

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.

LSME architecture: addressing consultation feedback on VSME ED+

Due Process considerations

Objective of the session

1. To decide whether, on the basis of the EFRAG due process, a re-exposure is needed following a decision to restructure LSME adopting a VSME+ approach.

Background

2. Refer to Agenda Paper 04-02.

Applicable EFRAG due process procedures

3. The following is the relevant paragraph in the EFRAG due process procedures document¹:

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.

¹<https://www.efrag.org/Assets/Download?assetUrl=/sites/webpublishing/SiteAssets/EFRAG%2520Due%2520Process%2520Procedures%2520-%2520Approved%2520by%2520GA%252015-03-2022.pdf>

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 reexposure 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.

EFRAG Secretariat considerations

4. EFRAG Secretariat notes that there is a clear request from the consultation and from the intermediate cost benefit analysis to significantly simplify LSME ED to achieve a standard more proportionate to the size of the entities in scope.
5. The proposal to adopt a VSME+ approach (i.e. starting from VSME and adding the mandatory requirements for LSME in the CSRD) has been proposed by several respondents.
6. Detailed feedback on each datapoint of the LSME ED has been provided by respondents in the consultation. There are several technical constraints to consider (as illustrated in paper 04-02) when looking at the trade-off between meeting the objectives of LSME (public accountability/needs of investors) and proportionality and that detailed feedback will inform the discussion on the content of VSME+.
7. Considering the above, the EFRAG Secretariat believes that LSME revised following a VSME+ approach would respond to the feedback received and that it is unlikely that reexposure will reveal any new concerns. As such the EFRAG Secretariat does not consider that a reexposure is necessary.

Question to EFRAG SRB

8. Do EFRAG SRB members agree that the result of LSME revised according to a VSME+ approach (see paper 04-02) would respond to the feedback received and that it is unlikely that reexposure will reveal any new concerns? Please explain.

