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## Invitation to comment on the 'Ad personam mandate on Non-Financial Reporting Standard Setting'

Dear Mr. Gauzès,

We appreciate the opportunity to comment on your Ad personam mandate to provide recommendations 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. This comment letter summarizes the Allianz Group's key positions on the questions posed in the Questionnaire.

We would first like to highlight that a consistent global mandatory non-financial reporting framework / standard would, in our view, be most beneficial to increase the transparency about and comparability among entities. At the same time, we acknowledge that this may be difficult to achieve in a reasonable timeframe in view of the subject's urgency. In our opinion, however, a potential EU-level solution should only represent an intermediate step towards a global solution. In this regard, the financial reporting set-up can generally serve as a point of reference in many respects as it has been successful in achieving high-quality and consistent global reporting standards.

For EFRAG as an European organization which was not established for and would not be dedicated to the particular role of a standard-setter only, but primarily serves a different, yet essential related role, to yield the best possible solution for EU non-financial reporting in an intermediate step, we believe that significant structural changes would need to be undertaken first. In particular, if EFRAG were entrusted with the development of EU non-financial reporting standards, in our view, significant changes to EFRAG's governance and financing structure would be required, which by their nature are (only) tailored to EFRAG's current role in financial reporting. In our opinion, a two-tier set-up would be necessary, where the non-financial reporting pillar and its underlying governance and financing structure would be fully independent and separate from the existing financial reporting pillar.

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The non-financial reporting pillar should especially comprise a technical body of experts providing technical guidance as mandated by the EU, which could then be migrated towards an endorsement body and integrated into EFRAG's current structure at a later stage, namely when a global standard-setter for non-financial reporting is in place.

In particular, with view to a global solution, we believe that, given EFRAG's significant experience and expertise in fulfilling its current role in financial reporting, its extensive network and community and the significant potential to exploit synergies, it would be most beneficial if EFRAG were to maintain its current role to serve the European public interest in financial reporting, and to extend it to non-financial reporting accordingly. As such, when a global standard-setter for non-financial reporting is in place, we believe that EFRAG's core activities in financial reporting and non-financial reporting should be aligned and comprise upstream influence, improving corporate reporting standards, and endorsement advice. In our view, this rationale applies analogously to other European public bodies and their respective roles, such as to ESMA and its role in enforcement.

We would like to emphasize that this view is not based on any specific concerns regarding EFRAG's general ability to fulfil the role of a standard-setter in non-financial reporting. On the contrary, we are well aware of the very high level of EFRAG's expertise and its proven track record and highly appreciate EFRAG's work. Rather, our view and corresponding proposals are based on more holistic and long-term considerations as to the optimal and most efficient set-up in the steady state, for which, in our view, a global solution should be pursued and for which the financial reporting set-up can and should serve as a point of reference.

Altogether, in our opinion, EFRAG's structure should be amended in a way that is consistent with and contributes to reaching such a global solution in the mid- to long-term. To this end, we deem it essential that a separate governance structure be set up for EFRAG's non-financial reporting pillar, with the primary aim to ensure sufficient independence from the beginning. This set-up would be best suited to facilitate significant short-term progress at the EU level, on the one hand, as well as to allow migration towards a global solution in the mid- to long-term, on the other hand.

Irrespective of these structural considerations, we deem it essential that the respective disclosure requirements be streamlined and consistent with those imposed by means of existing and upcoming EU regulations. In addition, existing frameworks / standards such as GRI should be considered comprehensively in the development of EU non-financial reporting standards. In particular, any EU non-financial reporting guidance should build on and be aligned with existing non-financial reporting guidance as much as possible. At best, one or more existing standards, as deemed suitable, would serve as the initial basis and core guidance, which is then supplemented in a way to address EU specificities based on the technical guidance provided by EFRAG's technical body of experts. Finally, we deem it indispensable that a due process be implemented that takes into account the subject's urgency, yet still allows for significant involvement of the interested public and stakeholders to ensure that resulting standards are relevant for and responsive to the needs of all stakeholders.

The appendix to this letter sets out our view and detailed comments on the specific questions posed in the Questionnaire, with a focus on the issues which are of particular relevance for us.

