EFRAG'S DUE PROCESS PROCEDURES

EU SUSTAINABILITY REPORTING STANDARD-SETTING

APPROVED BY THE EFRAG GENERAL ASSEMBLY ON 15 MARCH 2022

EFRAG

The Due Process Procedures have been developed based on the provisions contained in the proposal for a CSRD' issued by the European Commission in April 2021.

After the final legislative text of the CSRD is adopted, the Due Process Procedures will be reviewed to ensure alignment with the final provisions.

Correspondence to the EFRAG Administrative Board and /or its DPC, on due process matters should be addressed to the following address: esrsdueprocess@efrag.org.

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CHAPTER 1: OBJECTIVE

1.1 A rigorous and transparent due process must underpin standard-setting and is critical for the long-term credibility and independence of standard-setting. It is, however, not an end in itself but a means to an end for the development of high quality and proportionate standards in the public interest.

1.2 The Due Process Procedures set out the due process requirements to be followed by EFRAG in its role as technical advisor to the European Commission in the preparation of the draft EU Sustainability Reporting Standards (ESRS).

1.3 In this capacity, EFRAG is requested to prepare Technical Advice with 'proper due process, public oversight and transparency, and with the expertise of stakeholders, and it is accompanied by cost-benefit analyses that include analyses of the impacts of the Technical Advice on sustainability matters[1],' contributing to the delegated acts, through which, the ESRS will be adopted in the European Union.

1.4 EFRAG provides its Technical Advice to the European Commission in the form of fully prepared draft standards and/or draft amendments to ESRS complete with their bases for conclusions and cost-benefit analysis (including analyses of impacts on sustainability matters).

1.5 A robust, agile and adaptable due process is necessary to meet urgent standard-setting needs within a rapidly-moving landscape. Therefore, all the steps described in this document may not need to be applied mechanically or sequentially in all instances. In some circumstances, an accelerated due process may be appropriate whereby a core of necessary due process steps will be defined. In such cases, the EFRAG Administrative Board, in its oversight role of due process, will be consulted.

1.6 The Due Process Procedures therefore:

a) Specify the minimum steps to be taken to ensure that the activities have benefited from a thorough and effective public consultation process;

b) Identify additional non-mandatory steps to be considered by the Sustainability Reporting Board, (EFRAG SRB), the Sustainability Reporting Technical Expert Group (EFRAG SR TEG) and their working groups, panels or task forces for each project.

1.7 The Due Process Procedures detail the requirements for the due process for the preparation of the draft ESRS as laid down in the EFRAG Statutes (Article 7.3.4) and EFRAG Internal Rules (Article 17). The Due Process Procedures should be read in the context of these EFRAG Statutes and EFRAG Internal Rules (here).

1.8 The Due Process Procedures are reviewed at least every five years taking into account the developments in the ESRS process and the wider environment within which the standard-setting process takes place [2].

1 EC Proposal for a CSRD: Paragraph (11) of Article 1 amending Article 49 of the Accounting Directive, laying down the conditions for empowering the Commission to adopt the delegated acts on sustainability reporting standards.

2 By exception to this rule as this is a new activity for EFRAG, a first review of the DPP will be conducted by the EFRAG Administrative Board and its DPC, one year after the first implementation of the DPP to assess whether the DPP is fit for purpose.

CHAPTER 2: PRINCIPLES

2.1 EFRAG's legitimacy is built on its transparency, governance, due process, public accountability and thought leadership.

2.2 EFRAG serves the European public interest.

2.3 The due process allows all stakeholders to put forward their views for consideration by EFRAG. It ensures that the diversity of environments (including economic environment) and stakeholder views are taken into account in an inclusive way in developing ESRS.

2.4 EFRAG conducts its activities in a transparent manner (Transparency); considering the perspectives of all stakeholders while ensuring the engagement of subject-matter experts in the process of development of ESRS, including investors, non-governmental organisations and social partners (Public Consultation); and analysing the potential impacts of its proposals on affected parties and explaining the rationale for the decisions reached (Impacts).

2.5 The Due Process Procedures address these principles.

TRANSPARENCY

Public meetings

2.6 EFRAG conducts its activities in a transparent manner:

a) The meetings of the EFRAG SRB and EFRAG SR TEG are open to the public. The EFRAG SRB may, at its discretion, hold certain discussions in private. When technical discussions are held in private, the EFRAG Reporting Board Chair informs the EFRAG Administrative Board DPC including providing a justification[3] for this choice.

b) Public sessions of EFRAG SRB and EFRAG SR TEG meetings are webcasted (audio and video recorded). The audio and video recording will be publicly broadcast on the internet and will be later stored for on-demand viewing and made available for a period of one year on the EFRAG website. Thereafter, the recordings will be archived and made publicly available on-demand as long as needed[4].

c) Notice of forthcoming EFRAG SRB and EFRAG SR TEG meetings and their agendas are posted on the EFRAG website[5].

