

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG SRB. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

ESRS implementation Q&A process follow-up from SRB 13 Sept.

1 Objective

1. This session is to approve the proposed process for addressing implementation Q&A, including involvement of the SR TEG and SRB. This is a follow up of the session in the SRB meeting on 13 September.
2. The EFRAG Secretariat highlights that being this an entirely new process, an appropriate degree of flexibility should be factored into it, such as reviewing the various steps and how effectively they are working after six months, taking consequent actions.

2 Background

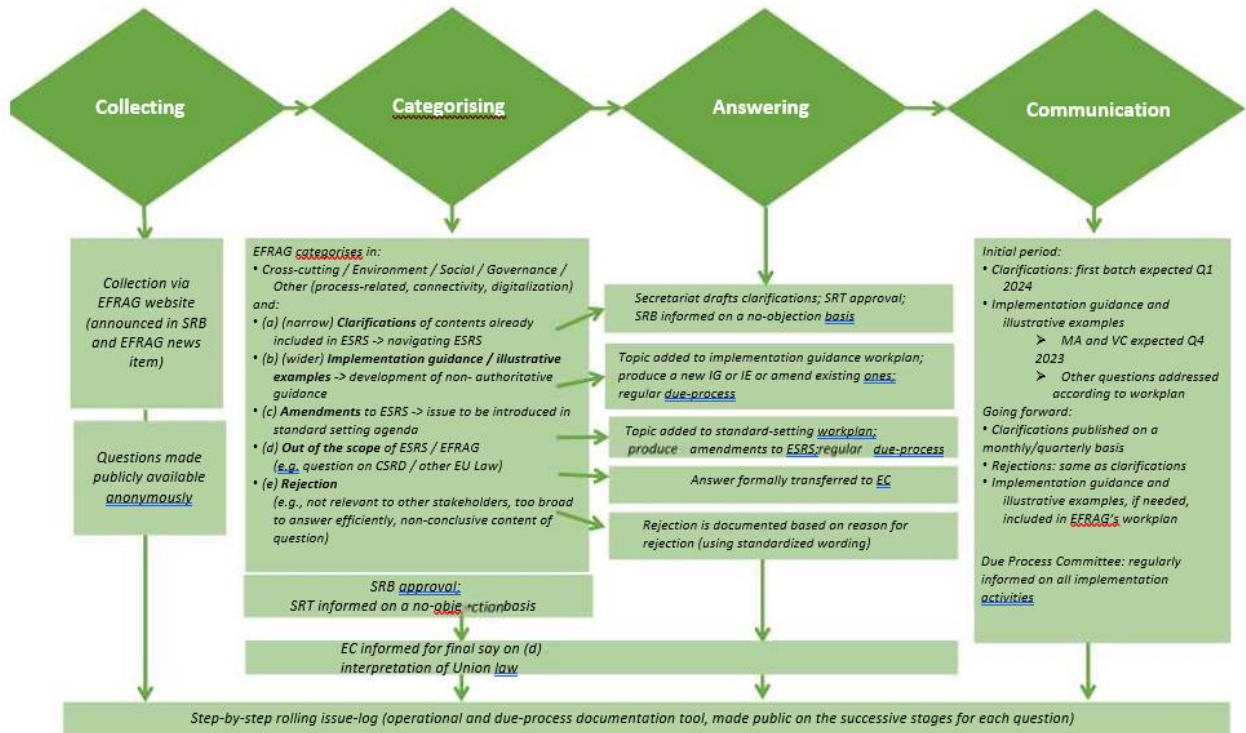
3. The paper presented on 13 September 2023 has been updated to reflect the outcome of the discussion that took place in that meeting and additional comments provided by members and observers after the meeting.
4. In the meeting on 13 September the following key points were discussed:
 - a. Clarification of the role of the EC (the EC will be observer of the process but the approval of the outcome stays in the responsibilities of EFRAG; the EC has the right to categorise questions into category (d) “*interpretation of Union law*”);
 - b. The timeline for answering the questions may be long especially in case of objections and more intense discussions; we need the right balance between, on one hand, the appropriate steps of the due process and, on the other hand, a fast-track process for simpler questions;
 - c. Technical discussions to be held in public;
 - d. There should be no quorum for the objections as also a single objection depending on the context may signal the need to further work on the issue to get consensus;
 - e. Clarify what will be subject to consultations.
5. Below there is an update for each of the points discussed.
 - a. The SRB paper 05-01 provided for the 13 September 2023 SRB meeting, highlighted the role of the EC in connection only with the questions categorized as (d) out of scope (“*interpretation of Union law*”). The EC preserves the right to categorise a question into category (d) “*interpretation of Union law*”, not only during the EFRAG categorisation process, but also during the answering process. See chapter 4 and the (adjusted) flow-chart in paragraph 6.
 - b. The EFRAG Secretariat points out that there is a fundamental difference between *Clarifications and Rejections*, which are going to address the more straightforward or narrow-scope questions, and *Illustrative Guidance (IG) or Amendments to ESRS*, which are going to be required for less straightforward questions (see also the flow chart below). According to this difference, the EFRAG Secretariat recommends a more streamlined process for *Clarifications and Rejections*. In particular:
 - i. *Clarifications* will cover cases in which the content of ESRS already provides an appropriate answer. In these cases, the Clarification note drafted by EFRAG



