



Mouvement
des Entreprises de France
MEDEF

Mr Jean-Paul Gauzès
President
European Financial Reporting
Advisory Group
35 Square de Meeûs
B-1000 Brussels - Belgium

Paris, 13 November 2020

Re : *Ad personam* mandate on Non-Financial Reporting Standard Setting

Dear President,

The MEDEF (French Business Confederation) represents the view of French companies from various sectors and sizes. MEDEF welcomes the opportunity to comment on the EFRAG President's *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 the possible EU non-financial reporting standards.

The MEDEF would like to outline our expectations regarding a more standardized non-financial reporting and how we perceive the role EFRAG could play in this field.

In MEDEF's view, a particular attention should be given to companies' constraints in reporting, particularly the cost of producing data and the sensitivity of some information which have consequences on the competitiveness of European companies against comparable companies in other geographical areas. CSR reporting standards today are many and varied. In the absence of harmonisation, companies currently produce huge amounts of CSR information to comply with several benchmarks. Lots of initiatives are currently taken to promote an international framework, even though, at this stage, no clear leadership emerges. Collaborations between actors, like in the Corporate Reporting Dialogue, do not seem able to achieve a consensus in a short timeframe. In this race for the emergence of a reporting standard, companies and investors' expectations should be well considered and the specificities of the European economy and their CSR culture preserved. That's why MEDEF encourages a reinforcement of the European voice in the international discussions on non-financial information.

At the European level, MEDEF favours greater rationalization and harmonisation of non-financial information based on a revision of the directive on the disclosure of non-financial information. Companies believe that the information disclosed needs to be streamlined, as the multiplicity of documents, standards on specific issues and ad hoc requests is unsatisfactory, both for them and for

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users who ask for greater comparability. Nevertheless, stakeholder expectations are many and diverse, which does not facilitate the adoption of standardised content ; some actors, who are extremely knowledgeable on certain subjects, like specialised rating agencies, NGOs committed to specific themes, would no longer have ad hoc information as today. A common acceptance of a unique source for ESG information is a sine qua none condition to the revision of the non-financial reporting content. Furthermore, the articulation with the sustainable finance regulations raises important difficulties, both regarding the potential requirement overlaps and inadequate articulation of timeframes, which should also be addressed in priority.

Regarding the content of non-financial information, MEDEF believes that it is essential to continue to articulate a common base of concise information with more sectoral information, or even information specific to the company according to its business activity and practices. It is necessary to keep considering the materiality of sustainability issues, which can vary broadly between sectors and between companies. Finally, it is also essential to build on exiting initiatives, to be efficient, to favor international acceptability, as well as to reduce the cost of implementation by companies.

MEDEF considers that EFRAG has gained a huge legitimacy within the accounting field and has strong connections with the relevant stakeholders of financial reporting. Its specific structure, with both private and public constituents, is a huge strength. Besides, the development of its work on the non-financial information, through the EU Lab, has brought a positive contribution to the current debates on the future of the non-financial reporting. French companies are taking an active part in these working groups and take great consideration of EFRAG's publications. Furthermore, the result of EFRAG's current analysis of the existing standards will bring an important input to the work on the revision or the non-financial reporting directive.

In MEDEF's view, EFRAG could capitalize on its experience of strong and collaborative International relationships with governments, regulators, and national standard-setters to share a European vision of the non-financial information in the international debates. Improving convergence at the international level is key, both to achieve the European objectives of a reinforcement of ESG consideration in financial decisions to promote a more resilient economy and to enable companies to compete in a level playing field.

In this perspective, EFRAG's means should be reinforced to be able to pursue and amplify actions currently led by the EU lab. Its private and public structure should be preserved and the place of companies and their stakeholders at the center of the debates maintained. However, MEDEF does not consider that the necessity of an evolution toward a full European non-financial standard-setter is ascertained at this stage. The work on the revision of the directive and the analysis of the possibility to build on the existing framework must be completed first, in order to determine the most efficient way to progress toward a more concise and comparable non-financial reporting, both at European and international level. Several solutions could be envisaged, through delegated acts, endorsement mechanisms or non-binding guidelines (or a combination of those solutions) and the corresponding role and structure for EFRAG would differ according to these choices.

We remain at your entire disposal for any additional question.

Yours sincerely,



Christophe Beaux
General Director