2.7 The EFRAG SRB Chair and the EFRAG SR TEG Chair can invite individuals to the meeting and they may be accorded speaking rights during any meeting as and when appropriate[6].

2.8 The EFRAG SRB Chair and the EFRAG SR TEG Chair may invite additional permanent observers with speaking rights to attend EFRAG Reporting TEG meetings[7].

2.9 The EFRAG Administrative Board will hold public sessions whenever the due process oversight is discussed. Meetings of the EFRAG Administrative Board Due Process Committee are not held in public.

3 Internal Rules, Article 35-1 for EFRAG SRB and Article 45-1 for EFRAG SR TEG.

4 Internal Rules, Article 35-2 and Article 45-1 for EFRAG SR TEG].

5 Internal Rules, Article 35-3 for EFRAG SRB and Article 45-2 for EFRAG SR TEG

6 Internal Rules Article 35-1 for EFRAG SRB and 45-1 for EFRAG TEG

7 EFRAG Internal Rules, Article 38-4.

2.10 A summary of the (tentative) decisions reached is published as part of the monthly EFRAG Update for each:

a) EFRAG SRB meeting[8];

b) EFRAG SR TEG meeting[9]; and

c) Due process oversight session held in public in the EFRAG Administrative Board meetings[10].

Meeting Papers

2.11 EFRAG SRB's and EFRAG SR TEG's agenda papers are publicly available on the EFRAG website. The related advice/reports of the EFRAG SR TEG form part of these publicly available agenda papers[11]. The EFRAG SRB and the EFRAG SR TEG may decide to make selected agenda papers not publicly available[12].

2.12 This may be the case, for instance, if it is determined that making the papers publicly available would be harmful to individual parties. However, it is expected that such circumstances would be rare and that most papers of the EFRAG SRB and EFRAG SR TEG will be publicly available.

2.13 All papers and comment letters received as part of EFRAG's due process are published on the EFRAG website unless confidentiality is requested by the respondent.

2.14 Agenda papers are distributed to EFRAG SRB and EFRAG SR TEG members no later than five (5) working days before the meeting to allow members sufficient time to consider and assess the recommendations. Exceptionally, it may be necessary to distribute technical staff papers closer to the meeting date. The agenda papers are made publicly available at the same time.

2.15 The EFRAG Secretariat verbally provides supplementary and contextualising explanations and comments on the papers at EFRAG SR TEG meetings and where relevant at EFRAG SRB meetings. The EFRAG Secretariat comments are drawn from research, consultations with consultative groups and other interested stakeholders, and information gathered from outreaches, fieldwork, education sessions and comment letters.

PUBLIC CONSULTATION

2.16 EFRAG conducts a public consultation process with stakeholders, to gather feedback from stakeholders on an inclusive basis on:

a) Exposure drafts of Technical Advice to the European Commission accompanied with cost-benefit analyses (see section 'Impact' below) bases for conclusions; and

b) The proposed digital guidance (see Section 5).

2.17 Through open and transparent public comment periods indicated on the EFRAG website, any interested or affected party may provide comments and input.

2.18 Exposure Drafts specify the time and manner through which individuals and organisations may comment. Written comments received during the public comment periods are part of the EFRAG's publicly available documents. All public comments received are posted publicly on EFRAG's website unless confidentiality is requested. In such cases, the feedback provided will be considered without citing the name of the respondent.

8 EFRAG Internal Rules Article 15-4

9 EFRAG Internal Rules Articles 41-3 and 45-1.

10 EFRAG Internal Rules Article 16-6

11 EFRAG Internal Rules, Article 35-3 for EFRAG SRB and Article 45-2 for EFRAG SR TEG.

12 In such cases, in Article 35.1 of the EFRAG Internal Rules provides that 'when technical discussions are held in private, the EFRAG Reporting Board Chair informs the EFRAG Administrative Board DPC including a justification.'

2.19 Responses received during the public comment period are considered when preparing and agreeing on the final Technical Advice.

2.20 Chapter 5 further details how public consultations are conducted.

IMPACTS[13]

2.21 Article 49 of the proposal for a CSRD requires that EFRAG's Technical Advice is *'accompanied by cost-benefit analyses that include analyses of the impacts of the Technical Advice on sustainability matters'* (hereafter *'Cost-Benefit Analyses'*).

2.22 The purpose of *Cost-Benefit Analyses* is to understand the impacts of proposed ESRS and amendments to ESRS from various stakeholders' perspectives on a systematic basis to enable informed judgements about how to balance the needs of competing interests, including costs and benefits but also wider impacts on sustainability matters.

2.23 Cost-Benefit Analyses should operate throughout the life cycle of a standard-setting project whenever projects to propose new or to amend draft standards are initiated, researched, developed and finally recommended to the European Commission. Cost-Benefit Analyses are also a feature of post-implementation reviews. (See Chapter 5).