- will be limited to providing an explanation of where in the ESRS the content is provided and how to navigate the ESRS accordingly. A Clarification cannot add illustrations nor introduce new guidance to support implementation.
- ii. *Rejections* will cover cases that do not qualify to be treated. These are cases where the (i) question is addressing an issue that is peculiar to the submitter or is not of widespread interest for ESRS application; or (ii) the issue is too broad to be answered effectively; or (iii) the content of the submission is non-conclusive; (iv) the question refers to other EU law than ESRS; or (v) other reasons (e.g. if the submitted question refers to standards not yet in force or to an issue beyond the remit of the Q&A process, such as capacity building).
 - iii. *Implementation Guidance* will cover cases where non-authoritative practical implementation guidance or illustrative example(s) is needed to illustrate how to report on the ESRS. In these cases the content of the ESRS is not explicit in addressing the issue. However, the issue can be solved in the context of the existing requirements in ESRS, i.e. there is no need to undertake standard setting to modify the ESRS requirements.
 - iv. *Amendments to ESRS* will cover cases requiring future standard setting or amendments to existing ESRS, for instance because the issue is not covered in ESRS; ESRS are contradictory or produce unintended consequences.
- c. According to this difference, the EFRAG Secretariat recommends a more streamlined process for *Clarifications and Rejections* where only *Implementation Guidance* and *Amendments* are exposed for public comments, due to their far-reaching possible consequences.
6. Whenever it is possible, questions will be grouped, so that they can be more effectively addressed in a single *Clarification* or *ESRS Implementation Guidance*, such as when they refer to the same datapoint, when they cover different aspects of the same technical issue. This will potentially result in the need of an initial period of testing, before clarifications are prepared.
 7. If the same question has been already addressed in the past, this will be included in the categorization document (this is basically equivalent to a rejection).
 8. Depending on their nature, *ESRS Implementation Guidance* will be issued either as an addendum to an already existing *ESRS IG* document, or as standalone narrow-scope ESRS IG documents.



9. As a reminder the process is as follows:



3 Submission form

10. Integrating input received by the EC and others, the revised submission form suggested is outlined below (current form and suggested new form shown in the following):

11. Current form as presented in 13 Sept SRB meeting:

1. PLEASE IDENTIFY YOURSELF	
First Name*	
Last Name*	
Title*	
Name of your organization*	
Industry (if applicable)*	
Your stakeholder group*	
Country where you are based*	
Email address*	
2. PLEASE ASK YOUR QUESTION	
2.1 Subject in key words*	
2.2 Please select the ESRS most connected to your question: *	



ESRS implementation Q&A process

2.3 Detailed ESRS reference(s) [Please indicate number of paragraph or disclosure requirement, e.g., ESRS E1 paragraph 15]	
2.4 Your detailed question*	
2.5 2.5. Your facts and circumstances (if any) supporting your question: [If possible, provide an illustration/example of what your question is about:]	
3. YOUR REASONING AND SUGGESTIONS TOWARDS A POTENTIAL ANSWER	
Analysis of the issue [Please provide possible alternative views (if applicable).]	
3.1. View 1 – please describe it in a few words with references to ESRS, if any, supporting this view. [Please also explain the consequences of View 1]	
3.2. View 2 – please describe it in a few words with references to ESRS, if any, supporting this view. [Please also explain the consequences of View 2]	
3.3. View 3 – please describe it in a few words with references to ESRS, if any, supporting this view. [Please also explain the consequences of View 3]	
3.4. Your initial conclusion* [If there are more than one views, please state what your conclusion on the question is and state the reasoning for this conclusion:]	
3.5. In your view, why is the issue pervasive?*[Please explain why the issue is expected to be relevant to a wide group of stakeholders:]	
3.6. Other relevant information [If applicable, insert all text references, extracts of literature that the question and possible views are referring to.]	
[Add another question]	

12. New revised form:

1. PLEASE IDENTIFY YOURSELF	
First Name*	
Last Name*	
Title*	
Name of your company/organization* (if applicable)	
Sector (if applicable)*	
Your stakeholder group*	
Country where you/your company/your organization are/is based*	
Email address*	
2. PLEASE ASK YOUR QUESTION	
2.1 Please select the ESRS most connected to your question:*	
2.2 Please indicate the detailed ESRS reference(s) [number of paragraph(s) or disclosure requirement(s), e.g., ESRS E1 paragraph 15]*	
2.3 Please ask your question*	
2.4 Please provide relevant context and/or analysis done in connection with your question.*	
2.5 Please provide your reasoning and potential alternatives (if applicable) and your conclusion(s) for the question raised:*	
2.6 Please explain why and how the issue covered by the question is expected to be relevant for a wide group of preparers and/or other stakeholders:*	
[Add another question]	



4 Proposed process

(building on the process shared in paper 05-01 SRB 13 September)

13. The process proposed for the categorization of questions and drafting and publishing answers is described below. EFRAG Secretariat has tried to find a balance to reflect both: a robust and transparent due process and an efficient way to process questions on a timely basis, commensurate with the number of questions expected to be received.