I hope that our feedback is helpful for you. Please feel free to contact Dr. Julia Menacher ([Julia.Menacher@allianz.com](mailto:Julia.Menacher@allianz.com)) or me personally to discuss any matters raised in this letter.

Yours sincerely,



**Dr. Roman Sauer**  
Head of Group Accounting & Reporting

## **Appendix: Ad personam mandate on Non-Financial Reporting Standard Setting – Consultation Questions**

*In your opinion, if EFRAG were entrusted with the development of possible EU non-financial reporting standards in a revised NFRD, how would the following general and specific considerations, identified as relevant to standard setting mechanism, apply if EFRAG were to be the standard setter? (NB: this does not affect EFRAG's present mission)*

### **Section 1: Governance – Structure and due process**

#### **Question 1.1**

*Standards need to be developed in the public interest and no individual category of stakeholder may exercise undue influence: How can it be best ensured that standards are developed based on an inclusive and transparent due process? What should be the characteristics of such a due process?*

In our view, if (EU) non-financial reporting ('NFR') standards were to be developed, these aims / objectives can only be achieved by an independent body of experts, which in turn applies an inclusive and transparent due process, namely granting the interested public and stakeholders reasonable and sufficient possibilities to get involved. This is of key importance to ensure that resulting standards are relevant for and responsive to the needs of all stakeholders.

In principle, the due process as currently applied in the financial reporting ('FR') context under IFRS has proven successful in FR and can, thus, serve as a point of reference in this context, especially with view to its public consultation procedures. Comprehensive involvement is of key importance to ensure that standards are developed in a balanced manner and are not solely driven by the, admittedly urgent, need for action and respective (EU) political objectives. While a due process as applied in FR under IFRS would likely be too time-consuming at this stage, we still deem it essential that a reasonable timeframe and inclusive set-up for public consultations be chosen. Otherwise, we perceive a high risk of introducing an insufficiently substantiated short-term solution that requires numerous subsequent improvements and respective conversions by preparers, which would be highly detrimental with view to transparency and comparability.

In addition to taking into account the subject's urgency when defining the due process for (EU) NFR standards, assuming that they shall apply under the revised NFRD, we also deem it essential that the time horizon (due process and effective date) and disclosure requirements be aligned with the time horizon and disclosure requirements of other existing and upcoming EU regulations such as the Taxonomy Regulation and the SFDR. However, the NFR standards themselves should not be mainly driven by these other EU initiatives, as this would not be in line with the mid- to long-term target of a global solution (please also refer to our response to Question 2.1), but should be consistent with them and allow entities with a dual role to meet their disclosure requirements (beyond the NFRD) to the greatest extent possible.

In addition to committing to such an inclusive and transparent due process, a suitable governance and financing structure needs to be set up around the body in charge of developing NFR standards. With view to this mandate, we would like to emphasize that, in our opinion, the role of developing standards in NFR differs significantly from EFRAG's current role in FR. As EFRAG's governance and financing structure are currently by their nature (only) tailored to EFRAG's current role in FR, in our view, if EFRAG were to assume this potential additional role in NFR, significant changes to EFRAG's current set-up would be required. For our detailed views and proposals on stakeholder involvement, governance and financing as well as EFRAG's (potential) role and corresponding responsibilities in this context, please refer to our detailed responses below.

As, in our opinion, a potential EU-level solution should only represent an intermediate step towards a global solution, our below proposals relate to EFRAG's potential intermediate set-up accordingly, which should be chosen in a way that is consistent with and contributes to reaching a global solution in the mid- to long-term.