2.24 EFRAG gains insight on the likely impacts of its Technical Advice through the exposure of proposals, and through consultation with stakeholders and field testing.

13 The due process on Cost-Benefit Analyses will be further developed atter the SRB and TEG have clarified their approach to the matter. in the context of the first set of draft ESRS to be submitted to the European Commission in 2022.).

CHAPTER 3: DUE PROCESS OVERSIGHT

3.1 EFRAG operates under a cascading oversight structure, of which due process oversight is part of its governance. Specifically:

a) The General Assembly exercises oversight over the EFRAG Administrative Board[14].

b) The EFRAG Administrative Board is responsible for EFRAG's due process and the due process oversight of all EFRAG's technical bodies[15].

3.2 The EFRAG Administrative Board is assisted by the EFRAG Administrative Board Due Process Committee (EFRAG Administrative Board DPC)[16].

3.3 The EFRAG Administrative Board ensures that EFRAG has an open and transparent due process including a public consultation process with European constituents on draft EFRAG positions such as discussion papers, draft consultation documents, technical advice to the European Commission in the form of draft EU sustainability reporting standards and related guidance[17].

3.4 The EFRAG Administrative Board DPC shall meet when substantial issues are raised by stakeholders or at the request of either any of its members or the EFRAG Administrative Board. The EFRAG Administrative Board DPC meeting shall be held at least twice a year by either a physical meeting or a conference call or a video conference webcast meeting[18].

3.5 The EFRAG SRB organises the due process and may delegate the organisation of EFRAG's transparent due process including the public consultation process on both technical and other matters to the EFRAG SR TEG[19].

3.6 The composition and role of the EFRAG Administrative Board DPC are further described in Article 19 of EFRAG Internal Rules (here).

AREAS OF RESPONSIBILITY

3.7 The EFRAG Administrative Board provides ongoing oversight over the due process throughout the development of ESRS, including agenda-setting and post-implementation reviews, when applicable. The EFRAG Administrative Board does not review or consider technical content or sustainability reporting matters that have been recommended by the EFRAG SR TEG or decided on by the EFRAG SRB[20].

3.8 The due process oversight includes:

a) Reviewing regularly, and in a timely manner, the due process activities of the EFRAG SRB and EFRAG SR TEG, including standard-setting, research activities and the development of materials to support the consistent application of ESRS when applicable.

b) Reviewing, and proposing updates to the procedures in the Due Process Procedures so as to ensure that they continue to reflect good practice that could be subject to public consultation as part of the regular review of Due Process Procedures.

14 EFRAG Statutes, Article 7.2.2 e.
15 EFRAG Statutes Article 7.3.4.
16 EFRAG Internal Rules Article 19.
17 EFRAG Statutes Article 7.3.4.
18 EFRAG Internal Rules Article 19-4.
19 EFRAG Internal Rules Articles 17-5.
20 EFRAG Statutes Article 7.3.4 and EFRAG Internal Rules Article 13.

c) Reviewing the composition of consultative groups to ensure an appropriate balance of perspectives and backgrounds, and overseeing the monitoring activities performed by the EFRAG SRB and EFRAG SR TEG of the effectiveness of those groups.

d) Responding to correspondence from third parties about due process matters, in collaboration with the EFRAG Secretariat.

PROCEDURE

3.9 The due process oversight occurs throughout the development of ESRS, including agenda-setting and post-implementation reviews. This is achieved through periodic reporting by, and dialogue with, representatives of the EFRAG SRB, the EFRAG SR TEG and supported by the EFRAG Secretariat.

3.10 For each technical project, the EFRAG SRB and the EFRAG SR TEG first self- assesses whether it has complied with its due process requirements, and:

a) Provides evidence and evaluation of the process that was undertaken; and

b) Concludes whether applicable due process steps have been complied with.

3.11 In addition, if the EFRAG SRB decided not to undertake a non-mandatory step for a specific standard-setting project, it provides a report on the reasons why. The reports are communicated to the EFRAG Administrative Board, giving it sufficient time to review them and react in a timely manner. The EFRAG Administrative Board reviews and evaluates the evidence provided by the EFRAG SRB of compliance with the established due process.

3.12 These reports are posted on the EFRAG website after clearance by the EFRAG Administrative Board.

3.13 On a yearly basis, the EFRAG Administrative Board reports to the EFRAG General Assembly on how the due process oversight has been carried out. On a case-by-case basis, the due process applied for an individual standard may be considered.

COMMUNICATION

3.14 The EFRAG Administrative Board supported by the EFRAG Administrative Board DPC operates transparently and with fair consideration of the matters raised by stakeholders. The EFRAG Administrative Board meets in public when addressing matters related to the due process and the related meeting papers and recordings of the meeting are made available on EFRAG's website. Meetings of the EFRAG Administrative Board DPC are not public[21].