4.1 Categorisation

14. EFRAG proposal is to categorise the questions based on the type of question as follows:
- (a) Clarifications of content (narrow)
 - (b) Implementation guidance (development of non-authoritative guidance)
 - (c) Amendments to ESRS
 - (d) Outside the scope of ESRS/EFRAG (e.g., question on CSRD or other EU law)
 - (e) Rejection.
15. **The proposed categorisation is presented for approval to the SRB in a public meeting, and thereafter sent to SR TEG for a written no objection procedure, where no answer is assumed as consent) and the EC for information.**
16. Proposed detailed timing and process is as follows:
- (a) All questions received in a week and processed, are to be consolidated in a batch and categorised by the EFRAG Secretariat, which will also provide the reasons for rejecting questions. It will then be sent to the SRB jointly with the agenda paper for relevant SRB public session asking for approval.
 - (b) Batch of questions are presented in a table, with necessary data:
 - (i) question ID, question, background information, ESRS reference, potential alternatives, and conclusion of the submitter; and
 - (ii) categorization and in the case of rejections, the standardised reason for rejection (see para. 5 b above).
 - (c) **SRB will discuss the relevant batch of categorised questions in public sessions** (expected to take place twice a month).

Categorisation without objections:

- (d) Questions without SRB objections are sent to SR TEG in a batch for written no objection proposal. **No answer within one week from a SR TEG member is understood as consent** (“tacit consent” on categorisation).
- (e) For those questions whose categorization (and, if applicable, reasoning for rejection) has been approved by the SRB and no objections are received from the SR TEG, the next step of the process can start:
 - (i) EFRAG Secretariat to draft the proposed *Clarification*;
 - (ii) EFRAG Secretariat to propose to the EFRAG SRB an appropriate project plan for the *Implementation Guidance* or *Amendment to ESRS*, considering the overall EFRAG SR workplan.

Categorisation with objections:

- (f) The questions objected by one or more SRB members are discussed in public meetings. If possible, the EFRAG SRB agrees on a consensual categorisation already in the first meeting in which the question is presented. If this is not possible and/or further analysis is necessary, the EFRAG SRB agrees on a consensual categorisation in the first possible



public meeting. Once agreed on a categorisation, the question is included in the next possible batch that goes to EFRAG SR TEG for written no objection.

- (g) Written objections of the SR TEG of categorizations initially approved by the SRB will be submitted to the SRB for their consideration in the next relevant SRB public session.
- (h) Once SRB or SR TEG objections have been resolved by the SRB in a public session and the categorization is final, the next step of the process as outlined in (e) can start.

4.2 Text of the clarifications

- 17. **The EFRAG Secretariat drafts the answers for *Clarifications*. SR TEG provides feedback on the answers in writing and in public session, the SRB is notified for approval.**
- 18. Detailed timing and process is as follows:
 - a. The EFRAG Secretariat drafts the answers to the *Clarification*.

EFRAG SR TEG approval

- b. Clarifications drafted by the Secretariat during the week are grouped in a batch and sent electronically the following Monday to SR TEG.
- c. The format of the batch of questions and proposed *Clarifications* will be a document with a table of contents.
- d. EFRAG SR TEG approves the text of the *Clarifications* presented in each batch. For this reason, it receives the drafts in the usual timing for uploading agenda papers. SR TEG provides editorial comments to a separate mailbox by the date in which the batch is discussed in public. Non editorial comments and objections on the technical content are presented by EFRAG SR TEG members in the **public session** (expected to take place twice a month), where they are asked to approve the text of *Clarifications*.
- e. Objections or proposals for redrafting are processed by the EFRAG Secretariat and presented at another SR TEG public session for approval by the SR TEG.

EFRAG SRB approval

- f. Clarifications approved by the SR TEG are sent to SRB for written approval (by analogy with the quorum for decisions in meetings, two thirds of members' written approvals is required).
- g. Objections or significant modifications suggested by the SRB are processed by the EFRAG Secretariat.
- h. In case of material changes made by the EFRG SRB to the advice by EFRAG SR TEG, the EFRAG Secretariat will explain the changes and their rationale in a SR TEG public session for information.
- i. After a one-week period of notification of the EC of the final Clarifications, and if the EC has not exercised its right to have a final decision on whether a question is a category (d), the Clarifications are final and will be communicated on a monthly or quarterly basis.

Questions for EFRAG SRB

- 1. Does EFRAG SRB agree with the proposed process for categorizing and answering questions submitted on the Reporting Guidance Access Point?
- 2. Any suggestions or amendments?

