (OIC)</u>	Italy
<u>Commission des Normes comptables (CNC)</u>	Luxembourg
<u>Dutch Accounting Standards Board (DASB)</u>	The Netherlands
<u>Instituto de Contabilidad y Auditoria de Cuentas (ICAC)</u>	Spain
<u>The Association for Generally Accepted Principles in the Securities Market</u>	Sweden

<sup>8</sup> EFRAG’s current mission statement will be updated together with the revision of the EFRAG Statutes and EFRAG Internal Rules



## APPENDIX 2 – FORMAL APPLICATION TO BECOME AN EFRAG MEMBER ORGANISATION

Candidate member organisations should submit an application letter indicating:

- For a legally incorporated organisation:
  - Formal name
  - Legal form
  - Formal address (address of the statutory office)
  - Registration number in the commercial register (or similar company registration – we realise that this information may differ from country to country)
  - Name and contact details of person formally representing the organisation (able to commit the organisation)
  - Contact person when different from person formally representing the organisation

In the situation where candidate organisations are not legally incorporated, their parent or overarching organisations (assuming they are legally incorporated) may become the EFRAG Member Organisation. Another possibility would be that a natural person, representing an incorporated organisation, becomes the member. In this case the natural person needs to be able to represent and commit the organisation that is not legally incorporated.

In case the overarching organisation becomes the member, the same information as listed above should be provided.

In case of membership through a natural person, the following information should be provided:

- Evidence in form of a contract or other form of agreement that the natural person is representing and committing the organisation
  - Family name and surnames
  - Date and place of birth
  - Private address
  - Copy of identity card or passport
- Commitment to the objectives, rights and obligations as set out in this call for expressions for interest including providing evidence of the interest and activity in the sustainability reporting domain.
  - Unconditional commitment to the EFRAG funding for 2022 and 2023