

## Conflict of Interest Policy EFRAG Board

**Approved EFRAG General Assembly 10 December 2015 (updated July 2018)**

*This document sets out the conflict of interest policy for EFRAG Board members in the conduct of their work as EFRAG Board member and within the remit of the EFRAG Board. It equally applies to the EFRAG TEG Chairman and the EFRAG CEO within the remit of their functions.*

### Purpose

To ensure the credibility of EFRAG as an organisation working in the European public interest EFRAG Board members, the EFRAG TEG Chairman and the EFRAG CEO<sup>1</sup> should be fully committed to act in the European public interest and in the best interest of EFRAG and to avoid any conflict of interest or perceptions of conflict of interest<sup>2</sup>.

This policy is intended to avoid situations where conflicts or perceptions of conflict may arise, that would:

- discourage free discussion;
- result in decisions or actions that are not in the best interest of the European public at large or of EFRAG;
- give the perception that EFRAG has acted improperly.

They must act in the way they consider, in good faith, would be most likely to promote the success of EFRAG for the benefits of EFRAG's stakeholders and in the European public interest.

### Interests

In order to be able to assess if a conflict of interest situation exists, relevant personal or business interests which may be relevant for the role of an individual Board member should be recorded in a declaration of interest.

Interests include any relation or involvement of the EFRAG Board member or connected persons<sup>3</sup>, including business interests, directorships, shareholdings and public appointments<sup>4</sup> that may be relevant to assess whether a conflict of interest situation exists. An interest is considered relevant if it, whether financial or not and whether direct or indirect, might influence the judgment of an EFRAG Board member or which could be perceived (by a reasonable member of the public) to influence his judgment in the exercise of his duties for EFRAG. Financial support of the EFRAG Board members by their nominating organisations does not constitute an interest that needs to be reported.

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<sup>1</sup> All persons that have an employment contract with EFRAG (which may include the EFRAG Board President, EFRAG TEG Chairman and EFRAG CEO) should also comply with the EFRAG Secretariat Conflict of Interest Policy.

<sup>2</sup> The EFRAG Internal Rules of 23 October 2017 explicitly require in Article 6 all EFRAG Board members to commit themselves formally to acting in the European public interest in all matters in their EFRAG Board member role, irrespective of the fact that they represent particular private or national interests. Also, the profile for EFRAG Board members requires the necessary degree of integrity, objectivity and discipline. All candidates nominated and recommended to be appointed to the EFRAG Board are requested to sign an EFRAG Board membership declaration specifically addressing these aspects.

<sup>3</sup> A connected person is defined as an EFRAG Board member's spouse, child, parent, grandparent, grandchild, sibling or any person in a relationship with an EFRAG Board member, or any company or business controlled or managed by an EFRAG Board member.

<sup>4</sup> A public appointment is generally a ministerial appointment to the board of a public body or advisory committee.

## **Record of declarations of interest**

Each EFRAG Board member shall, on appointment, complete the declaration of interest form, which is filed at the EFRAG offices for insight by the EFRAG General Assembly Nominating Committee and the EFRAG Board President (Appendix). Annually, EFRAG Board members will receive their most recent declaration and will confirm any changes that may have occurred in the past 12 months. Notwithstanding this, it is the individual's responsibility to promptly notify EFRAG of any changes during the year, after becoming aware of the change. For confidential matters EFRAG Board members should contact the EFRAG Board President.

Any EFRAG Board member must disclose to the EFRAG Board President the existence of any interest which may be relevant to the individual's role in EFRAG as soon as possible after becoming aware of the existence thereof. The disclosure of interests' obligation arises regardless of whether EFRAG requests a declaration of interest or not.

## **Conflicts of Interest**

A conflict of interest or the perception of a conflict of interest may arise where, for example:

- there are personal or family interests that could improperly influence the performance of their duties;
- there is a direct or indirect, by way of a connected (family) person, potential financial gain or benefit;
- there is a potential for a non-financial gain, such as preferential treatment or service, which may give rise to a conflict or an apparent conflict of interest;
- gifts<sup>5</sup> of over 150 euro or beyond what can be considered reasonable for private use<sup>6</sup> received in the function of EFRAG Board member are accepted.

## ***Interests in other organisations***

Interests or affiliations different from European public interests could be considered as a source of conflict of interest. However, the governance of EFRAG has set as objective for EFRAG to be as representative as possible of all private and public stakeholders in financial reporting. As a result the EFRAG Board consists of members nominated by European Stakeholder Organisations and National Standard Setters that have been selected because of their specific expertise and practical experience. The active exercise of executive or non-executive responsibilities as Board members in listed companies, active partnership in an audit firm or active role in a European Stakeholder Organisation or National Standard Setter more often than not characterizes the necessary expertise that qualifies nominees for EFRAG Board membership. These affiliations should therefore not be considered in the context of EFRAG as possible sources of conflict of interest.

The diverse composition of the EFRAG Board, the role of the due process, the EFRAG TEG advice and the individual commitment of each EFRAG Board member to act in the European public interest are expected to be effective safeguards against any conflict of interest. They should prevent the EFRAG Board from making decisions serving particular organisations with a stake in a particular outcome (vested interests).