### **Question 1.2**

*Relevant European institutions and agencies shall be invited to be fully involved in the development of future standards, including the European Securities and Markets Authority (ESMA): How can these European Institutions and agencies be involved in the development of future standards and in the standard setter? Should there a particular role for ESMA?*

In our view, ESMA as well as other European public bodies such as EBA, EIOPA or ECB should have a similar role as their respective role in the FR context under IFRS and should, thus, be involved to a similar extent and via similar procedures. For example, in analogy to ESMA's current role to promote the consistent application of IFRS and foster convergence of enforcement practices across Europe, ESMA could assume a similar role to promote the consistent application of potential future NFR standards and foster respective convergence of enforcement practices across Europe, naturally under the assumption that ESMA is reorganized in a way to be endowed with the same level of expertise in NFR as in FR. However, in our view, there are no indications as to why a different approach as to the degree or way of involvement of these European public bodies in the standard-setting process should be adopted in the context of NFR as compared to FR. Accordingly, neither ESMA nor other European public bodies should, in our view, be granted a specific / different role in the standard-setting process in NFR.

In this context, we would also like to note that involving these European organizations to a greater extent (while not involving non-European organizations) would not be aligned with our key position that the degree of uniformity and comparability in NFR should be maximized, globally as far as possible. In particular, in our view, even if a EU-level solution were to be pursued in a first step, a structure should be chosen which would allow a smooth migration from this EU-level solution to a global solution at a later stage. As a global solution, i.e. a single set of high-quality global NFR standards, is, in our view, indispensable in the mid- to long-term, we deem it highly relevant and would strongly suggest to take this into account from the beginning.

In our view, this rationale applies analogously to EFRAG's role in NFR. In particular, in the mid- to long-term, we believe that EFRAG's current role to serve the European public interest by developing and promoting European views in the field of FR and ensuring these views are properly considered in the IASB standard-setting process and in related international debates should be maintained. In addition, we believe that it should be enhanced, namely by extending it to NFR. Accordingly, in the mid- to long-term, when a global standard-setter for non-financial reporting is in place, EFRAG's core activities in NFR should be aligned with its current core activities in FR, i.e. upstream influence, improving NFR standards, and endorsement advice. Therefore, if EFRAG were entrusted with the development of EU NFR standards, we believe that this should only represent an interim solution. In particular, EFRAG's role in NFR should be migrated towards proactive contribution to a global standard-setting process and then, once a first set of standards has been developed, to advisory and the provision of endorsement advice, as in the FR context under IFRS.

We acknowledge that a similar set-up to FR would not be required for the endorsement of EU NFR standards as long as a EU body is mandated to develop EU NFR standards and serves the European Commission directly. However, we would like to highlight that when, ultimately, a global independent standard-setter is in place, EFRAG's current role in FR would also need to be taken up in the NFR context.

In particular, such a potential future global standard-setter would develop / draft NFR standards, however, with the actual power to ultimately set such standards into law retained by the European Commission, Parliament and Council. Stakeholders such as standard setters, stock exchanges or supervisory authorities should be endowed with the possibility to get involved in the NFR standard-setting process to the same degree and in the same way as in the IASB standard-setting process, namely both directly and indirectly. Currently, in FR, indirect influence can primarily be exerted via EFRAG, such as via EFRAG's consultations, field tests and outreach activities. In our view, it would be most beneficial – given EFRAG's significant experience and expertise in fulfilling this role in FR, its extensive network and community and the significant potential to exploit synergies accordingly – if EFRAG were to take on this role in NFR as well.

We would like to emphasize that this view is not based on any specific concerns regarding EFRAG's general ability to fulfil the role of a standard-setter in NFR (once the necessary measures related to governance, funding and expertise have been successfully implemented). On the contrary, we are well aware of the very high level of EFRAG's expertise and its proven track record and highly appreciate EFRAG's work, and believe that, if a European public body were to assume the role of a standard-setter in NFR, EFRAG would be best qualified to fulfil that role. Rather, our view and corresponding proposals are based on more holistic and long-term considerations as to the optimal and most efficient set-up in the steady state. In our opinion, the set-up in FR has been successful in creating a global solution and should, therefore, serve as a point of reference. Accordingly, we believe that a similar set-up should be aimed for from the beginning, or, at least, that a set-up should be chosen that can be smoothly transferred to a set-up similar to the current set-up in FR at a later stage.

