

# EFRAG Sustainability Reporting TEG

## DUE PROCESS OVERSIGHT

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Agenda item 6



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## Due Process Procedures (DPP) for sustainability reporting standards

# Objective

- A rigorous and transparent due process must underpin standard-setting and is critical for the long-term credibility and independence of the standard-setting
- Cornerstones of standard setting are: proper due process, public oversight and transparency
- The DPP set out the process requirements for EU Sustainability Reporting Standards (ESRS)
- Two levels:
  - Minimum steps to be applied in all cases
  - Additional non-mandatory steps

# Background

- Public consultation on proposed DPP in June 2021. Based on report by JP Gauzès in the context of his ad personam mandate. Inspired by procedures of peers
- 38 comments received. Largely supportive
- Summary of comments published November 2021
- EFRAG Secretariat prepared draft DPP on this basis



# Due Process Committee (DPC)

- The EFRAG Administrative Board Established a DPC
- Composition
  - Peter Sampers                      Netherlands, Chair
  - Michel Barbet-Massin              France
  - Benoit Jaspar                        Insurance Europe
  - Georg Lanfermann                  Germany
  - Elina Peill                             Finland
  - Andrea Sternisko                    Austria
  - Marilyn Waite                         Civil Society Organisations
- DPC Terms of Reference agreed 28 February 2022

# Status DPP

- Draft DPP were updated for changes in EFRAG Statutes and Internal Rules and discussed in the DPC
- EU input was received
- Draft DPP discussed in the first **public meeting** of the Administrative Board on 28 February
- Draft DPP were approved by the Administrative Board for submission to the General Assembly
- DPP were approved by the EFRAG General Assembly on 15 March

# Some key points (1)

- Oversight occurs throughout the development of ESRS by SRB and SR TEG (including agenda-setting and post-implementation reviews)
- Connectivity and coordination between financial and sustainability reporting needs to be ensured
- Due process steps outlined in Chapter 5 of the DPP:

MANDATORY STEPS	NON-MANDATORY STEPS
Debating proposals in public meetings	Consultation with consultative forum 1)
Taking into account relevant developments	Publication of discussion papers
Considering interactions with EU legislation	Establishing working groups
Issuing <b>exposure drafts</b> and other documents	Outreach and public events
Considering comments	Fieldwork



# Some key points (2)

- Review DPP after 5 years but additionally after 1 year for the initial set
- More work is needed on procedures for digital reporting and cost-benefit analysis once SRB and SR TEG are in place

# Communication and follow-up

- DPP have been published on EFRAG website together with feedback statement and news item
- Website presence for DPC
- Due process procedures for financial reporting will also be documented (building on existing way of working)

# First set of ESRS

- DPC and Administrative Board reluctantly accepted that a shortened consultation period has to be applied
- Proper explanation and contextualisation is needed
- SRB decided on a 100 day consultation to close on 8 August 2022
- Bases for Conclusions should be available with the EDs (end of May)



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