In addition, to ensure that in its decision-making process the EFRAG Board is alert to the potential influence of vested interests, a table is prepared on the basis of EFRAG Board members' declarations of interests for each EFRAG Board meeting. The table shows the interests related to the subjects that are discussed

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<sup>5</sup> Payments for presentations and the like in the role of EFRAG Board member are not acceptable. The amount could be paid to a charity at the choice of the EFRAG Board member concerned. Presentations, teaching and other financial reporting activities carried out independently from EFRAG are not covered but EFRAG Board members should ensure that such activities are fully separated from EFRAG and make clear that they are not acting in their capacity as EFRAG Board member.

<sup>6</sup> Gifts or hospitality that are considered of more than a token nature, which could be construed by a reasonable onlooker as creating a sense of obligation to the donor or host in their favour.

in that particular meeting and is provided as part of the agenda papers for the closed session of the EFRAG Board.

The EFRAG website makes transparent to the public in the profile description of each EFRAG Board member its professional occupations. EFRAG Board members will inform the EFRAG Secretariat of any change to their profile.

## **Reporting conflicts of interest**

### ***Activities that are not remunerated by EFRAG***

EFRAG Board members that are in a conflict of interest or in a possible perception of a conflict of interest and are unable to remedy the situation within a reasonable period inform the EFRAG Board President. EFRAG Board members must take steps to ensure that any conflict of interest they may be subject to does not affect a decision taken by the EFRAG Board. The EFRAG Board President may seek advice of the EFRAG General Assembly Nominating Committee on (perceived) conflict of interest situations and violations of the EFRAG Board Conflict of Interest Policy.

### ***Activities that are remunerated by EFRAG***

For the EFRAG Board President, EFRAG TEG Chairman and EFRAG CEO who are remunerated by EFRAG, the additional condition applies that their other, if any, – non EFRAG-related – activities are to be carried out in such a manner that they do not impair the public interest perception of EFRAG. The aforementioned members, being remunerated by EFRAG, should not receive any form of benefits from the organisations that are members of EFRAG or have the right to nominate members on the EFRAG Board.

Any conflict of interest resulting from other activities not related to EFRAG needs explicit consideration and approval by the EFRAG General Assembly, after first having consulted with the European Commission and ensured that the compensation costs remain eligible per the European Commission's grants to EFRAG.

In the situation where an Acting EFRAG Board President is appointed and is not remunerated, the requirements for EFRAG Board members' activities that are not remunerated apply. When any compensation is granted to the Acting EFRAG Board President, the requirements for remunerated activities apply. However, in individual cases the restrictions can be waived or reduced with agreement of the European Commission.

For EFRAG Board members who receive a compensation from EFRAG on an exception basis as set out in the EFRAG Policy on Compensation and Travel Costs of EFRAG Board Members of 23 May 2014, the EFRAG General Assembly should, in approving a compensation of an EFRAG Board member, consider whether a conflict of interest may arise. Where appropriate, the European Commission will be consulted to ensure that the compensation costs remain eligible per the European Commission's grants to EFRAG.

## **Recording conflicts of interest**

The EFRAG Board President reports once a year to the EFRAG General Assembly Nominating Committee on conflicts of interest and violations of the Conflict of Interest Policy on which he did not seek advice of the EFRAG Board Nominating Committee, if any. In particular circumstances the EFRAG General Assembly Nominating Committee may decide that this report will be filed in a confidential part of the record of declarations of interest.

When the EFRAG Board President seeks advice from the EFRAG General Assembly Nominating Committee on (perceived) conflict of interest situations and violations of the EFRAG Board Conflict of Interest Policy, these discussions shall be reported in the minutes of the EFRAG General Assembly Nominating Committee and if considered necessary by the Committee and upon decision of the Committee be filed in a confidential part of the record of declarations of interest.

### **Violations of the Conflict of Interest Policy for EFRAG Board members**

If there is a reasonable cause to believe that an EFRAG Board member has failed to disclose a relevant interest, the EFRAG Board member shall be informed of the basis for such belief and shall be given the opportunity to explain the alleged failure to disclose. Having heard the response, and following further investigation, if deemed necessary, the EFRAG Board President may propose to the EFRAG General Assembly an appropriate action after consultation with the EFRAG General Assembly Nominating Committee.

### **Data protection**

The information provided will be processed in accordance with the data protection principles as set out in Regulation 2016/679 on General Data Protection. Data will be processed only to ensure that EFRAG Board members act in the best interest of EFRAG. The information will not be used for any other purpose. EFRAG's privacy policy is available on the EFRAG website and explains how EFRAG collects, uses, protects or otherwise handles personal data.

## Appendix

### EFRAG (Board) Declaration of interests form

Name:.....

Employment/ affiliation:.....

Partner's employment:.....

#### Membership of relevant organisations or committees:

1. ....
2. ....
3. ....

#### Any interest or involvement of me or of connected persons which may be relevant to be considered:

- **Business interests:**

1. ....
2. ....
3. ....

- **Directorships:**

1. ....
2. ....
3. ....

- **Significant influence shareholdings (normally over 5%):**

1. ....
2. ....
3. ....
4. ....

- **Public appointments:**

1. ....
2. ....
3. ....

#### Any other matters I want to identify:

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I confirm that:

- I have received and read a copy of the EFRAG Board Conflict of Interest Policy
- I understand and agree to comply with its requirements
- I understand that EFRAG is a non-profit organisation acting in the European public interest.

I confirm that the above information is complete and correct. I undertake to update as necessary the information provided and to review the accuracy of the information on an annual basis. I give consent for the information to be used for the purposes described in the EFRAG Conflict of Interest Policy and for no other purposes.

**Date:**

**Signature:**