### **Question 1.3**

*To permit relevant national public authorities to provide input about whether any future standards are responsive to the public interest, how can these authorities be included in the governance of the non-financial reporting pillar? Which authorities would be the most relevant and how should they be involved?*

In our view, a due process as described above in our response to Question 1.1 which is in principle similar to the one applied in FR (in combination with a suitable governance and financing structure, see below) would allow relevant national public authorities to provide input and get involved to a significant and reasonable extent.

In our view, there are no indications as to why a different approach as to their respective involvement in the standard-setting process should be adopted in the context of NFR as compared to FR. We acknowledge that while FR is primarily addressed to financial stakeholders and, thus, shaped in a way to serve their information demands, NFR is relevant for a broader stakeholder group. However, in our view, there is broad agreement on this aspect and, among others, the application of the double materiality perspective as required under the NFRD reflects the strong commitment to respond to these needs appropriately.

### **Question 1.4**

*Should private sector and civil society representatives be involved in the standard setting work? If so, what would be suitable options for doing so in a balanced way? Which stakeholders should be involved? Should the standard setting pillar be a public-private partnership like in the financial reporting pillar?*

More generally, when determining the composition of a standard-setting body (or an interim body of experts, as the case may be), it needs to be ensured that, comprehensively, its members have the necessary expertise, experience, tools and knowledge in the area of non-financial reporting as well as any essential related areas, namely in analogy to the composition of the IASB, albeit different in terms of thematic focus (please also refer to our response to Question 2.1). This, in turn, assures that this body is generally aware of and able to take into account the information needs and interests of all stakeholders to a reasonable and balanced extent.

Actual private sector and civil society representatives would have the opportunity to get involved via a due process as described above in our response to Question 1.1 which is in principle similar to the one applied in FR (in combination with a suitable governance and financing structure, see below). In our view, this would allow them to provide input and get involved to a significant and reasonable extent. In particular, we believe that their involvement should be enabled via public consultations in the context of which they would be able to provide input, especially on whom would be the relevant non-financial stakeholders, both of NFR in general as well as for specific entities and specific non-financial information, and their respective information demands.

In analogy to the rationale outlined in our response to Question 1.3, in our view, there are no indications as to why a different approach as to their respective involvement in the standard-setting process should be adopted in the context of NFR as compared to FR. We acknowledge that NFR is relevant for a broader stakeholder group and that adapting a framework to the needs of financial stakeholders (only) would not be able to ensure that the information needs of all other stakeholders are fully covered as well (especially when it comes to the inside-out perspective without rebound effect). Nonetheless, we believe that financial stakeholders are also (increasingly) interested in NFR, which implies that adapting a framework to their needs would, at least, ensure that the information needs of other stakeholders are covered to a great extent. In addition, there is broad agreement that other stakeholders' information needs need to be considered as well and, among others, the application of the double materiality perspective as required under the NFRD reflects the strong commitment to respond to these needs appropriately.

Finally, as outlined in detail in our response to Question 1.6, if EFRAG were entrusted with the development of EU NFR standards, to determine the set-up of the NFR pillar under the umbrella of EFRAG, a fully independent and separate structure should be set up as ensuring full independence from the beginning is key to achieve high-quality unbiased standards and to have a global impact. EFRAG's FR pillar has been set up for a different role / purpose. Therefore, mirroring this set-up or incorporating the NFR pillar within this set-up would, in our view, not properly reflect the different nature of EFRAG's potential role in NFR and not be able to ensure independence to a sufficient degree.

#### **Question 1.5**

*If there were to be SME standards derived from the future EU non-financial reporting standards, how should the SME angle be addressed in the governance and in the standard setting process?*

In general, we strongly advocate that there be less comprehensive disclosure requirements for SMEs. In particular, as sustainable investment opportunities are scarce, it is important that SMEs are able to bring all such opportunities to the market, and a simplified framework / specific SME standards can support this aim. This should be taken into account when determining disclosure requirements and further potential support mechanisms for SMEs (e.g. outsourcing of NFR compilation to a sustainable fund). At the same time, in evaluating the appropriate disclosure requirements for SMEs, the minimum information necessary for financial sector companies and / or other companies to comply with their disclosure requirements should be considered as a potential minimum.