3.15 The EFRAG Administrative Board responds, when appropriate, to matters raised about the due process of the EFRAG SRB and EFRAG SR TEG and ensures that such matters are addressed satisfactorily.

21 EFRAG Internal Rules Article 15.4.

CHAPTER 4: AGENDA-SETTING

DEFINING THE WORK PLAN

4.1 This chapter consists of:

a) An outline of the initial phase in which EFRAG will develop a first and second set of ESRS required under the proposal for a CSRD; and

b) The steps in establishing EFRAG's work plan as an ongoing process.

Initial phase - First sets of sustainability reporting Standards

4.2 The proposal for a CSRD states that, to meet the information needs of users in a timely manner, the European Commission should adopt[22]:

a) The first set of sustainability reporting standards by 31 October 2022 that specify the information necessary to understand the companies' impacts on sustainability matters and information necessary to understand how sustainability matters affect the companies' development, performance and position. And, at least, specify information corresponding to the needs of financial market participants subject to the disclosure obligations laid down in Regulation (EU) 2019/2088 (SFRD).

b) The second set of sustainability reporting standards by 31 October 2023 that specify the complementary information that undertakings should disclose about sustainability matters and reporting areas where necessary, and information that is specific to the sector in which an undertaking operates.

Establishing EFRAG's work plan as an ongoing process

4.3 Article 19b 1 of the CSRD requires the European Commission to review, at least every three years after the application date, the standards taking into consideration the EFRAG's Technical Advice and where necessary, request EFRAG for advice to amend the standards taking into account relevant developments, including developments with regard to international standards. Such post-implementation reviews are part of EFRAG's workplan.

4.4 In this context, the EFRAG SRB undertakes a public consultation on its activities and its work plan every three years (agenda consultation) or more often if external circumstances and developments would require so.

4.5 The objective of an agenda consultation is to:

a) Gather views on EFRAG's strategic direction and balance of activities in the field of sustainability reporting within the context of the proposal for a CSRD and EFRAG's research and the European lab function's activities;

b) Assess the criteria[23] for adding a research project or European lab function project to EFRAG's work plan; and

c) Identify new sustainability reporting issues that could be considered to be given priority by the European Commission.

4.6 EFRAG SRB may also decide to undertake field tests and other forms of *Cost-Benefit Analyses* 'before a project is included in the work plan. These may include a scientific review and adequacy with EU policy analysis, and other forms of impact analyses. These may, in particular, be relevant for the cost-benefit analysis of SME standards.

22 Art 19 B on Sustainability Reporting Standards of the proposal for a CSRD COM (2021) 189 final.

23 Appropriate criteria to identify new projects to add to the work plan will be identified by the EFRAG Administrative Board as port of its oversight of the activity of the EFRAG SRB.

RESEARCH PROGRAMME

4.7 Research contributes to evidence-based standard-setting. EFRAG undertakes proactive activities in sustainability reporting with four strategic aims:

a) Engage with stakeholders to ensure we understand their issues and how sustainability reporting affects them;

b) Influence the development of global sustainability reporting standards;

c) Provide thought leadership in developing the principles and practices that underpin sustainability reporting; and

d) Promote solutions that improve the quality of information, are practical, and enhance transparency and accountability.

CONNECTIVITY AND COORDINATION BETWEEN FINANCIAL AND SUSTAINABILITY REPORTING

4.8 As explained in Article 46 of EFRAG's Internal Rules, connectivity and coordination between financial and sustainability reporting is ensured by:

a) Observership of the Chairs of the EFRAG Reporting Boards in the other EFRAG Reporting Board;

b) Joint regular meetings between the EFRAG Reporting Boards;

c) Joint oversight of the EFRAG Reporting Boards over the European Lab function carried out by the Project Task Forces (see next section);

d) Observership of the Chairs of the EFRAG Reporting TEGs in the other EFRAG Reporting TEG; and

e) Consideration of the connectivity aspect in the development of technical positions and technical advice in the form of draft EU Sustainability Reporting Standards.

4.9 When appropriate, the EFRAG Reporting Boards and EFRAG Reporting TEGs may jointly develop (research) projects.

IDENTIFYING GOOD PRACTICES

4.10 The European Lab function's objective of identifying and sharing good practices and stimulating innovation will be exercised by project task forces accountable to either the EFRAG SRB or the EFRAG Financial Reporting Board (EFRAG FRB) or both depending on the subject matter. The two EFRAG Reporting Boards appoint the Project Task Forces based on the recommendations of the EFRAG Administrative Board supported by its Nominating Committee[24].

