

EFRAG DUE PROCESS PROCEDURES FOR FINANCIAL REPORTING

Brussels, 23 July 2024



EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING - PROCESS

SO FAR

- A draft has been prepared by the EFRAG Secretariat. Input has been received from EFRAG Management and all FR staff members. It was also discussed by EFRAG FR TEG on 3 June 2024 and with EFRAG FRB on 25 June 2024. The EFRAG Administrative Board DPC discussed draft in its March, May and July meetings and tentative agreement was reached.

NEXT STEPS

- A public consultation on the draft FR DPP
- Analysis of comments received in the consultation, update and finalisation of FR DPP and feedback statement
- Approval by the EFRAG General Assembly of the final DPP

SUMMARY OF THE FEEDBACK RECEIVED

EFRAG FR TEG

- **Chapter 5** – There was a question on whether the DPP should describe the functioning of EFRAG FR working groups and advisory panels, including their creation and extinguishment. Peter Sampers clarified that this was addressed in the EFRAG Internal Rules - *Chapter 1 was changed to state that Internal Rules have to be read together with EFRAG FR DPP*
- The DPP refers to an “accelerated due process” and “proxy voting” but does not explain their meaning nor how these procedures worked in practice. Peter Sampers clarified that an “accelerated due process” was exceptionally applied when there was a need for an urgent endorsement (which could imply a shorter comment period and/or approval by written procedure) and that “proxy voting” (vote made by another member) was addressed in the EFRAG internal rules. *Minor change on accelerated due process*
- Addressing in EFRAG’s DPP the outsourcing to external entities (part of) impact assessments a specific task or a study (e.g. hiring consultancy services to assess an economic impact of IFRS Accounting Standards or supporting an academic study), to clarify that responsibility for the technical positions including impact assessments remains with the EFRAG FRB also if parts are outsourced – *New paragraphs added to address this comment*

SUMMARY OF THE FEEDBACK RECEIVED

EFRAG FR TEG

- The IASB Board Member attending the meeting noted that late comment letters were disruptive for the IASB due process and indicated that late comment letters should be the exception - *Minor change*
- Is there a need for referring to confidentiality requests from respondents in the DPP (for comment letters received) and what are examples of “good reason”. Peter Sampers explained that these could be related to business sensitive information, but such reasons should be strong and rare - *Minor change to give less emphasis as it is mentioned many times*

EFRAG FRB

- **Chapter 5** - On EFRAG’s comment letter consultation period, the EFRAG DPP should state that when setting the comment period, EFRAG also takes into account the time that is needed to analyse properly the comment letters received – *minor change to address this comment*
- The “true and fair view” was not reflected as an endorsement criteria in the illustration of the endorsement process in Europe. In addition, paragraph 6.19 of the DPP did not refer to the European Public Good as an endorsement criteria – *the illustration was updated*

SUMMARY OF THE FEEDBACK RECEIVED

EFRAG FRB

- The DPP could be shortened by removing some repetitions. There was also the need to improve consistency when referring to voting. For example, currently the section on reactive work did not refer to voting while the section on proactive work did – *changed to address lack of consistency*
- Importance of improving the navigation within the document – *to be done with publication*

EFRAG ADMINISTRATIVE BOARD DPC

- The FR DPP should refer to the procedures that applies when EFRAG decides to comment on a IFRS IC's agenda decision (EFRAG does not comment on each agenda decision, but only in exceptional circumstances)
- Clarify in the FR DPP the uploading process of the comment letters received from stakeholders.
- Disagreement with the reference to “approval” by EFRAG FR TEG as in general it is the EFRAG FRB that approves EFRAG positions (it is only the recommendation that should be approved by EFRAG FR TEG)
- Provided wording suggestions to clarify a number of different paragraphs
- Agreed with having a public consultation in September 2024 with a comment period of 90 day

PUBLIC CONSULTATION

EFRAG ADMINISTRATIVE BOARD DPC MEMBERS DISCUSSION ON PUBLIC CONSULTATION

- Agreed with having a public consultation in September 2024 with a comment period of 90 day
- To highlight the importance of EFRAG FR DPP and explain why EFRAG is launching a public consultation on FR DPP (a process that has been applied for many years).
- Suggested starting with a general question on whether the FR DPP correctly reflects current practice and meets stakeholders' expectations. In addition, agreed with two additional questions:
 - Public consultation deadlines: Do you agree with EFRAG's proposals in paragraphs 5.6 and 5.7 on public consultation deadlines, including a minimum comment period of 30 days on its consultations.
 - Comment letters received: Do you agree with EFRAG's proposals in paragraphs 6.7 to 6.11 on comment letters received after EFRAG's comment deadline?

DUE PROCESS QUESTION RELATED TO POSSIBLE REEXPOSURE OF THE ED LSME

EFRAG ADMINISTRATIVE BOARD DPC DISCUSSION

- Discussed a question on compliance with EFRAG Sustainability Reporting Due Procedures raised by the Patrick de Cambourg, EFRAG FRB Chair. More specifically, whether re-exposure would be needed following a decision to restructure LSME adopting a VSME+ approach (i.e. starting from VSME and adding the mandatory requirements for LSME in the CSRD) but keeping a separate document (LSME will result in a delegated act under CSRD and the VSME is a voluntary standard that may receive support of the EC by less authoritative means).

EFRAG ADMINISTRATIVE BOARD DPC CONCLUSION

- Members agreed that the EFRAG SRB had duly followed the procedures until that date.
- They also acknowledged the EFRAG SRB discussion and agreement that no new feedback could be expected to emerge from an additional consultation at this stage and that there was no need re-exposure at this stage
- It was agreed that EFRAG SRB Chair would keep the EFRAG Administrative Board DPC updated on future discussions and consultations on the need to re-expose



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