While such disclosure requirements would naturally have significant implications for SMEs and related governance and oversight bodies, we do not perceive particular implications as to the governance and standard-setting process of the body in charge of developing NFR standards or the umbrella organization, respectively. In analogy to the rationale outlined in our responses to Question 1.3 and Question 1.4, in our view, a due process as described above in our response to Question 1.1 which is in principle similar to the one applied in FR (in combination with a suitable governance and financing structure, see below) would allow SMEs and related governance and oversight bodies to provide input and get involved in the standard-setting process to a significant and reasonable extent.

#### **Question 1.6**

*Which governance structure would you foresee for the EFRAG EU non-financial reporting standard setting pillar? How would this fit in the overall EFRAG governance structure? What relation would there be with the financial reporting pillar, if any?*

In our view, the governance structure as currently applied in the FR context under IFRS has proven successful in FR and can, thus, serve as a point of reference in many respects. Irrespective of its concrete governmental specificities, it has been successful in achieving high-quality and consistent global reporting standards, which are developed by an independent standard-setting body.

Therefore, if EFRAG were entrusted with the development of EU NFR standards, we believe that a fully independent structure should be set up under the umbrella of EFRAG for this role / purpose.

The structure of the potential additional NFR pillar should at least comprise an independent technical body of experts providing technical guidance as mandated by the EU and an Advisory Council that provides advice and counsel to the Board and the technical body of experts, whilst this technical body should also consult extensively with all other relevant advisory bodies and consultative groups, especially (but not only) focusing on the NFR area. Taken together, in our view, such a set-up would be best suited to ensure independence, public accountability as well as transparent and high-quality governance.

Also, as already mentioned at various instances above, besides the specific set-up of this NFR pillar, we deem it essential that the structure to be set up for EFRAG' role in NFR be independent and separate from the structure already set up for EFRAG's role in FR. In particular, we believe that the current structure of EFRAG's FR pillar clearly serves its particular role in FR and is well-suited for this purpose. However, as both roles (i.e. current role in FR vs. potential role in NFR) are, in our view, very different in nature, rely on different processes and require different skills and competencies (at least to a certain degree), they should be fulfilled independently from each other and different governance structures and staffing of involved bodies are appropriate for their respective fulfilment. In addition, in our view, given the interconnectivity between FR and NFR, this is also a precondition to even entrust EFRAG with the development of EU NFR standards in the first place. Naturally, if EFRAG were to develop EU NFR standards, the responsible technical body of experts should have high expertise in the field of FR as well. Still, the task itself should be completed fully independently of any other activities conducted by EFRAG in the context of its role in FR to avoid potential conflicts of interest. In particular, EFRAG's activities in NFR should in no way be biased / influenced by EFRAG's activities in FR and vice versa.

The European Lab, given its focus on NFR already at this stage, could, in our view, form part of this independent and separate NFR pillar. This would leverage synergies and at the same time contribute to ultimately achieving a two-tier governance structure under the umbrella of EFRAG, in which both roles are performed independently and separately from each other. In this context, based on our understanding of the European Lab's current structure, composition and tasks, e.g. in the context of the European Commission's other mandate to EFRAG in NFR, it may, for example, form the basis for or be migrated to an Advisory Council (as proposed to be established above). However, in our view, it should not form the basis for or be migrated to the technical body of experts responsible for developing EU NFRS standards (please also refer to our response to Question 2.1).

On the contrary, we believe that it would be appropriate to retain the current structure with regard to a) a single General Assembly (yet, likely subject to reorganization to achieve a composition that can serve both roles), b) a single EFRAG Board President, and c) a single EFRAG CEO. Further, in our view and taking into consideration our key position that EFRAG's potential role in NFR shall only represent an intermediate step, the EFRAG Board could generally be endowed with serving both roles (yet, potentially also subject to reorganization to achieve a composition that can serve both roles). Setting up a separate temporary board would, in our view, not be necessary. With view to the mid- to long-term, when a global standard-setter for non-financial reporting is in place, EFRAG's core activities in NFR should be aligned with its current core activities in FR and, in this context, we deem the single-board structure as most appropriate. In any case, the intermediate set-up should be aligned with the abovementioned requirement that EFRAG's activities in NFR should in no way be biased / influenced by EFRAG's activities in FR and vice versa.