4.11 The European Lab function's activities may also go beyond identification of good practice and consider proactive research on some topics or help with the development of education-oriented material. Through its attachment to both the Financial and Sustainability reporting pillars, the European Lab function's activities may also help to foster interconnectivity between financial and sustainability reporting.

24 EFRAG Internal Rules Article 32.

CHAPTER 5: STANDARD-SETTING

NOTE TO STAKEHOLDERS

This section focuses on the activities to draft new standards or amendments to standards to recommend to the European Commission (Technical Advice).

Once the standards and amendments are implemented, further consideration will need to be given on how to foster their consistent application including the possible need to issue interpretations, provide educational materials or implementation guidance such as illustrative examples to accompany the draft ESRS and amendments to ESRS.

DUE PROCESS ALIGNMENT WITH THE PRINCIPLES AND REQUIREMENTS IN THE PROPOSAL FOR A CSRD

5.1 At each step of the Due Process Procedures, that are described in this section, the EFRAG SRB and EFRAG SR TEG ensure that EFRAG's work is aligned with the objectives and disclosure requirements contained in Article 19 of the proposals for a CSRD in particular as regards:

a) The disclosure requirements to be addressed by ESRS (Article 19a of the proposal for a CSRD);

b) The consideration of the interactions of the ESRS with the other existing EU legislation '(as listed in paragraph 19(b)(3) of the proposals for a CSRD);

c) The consideration of existing standards and frameworks for sustainability reporting and the collaboration with relevant international sustainability reporting organisations (Article 19b).

5.2 Where appropriate, substantial differences with other existing standards and frameworks for sustainability reporting are explained in the 'basis for conclusions' and considered as part of the costs and benefits assessment.

5.3 The EFRAG Administrative Board, supported by its DPC, considers whether appropriate consideration has been given to the due process steps (process-wise).

5.4 The due process steps that are mandatory to be undertaken by the EFRAG SRB and EFRAG SR TEG include:

a) Debating any proposals in one or more public meetings;

b) Ensuring that the proposed new draft ESRS or draft amendments to ESRS are developed taking into account relevant developments, including developments with regard to international standards[25];

c) Considering the interactions of the ESRS with the other existing EU legislation (as listed in paragraph 19(b)(3) of the proposal for a CSRD);

d) Issuing for public comment exposure drafts of any proposed new draft Standard, proposed draft amendment(s) to a Standard while respecting minimum comment periods. Exposure drafts and other consultation documents are issued by the EFRAG SRB open for comment for a period of a minimum of 120 calendar days which may be reduced to no less

25 Article 19(b) of the Proposals for a CSRD.

than 60 calendar days (in case of an accelerated process) after obtaining approval from the EFRAG Administrative Board;

e) Considering and analysing the comment letters received on the proposals in a timely manner;

f) Considering whether the proposals should be exposed again;

g) Finalisation of the Technical Advice to the European Commission; and

h) Submission of the Technical Advice to the European Commission.

5.5 Other steps specified in the Due Process Procedures that can be considered but are not mandatory include:

a) Consulting with the Consultative Forum of National Authorities, Sustainability Reporting Standard Setters and Initiatives on major draft standards and amendments, the work plan, and work priorities[26];

b) Publishing a discussion paper for major projects before an exposure draft is developed;

c) Establishing working groups or other types of specialist advisory groups for major projects (such as those with specific sectoral experience);

d) Holding outreaches and public events; and

e) Undertaking fieldwork.

5.6 If the EFRAG SRB decides not to undertake those non-mandatory steps, it consults the EFRAG Administrative Board on its decision and explains the reasons for not undertaking the steps in its report (see paragraphs 3.11).

REQUIRED STEPS FOR NEW OR AMENDED DRAFT ESRS

5.7 For all standard-setting projects, as appropriate, EFRAG conducts a public consultation with stakeholders with an open call for comments on an Exposure Draft of a proposed draft standard or draft amendment or any other draft position papers.

5.8 EFRAG's due process involves a set of successive and connected activities:

a) Exposure Draft Development;

b) Public Consultation;

