

EFRAG Informal Danish National Funding Mechanism

EFRAG
President Jean-Paul Gauzes

Via e-mail:

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Dear Jean-Paul,

Comments to your Consultation Paper: “EFRAG’s DUE PROCESS PROCEDURES FOR EU Sustainability Reporting STANDARD-SETTING”

Initially we want to congratulate you on a very good consultation document where most of the difficult issues are well covered.

We agree with the initial Chapters 1 and 2 “Objective” and ”Principles” as the basis for developing the Due Process Procedures.

Our general comments are as follows:

- We support the relation between the Sustainability Reporting Board (SRB) and a possible supporting Due Process Committee (DPC).
- We support chapter 3 on Due Process Oversight.
- We do not support that international sustainability standard setters have the possibility to delay issuance of EFRAG standards.
- We support that it is the Sustainability Reporting Board that is the final decision-maker for the sustainability reporting pillar. There shall not be divided responsibility between the Sustainability Reporting Board and Sustainability Reporting TEG.
- We support the objective for EFRAG to operate by consensus, but if consensus is not possible, we have divided views on whether to prefer simple majority voting or qualified majority voting.
- We believe that the interim technical work shall also comply with the due process procedures outlined in the consultation document and any deviation must urgently be approved on beforehand (by the present Board or the EFRAG GA subcommittee).

Our detailed comments to the consultation document are elaborated in detail in the annex.

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In case you have any questions or comments, please do not hesitate to contact Camilla Hesselby che@fsr.dk (+45 25564196) or Stig Enevoldsen Stig@stigenevoldsen.dk (+45 40 92 36 91).

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Copenhagen, 26th August 2021

Yours sincerely,

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FSR – Danish Auditors

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Ulla Brandt
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Kristian Koktvedgaard
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**FINANCE
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APPENDIX:

Introduction named “PUBLIC CONSULTATION” on page 4 in the document

It is mentioned that the due process during the interim technical work “will therefore to the extent possible and practicable be applied as well to the interim technical work that is undertaken on a project basis”. We strongly believe that the due process should apply to the maximum possible extent to ensure high quality that will be valued and respected also after the handover to the new SRB. We believe that any deviation from the due process procedures laid out in the consultation document should urgently be approved on beforehand by the EFRAG Board or the EFRAG General Assembly subcommittee.

Paragraph 2.7

We believe that there shall be no exception for technical discussions. All technical discussions must be held in open meetings.

Paragraph 5.1 e)

We believe that consulting with sustainability reporting standard setters on the matters mentioned in paragraph 5.1 e) should not be mandatory but should be moved to paragraph 5.2 for non-mandatory procedures. We say that because the National Authorities and sustainability standard setters from EU should be able to respond within the normal due process activities. Reaching out to the mentioned EU organisations is a possible activity but not mandatory.

In addition, consulting international Authorities and sustainability standards setters should also be an encouraged option, but certainly not a mandatory required procedure.

One reason is that such bodies may have difficulty giving a timely response and international bodies may even have an interest in delaying the development of the EFRAG draft standards.

Paragraph 5.14

We do not agree that this paragraph should be a part of the “Due Process Procedures”.

Paragraphs 5.15 and 5.16

We challenge whether it is practical - due to resource reasons - that EFRAG undertakes this role in relation to digital guidance. It seems the presently proposed budget for the Sustainability Pillar is very limited, and therefore it seems not reasonable to require EFRAG to undertake to recommend the digital guidance.

Appendix 2 to the Consultation Paper

The appendix describes the new organisation and the voting rules for the two pillars.

In the text of the consultation paper it follows that the SRB is the deciding body when issuing the standards to the EC and if the SRB disagrees with the EFRAG SR TEG, the SRB shall explain to the TEG why.

In the appendix it seems possible for EFRAG to issue a standard as developed by the SR TEG and with an opinion by the Board on why the SRB believes that the standard does not meet the needs of the EU legislation.

We strongly support the text in the consultation paper to have the SRB to have the final say.

In general, on voting, we support the objective to strive for consensus, but we are divided on whether to support simple majority voting or qualified majority voting if consensus is not possible.