Taken together, a suitable governance and financing structure needs to be set up around the technical body of experts in charge of developing NFR standards, with the primary aim to ensure full independence. In particular, for EFRAG as an European organization which was not established for and would not be dedicated to the particular role of a standard-setter only, but primarily serves a different, yet essential related role, to yield the best possible solution for EU non-financial reporting in an intermediate step, we believe that significant structural changes would need to be undertaken. In our opinion, a two-tier set-up under the umbrella of EFRAG would be required where the governance structure to be newly set up for the NFR pillar is fully independent and separate from the

governance structure of the existing FR pillar. The NFR pillar should especially comprise a technical body of experts which could then be migrated towards an endorsement body and integrated into EFRAG's current structure at a later stage, namely when a global standard-setter for non-financial reporting is in place.

In our view, only such a comparably extensive reorganization would allow to ensure that, ultimately, the technical body of experts' activities are unaffected by its affiliation with EFRAG and that possible EU non-financial reporting standards are relevant for and responsive to the needs of all stakeholders.

Nonetheless, if EFRAG were entrusted with the development of EU NFR standards, it would, in our view, be valuable if one or more connecting bodies (e.g. working groups) were established between the FR pillar and the NFR pillar to ensure the transfer of relevant knowledge and expertise between both structures and to adequately account for the interconnectivity between FR and NFR.

## **Section 2: Governance – Cooperation with standard setters and other initiatives**

### **Question 2.1**

*Any future possible EU non-financial reporting standards must be built on existing reporting standards and frameworks to the greatest possible extent:*

- *How can the relevant existing standard-setting organisations be closely associated in future standardisation work? How would you see cooperation and involvement?*
- *More broadly, how should cooperation with existing public and/or private initiatives producing international standards and framework be established, to ensure that any future non-financial reporting standards applying in the EU build to the greatest extent possible on existing standards and frameworks?*
- *How can the EU non-financial reporting standard setting have a global impact?*

We fully agree that if a new framework and / or new standards were to be developed, existing frameworks / standards should be considered comprehensively to leverage previous efforts. The consolidated set of principles / requirements of frameworks / standards deemed as most suitable to resolve the identified issues and serve stakeholders' information demands should be incorporated in the new framework and / or standards.

In particular, in our view, one or more existing frameworks / standards such as GRI should be considered comprehensively in the standard-setting process. More precisely, any EU non-financial reporting guidance should build on and be aligned with existing non-financial reporting guidance as much as possible. At best, one or more existing standards, as deemed suitable, would serve as the initial basis and core guidance, which is then supplemented in a way to address EU specificities based on the technical guidance provided by EFRAG's technical body of experts. This would not only create synergies by leveraging previous efforts related to the actual drafting / developing of frameworks / standards. Rather, the broader the application of such frameworks / standards already at this stage, the more the preparers can build on their current reporting practices, which, in turn, is beneficial for users in terms of transparency and comparability as well. In addition, such a modular approach would increase the likelihood of the EU-level solution to have a global impact, especially as the EU NFR standards would then already be closely aligned with existing global NFR guidance. This would ensure that EU NFR standards would not only or primarily be driven by EU-level interests and needs, at least with regard to the core guidance, but would still address them via specific supplementary guidance as developed by EFRAG's technical body of experts.

Recent developments such as, for example, the statement of intent by CDP, CDSB, GRI, IIRC and SASB as well as their joint letter to IOSCO, which outlines their willingness to integrate with the IFRS Foundation's governance and oversight, indicate that existing standard-setting organizations are willing to get involved and collaborate to achieve outcomes that are in the public interest. This further suggests that a high level of cooperation with / between existing standard-setting organizations is a promising way forward.

Indeed, the involvement of and cooperation between existing standard-setting organizations is, in our view, a key step towards ultimately achieving a global solution and should, therefore, be one of the key priorities and objectives from the beginning. Comprehensive involvement of existing standard-setting organizations (worldwide) must be ensured via an adequate governance structure.