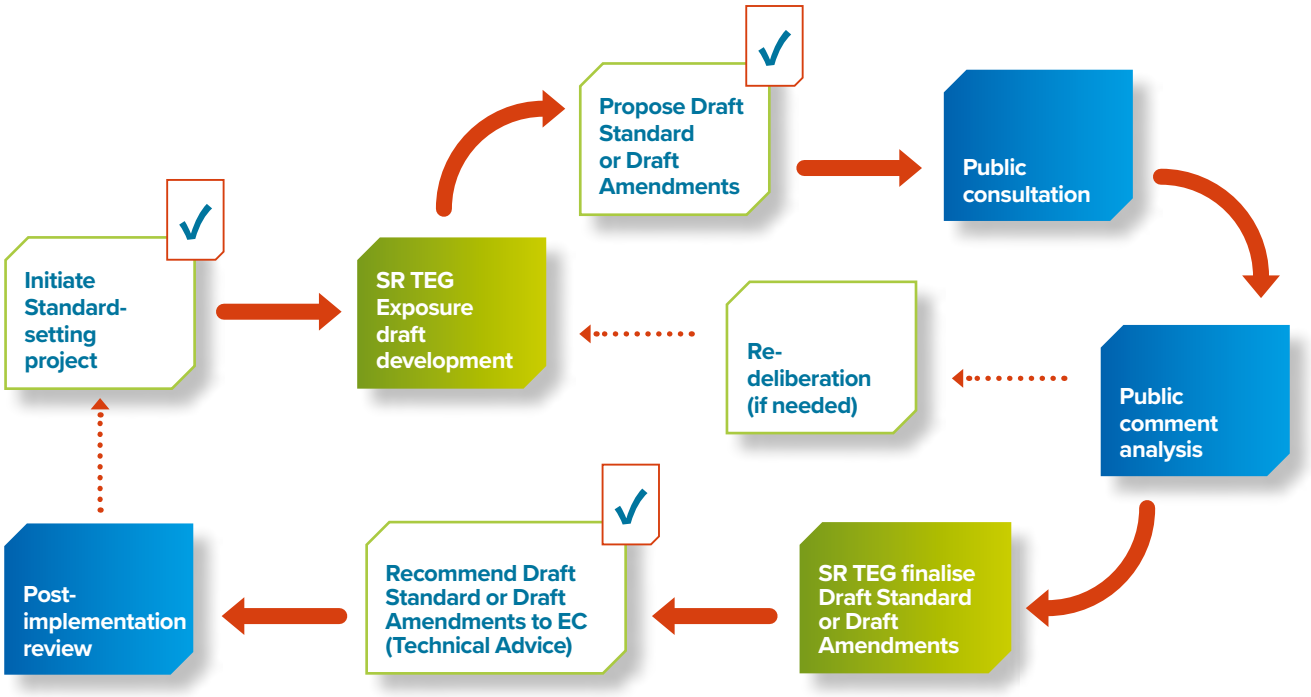
c) Public Comment Analysis;

d) Finalisation of the Technical Advice to the European Commission;

e) Submission of the Technical Advice to the European Commission; and

f) Post-Implementation Review.

26 After the Consultative Forum of National Authorities, Sustainability Reporting Standard Setters and Initiatives becomes operational and its composition is known, EFRAG will reconsider to make its consultation mandatory in the context of the review of the DPP one-year after its first implementation as mentioned in the footnote to Paragraph 1.8.



✓ = SRB Decision

Sustainability Reporting Standards for SMEs

5.9 The proposal for a CSRD provides that separate, proportionate standards are to be adopted for SMEs. These are tailored for the capacities, characteristics and resources of such companies.

5.10 The due process steps presented in the following paragraphs are valid for all standards. However, to take into account the specificities of SMEs and in particular the need to develop requirements that are proportionate to their organisation and resources, field-testing of the proposals is expected to be an important step in the elaboration of sustainability reporting standards for SMEs.

5.11 In reaching out to SMEs, EFRAG will consider ways to facilitate the provision of input such as the use of online surveys and outreaches to obtain input from stakeholders.

DEVELOPMENT OF EXPOSURE DRAFTS, FINAL DRAFT STANDARDS, DIGITAL GUIDANCE AND OTHER DISCUSSION PAPERS

5.12 Once EFRAG has formally decided to add a project to its agenda, it proceeds to the development of an exposure draft.

5.13 The EFRAG SR TEG is responsible for developing exposure drafts of draft standards or draft amendments (with inputs from appropriate working groups or panels and supported by the EFRAG Secretariat) and for recommending these documents for approval to the EFRAG SRB. The EFRAG SR TEG recommends a draft Technical Advice to the EFRAG SR Board (in the form of fully prepared draft standards and/or amendments to ESRS complete with their bases for conclusions and Cost-Benefit Analyses and digital guidance) that has the final responsibility for the content of the exposure drafts, draft standards and draft amendments.

5.14 In doing so, the EFRAG SR TEG:

a) Provides its own professional judgment, arguments and technical analysis based on its technical expertise and EFRAG's due process;

b) Considers whether to appoint a working group or advisory panel, open to members with demonstrated subject-matter expertise in sustainability reporting matters, and thereafter decides on the scope of the work and terms of reference of the working group and panel. The working group (s) and panel (s)must include a balanced and inclusive representation of multi-stakeholders experts.

c) Considers the due process steps as set out in paragraphs 5.4 and 5.5.

5.15 The EFRAG SRB and EFRAG SR TEG are supported by the EFRAG Secretariat at all stages of their activities.

5.16 The EFRAG SR TEG recommendations form part of the agenda papers that are publicly available unless the EFRAG SRB has decided not to make a selection of related agenda papers publicly available (see paragraph 2.12).

