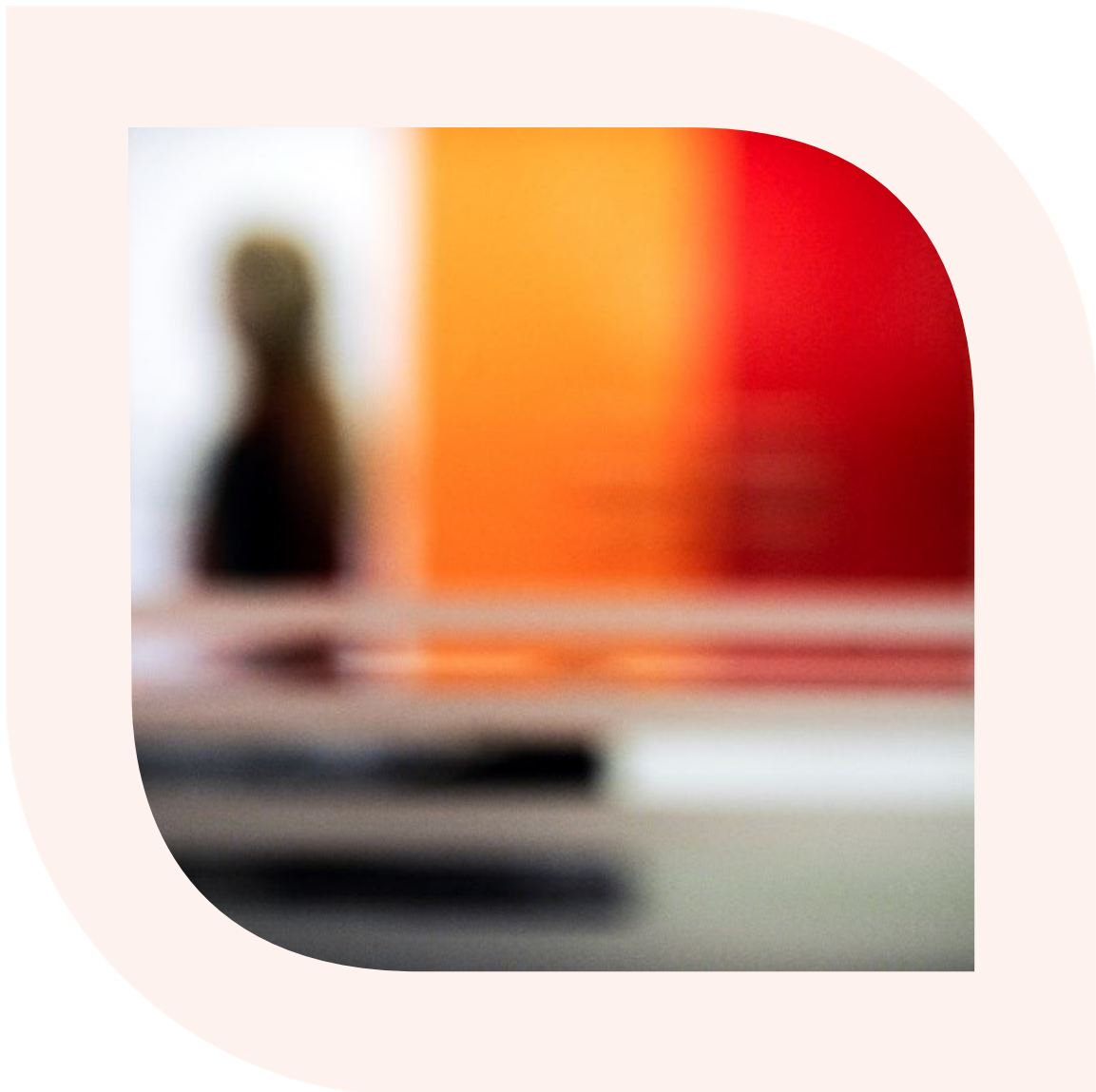


EFRAG Strategy 2024-2027

Approved 13 October 2023



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Context of EFRAG's strategy

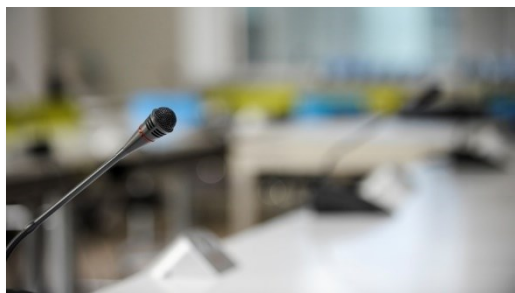
Challenging and rapidly changing environment, conditions for the success of EFRAG