In our view, a credible signal and commitment would consist in the representation of (selected relevant) existing (international) standard-setting organizations in a potential future standard-setting body (or an interim body of experts, as the case may be). In addition, this body should actively seek input and involvement by existing standard-setting organizations via concrete processes such as by setting up dedicated advisory panels / consultative groups with their respective representatives. In addition, further relevant bodies in the context of NFR in Europe such as the Platform on Sustainable Finance, which was recently established pursuant to the Taxonomy Regulation, shall be represented in or strongly engage with this body as well in order to ensure consistency between any future NFR standards and relevant (current and upcoming) EU legislation(s) (please also refer to our response to Question 1.1).

These considerations apply and should be considered more generally, in our opinion, i.e. irrespective of whether a global standard-setting body were to be newly established already as a first step or whether a technical body of experts were established under the umbrella of EFRAG as an intermediate step, if such future NFR standards should have a global impact (please also refer to our responses to Question 1.6 and Question 3.1).

### **Question 2.2**

*How to establish an appropriate coordination between the financial and non-financial reporting so as to ensure that financial and non-financial reporting provide an integrated view of the performance, position, development and impacts of reporting companies?*

As outlined in detail in our responses to Question 1.6, if EFRAG were entrusted with the development of EU NFR standards, while we would deem it necessary for EFRAG to set up an independent and separate structure for its role in NFR, one or more connecting bodies (e.g. working groups) should be established between those two structures that can ensure the transfer of relevant knowledge and expertise between both structures and to adequately account for the interconnectivity between FR and NFR. In addition and as also mentioned above, if new (EU) NFR standards were to be developed, the respective body in charge should have high expertise in the field of FR as well.

## **Section 3: Possible changes to finance of EFRAG**

### **Question 3.1**

*What ideas do you have for financing of the non-financial reporting pillar? Should the financing reflect the public-private partnership?*

As outlined in detail in our response to Question 1.6, we would deem it necessary for EFRAG to set up an independent and separate structure for its role in NFR. In our view, this would also allow to set up an independent and separate financing structure for the NFR pillar. While FR and NFR are highly interconnected and there would certainly be a significant intersection as to the relevant (European) stakeholder organizations and national organizations, an independent and separate financing structure would be most appropriate to ensure transparency and accountability and to avoid potential conflicts of interest that could arise when allocating funds between both pillars.

As to the funding of the NFR pillar, the sources of funding could be the same as the ones of existing independent standard-setting bodies such as the IASB, e.g. voluntary contributions from jurisdictions as well as voluntary contributions and license fees from international (accounting) firms, but should also include contributions by the EU (as also granted to the IFRS Foundation since 2010).

If EFRAG were instead to leverage its current funding structure for the NFR pillar, i.e. where EFRAG's activities in NFR would be funded by EFRAG's member organizations and the EU, we would strongly recommend to still ensure that both pillars are financed independently and separately from each other. Consequently, for current member organizations and the EU, it should be clarified which amount, if any, should be dedicated to which role. In addition, further member organizations may want to get involved if EFRAG were entrusted with the development of EU NFR standards. It should be possible for them to only provide funding to the NFR pillar.

As outlined in detail in our response to Question 1.2, a consistent global mandatory NFR framework / standard would be highly and, in our view, most beneficial to increase the transparency about and comparability among entities. Specifically, uniform disclosure requirements should apply for entities and financial sector companies that operate globally to account for the global linkage of financial markets and to avoid competitive disadvantages. The aim should be to maximize the degree of uniformity and comparability in NFR, globally as far as possible. As such, in our view, all EU-level initiatives should focus on and be in line with this aim. In other words, if EFRAG were entrusted with the development of EU NFR standards, it should aim at developing NFR standards that build on and are aligned with existing global NFR guidance as much as possible and could, ultimately, potentially serve as global standards or, at least, as a basis thereof. As already mentioned at various instances above, this should be taken into account as much as possible from the beginning and at all times, both in the process of developing standards, but also when determining the governance and funding structure as well as the composition of the technical body of experts as first steps.

***Section 4: Do you have any other comments you want to share?***

None.