5.17 All draft and final documents are issued under the EFRAG SRB's authority. However, the EFRAG SRB may decide to delegate part of its work to the EFRAG SR TEG, assisted by EFRAG Secretariat. In such a situation, the EFRAG SRB indicates the level of approval by the EFRAG SRB that would apply before the publication of the draft or final documents.

Digital guidance

5.18 Further to the proposal for a CSRD, companies will have to 'tag' their reported sustainability information according to a digital categorisation system to be developed together with the sustainability reporting standards.

5.19 The implications for the ESRS digital categorisation system are considered by the EFRAG SR Board and EFRAG SR TEG during the development and drafting of new or amended draft standards. The Technical Advice provided to the European Commission is accompanied by the proposed digital guidance[27].

DECISION PROCEDURE

5.20 The EFRAG SRB will review the text of the exposure draft of standard or draft amendment proposed by the EFRAG SR TEG. Whenever necessary, the EFRAG SRB will set out why it considers that the exposure draft, draft standard or draft amendment does not meet the needs of EU legislation, in particular, any specific requirements of the proposal for a CSRD, or any other European public good considerations and ask the SR TEG to reconsider its proposal.

5.21 After the redeliberation of the EFRAG SR TEG, the EFRAG SRB will make the final decision on the Technical Advice and will decide whether to submit the proposed draft standard or draft amendment to the European Commission. If the EFRAG SRB does not follow the technical recommendation of the EFRAG SR TEG, it provides an explanation to the EFRAG SR TEG as to why the recommendation was not followed.

5.22 EFRAG SRB members who disagree with the Technical Advice are required to explain why they have a dissenting opinion (EFRAG Internal Rules Article 36- 3c). Such dissenting opinions are published with the basis for conclusions.

PUBLIC CONSULTATIONS

5.23 EFRAG runs an open consultation process, the results of which contribute to the determination of EFRAG's Technical Advice (draft standards or draft amendments) to the European Commission by the EFRAG SRB.

5.24 EFRAG launches public consultations on its exposure drafts and discussions papers to stimulate comments and the expression of views by stakeholders. Comment letters received are published on the EFRAG website except for the expected-to-be-rare cases where the stakeholder concerned has asked for the letter not to be made public. In such cases, the content of the comment letter will be considered by EFRAG without citing the name of the respondent. Public consultations may include outreach events and fieldwork including field tests and surveys.

27 The due process on digital guidance will be further detailed as soon as the EFRAG SRB and EFRAG SR TEG have developed their approach to the matter in the context of the first set of draft ESRS to be submitted to the European Commission in 2022.

5.25 Exposure drafts of proposed draft standards or draft amendments are accompanied by a basis for conclusions, initial cost-benefit analyses and draft digital guidance. The basis for conclusions should in particular explain how the proposed draft standards or draft amendments have relied on existing guidance developed by other standard setters or initiatives and which changes or elaboration have been made.

5.26 Additional non-mandatory materials to support the exposure drafts can be issued by the EFRAG Secretariat in consultation with the EFRAG SR TEG, such as project summaries, podcasts, webcasts, other explanatory or educational material, Q&As and presentations.

5.27 EFRAG may also organise, in coordination with other organisations, outreach events open to the public. These events are an opportunity to hear views directly from stakeholders and to stimulate debate. Summary reports of the outreach events held in public are published.

FINALISATION OF TECHNICAL ADVICE

5.28 After the publication of an exposure draft, EFRAG proceeds to consider stakeholders' feedback from the consultative process. In some cases, it may be decided to re-expose proposals before proceeding to a finalised pronouncement.

5.29 The feedback received from the public consultation and other outreach activities determines the priorities of focus (if any), or may result in the project being discontinued.

5.30 Decisions to re-expose are taken by the EFRAG SRB, in consultation with the EFRAG SR TEG. In doing so, the EFRAG SRB considers whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were neither contemplated nor discussed in the basis for conclusions accompanying the exposure draft. The EFRAG SRB also considers whether it will learn anything new by re-exposing the proposals.

5.31 If EFRAG SRB is satisfied that the revised proposals respond to the feedback received and that it is unlikely that re-exposure will reveal any new concerns, it proceeds to finalise the proposed requirements. Once discussions have been finalised, the final draft standard (or draft amendment) will be submitted for approval by the EFRAG SRB.

PUBLIC COMMENT ANALYSIS

5.32 In the basis for conclusions, the EFRAG SRB explains the rationale behind the decisions it reached in developing or amending a draft standard. The basis for conclusions also includes a summary of how the EFRAG SRB addressed the comments received when the proposals were exposed.

5.33 For other publications (discussion papers, educational material), the EFRAG Secretariat provides feedback statements that explain how the feedback received from stakeholders has been considered by the EFRAG SRB and how its conclusions have been reached.

TECHNICAL ADVICE TO THE EUROPEAN COMMISSION[28]

5.34 In its role of Technical Advisor to the European Commission in the preparation of the ESRS, EFRAG will provide its Technical Advice in the form of a proposal of fully prepared draft standards and/or amendments to ESRS complete with their bases for conclusions and Cost-Benefit Analyses and accompanied by the proposed digital guidance.

5.35 According to the European Commission's proposal for a CSRD, the Commission's adoption process would also involve that, before adopting standards:

28 In accordance with proposed Paragraph (11) of Article 1 amending Article 49 of the Accounting Directive, laying down the conditions for empowering the Commission to adopt the delegated acts on sustainability reporting standards.

a) The European Securities and Markets Authority (ESMA) provides an opinion on the Technical Advice provided by EFRAG; and

b) The Commission consults the Member State Expert Group on Sustainable Finance, the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Environment Agency (EEA), the European Union Agency for Fundamental Rights (FRA), the European Central Bank, the Committee of European Auditing Oversight Bodies and the Platform on Sustainable Finance.

5.36 The above organisations are closely involved in the development of EFRAG's Technical Advice to the European Commission as they are observers of EFRAG's technical bodies. During these consultations, EFRAG will strive to facilitate the above reviews by providing any information or support needed.

POST-IMPLEMENTATION REVIEW

5.37 According to the European Commission's proposal for a CSRD, the Commission shall[29], at least every three years after its application date, review any delegated act adopted pursuant to Article 19b of the proposal for a CSRD, taking into consideration the technical advice of EFRAG and, where necessary, shall amend such delegated act to take into account relevant developments, including developments with regard to international standards.

5.38 Post-implementation Reviews (PIRs) are conducted to identify and address potential implementation issues encountered after the adoption of standards and will form part of the EFRAG workplan.

5.39 Such PIRs will have to consider relevant requirements of the EU law and be consistent with the European Commission's better regulation agenda.

29 Article 19 of the proposal for a CSRD provides that *'the Commission should review the standards every 3 years to take account of relevant developments, including the development of international standards'*.

APPENDIX 1: THE GLOSSARY OF TERMS

TERM	DESCRIPTION
CSRD	Corporate Sustainability Reporting Directive.
Comment letter	A letter or a formal submission received by EFRAG in response to a consultation document. All comment letters are made public and can be viewed on the EFRAG website.
Cost-Benefit Analyses (CBA)	Refers to *'cost-benefit analyses that include analyses of the impacts of the Technical Advice on sustainability matters'* (proposals for a CSRD). Process for assessing the likely effects of a proposed ESRS, which is undertaken as the new requirements are developed, culminating in an analysis presented with a new standard or amendment to a standard that summarises the EFRAG's assessment of the likely effects of the new requirements.
Discussion paper	A paper issued by EFRAG that presents the analysis and collective views of the EFRAG SRB on a particular topic. The matters presented will have been discussed in the public meetings of EFRAG. Discussion papers are issued for public comment and the feedback from these consultations informs EFRAG and helps it to assess whether and how to develop a new or amended ESRS.
DPP	Due Process Procedures
EFRAG SRB	EFRAG Sustainability Reporting Board.
EFRAG SR TEG	EFRAG Sustainability Reporting Technical Expert Group.
ESRS	Sustainability Reporting Standards as applicable in the EU.
Exposure draft	A draft of a proposed Standard or amendment to a Standard. An exposure draft sets out a specific proposal and includes a basis for conclusions and if applicable alternative views. An exposure draft is a mandatory due process step.
European Lab function	Refers to the activities of the European Lab exercised by project task forces accountable to either the EFRAG SRB or the EFRAG FRB or both depending on the subject matter.
Feedback statement	A document that gives direct feedback on the comments that were submitted on the exposure draft. It identifies the most significant matters raised in the comment process and explains how EFRAG considered those matters.
Fieldwork	Work (including field test, surveys…) conducted with stakeholders to help EFRAG assess the likely effects of a proposed standard or amendment to a standard. Fieldwork might include experimentally applying new proposals to individual transactions or contracts as if the proposed guidance were already in effect, asking for feedback on the proposed wording of a particular proposal or assessing the extent of system changes that would be required if the proposed guidance was implemented. Fieldwork may also include gathering examples from practice to help EFRAG gain a better understanding of industry practices and how proposed guidance could affect them.
Post-implementation review	A review of a Standard or major amendment to a Standard after its implementation.
Re-exposure	A formal request for comments on a revised version of an exposure draft.
SFDR	Sustainable Finance Disclosure Regulation.
Technical Advice	EFRAG's advice to the European Commission that consists of fully prepared draft standards and/or draft amendments to Sustainability Reporting Standards accompanied by bases for conclusions and Cost-Benefit Analyses (see definition above).

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