- 1 The EFRAG organisation is growing as a result of its expanded mission, including a new pillar on sustainability reporting, an expanded governance structure, an extended membership, an increased staff base, and new topics in the work plan such as connectivity.
- 2 These changes represent a significant expansion of EFRAG's activities and they pose new challenges and opportunities for EFRAG and set new conditions for the success of EFRAG, including:
 - (a) attracting sufficient and qualified staff resources in a tight market, for EFRAG to be able to fulfil its mandate on both sustainability and financial reporting activities;
 - (b) ensuring sufficient and stable funding for EFRAG's expanded structure while preserving its independence;
 - (c) ensuring a sound governance structure that is fit for purpose based on a continuous assessment of potential improvements to EFRAG's governance;
 - (d) ensuring that EFRAG premises are adequate for the increasing EFRAG staff and provide a proper working environment;
 - (e) ensuring diversity, equity and inclusiveness at all levels of the organisation and stakeholder input; and
 - (f) engaging with a wide range of relevant stakeholders and ensuring proper internal processes to know and interact with these stakeholders.
- 3 EFRAG envisages to grow to a stable platform of approximately 20 Full-Time Equivalent (FTE) in financial reporting, 45 FTEs in sustainability reporting (of which 20% could be secondments in kind) and approximately 15 support staff.
- 4 These changes also provide opportunities for EFRAG to contribute to the EC Green Deal, increase EFRAG's visibility, address connectivity in financial and sustainability reporting and between the organisational pillars, and increase the attractiveness of EFRAG as an organisation to work for.
- 5 The above-mentioned challenges and opportunities form the context for EFRAG's strategy for the 2024-2027 period.

EFRAG's overall objective

- 6 As Europe's voice in corporate reporting, EFRAG's overall objective is to further develop its thought leadership and key contributions to the development of high-quality corporate reporting in Europe and worldwide. This objective is fundamental to allow the consensus views of relevant European stakeholders to be heard in the process. This leads to the

European public interest being considered in the international corporate reporting debate and standard setting process and supports the achievement of European policy goals.



EFRAG's mission statement

- 7 EFRAG's mission is to serve the European public interest in both financial and sustainability reporting by developing and promoting European views in the field of corporate reporting. EFRAG builds on and contributes to the progress in corporate reporting.
- 8 In its financial reporting activities, EFRAG ensures that the European views are properly considered in the IASB's standard-setting process and related international debates. EFRAG ultimately provides advice to the European Commission on whether newly issued or amended IFRS Accounting Standards meet the criteria of the IAS Regulation for endorsement for use in the EU, including whether endorsement would be conducive to the European public good.
- 9 In its sustainability reporting activities, EFRAG provides technical advice to the European Commission in the form of draft European Sustainability Reporting Standards (ESRS) elaborated under a robust due process and supports the effective implementation of ESRS.
- 10 EFRAG seeks input from all stakeholders and obtains evidence about specific European circumstances throughout the standard-setting process. Its legitimacy is built on excellence, transparency, governance, due process, public accountability and thought leadership. This enables EFRAG to speak convincingly, clearly, and consistently, and be recognised as the European voice in corporate reporting and a contributor to global progress in corporate reporting.

EFRAG's Strategy

Introduction

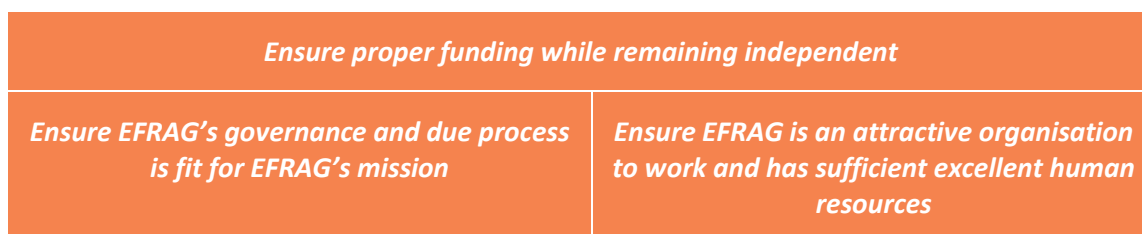
- 11 EFRAG's 2024-2027 Strategy outlines specific goals and objectives to be achieved in the next four years and serves as a roadmap for EFRAG to navigate through the challenging and rapidly changing environment. This Strategy will, among other things, guide and help EFRAG in identifying priorities, deciding on how to use its resources efficiently, and making informed decisions. It will also help all those working with EFRAG (i.e., EFRAG Member Organisations, working groups, staff, etc) understand what EFRAG wants to achieve and, consequently, align efforts towards common targets and goals.
- 12 The EFRAG 2024-2027 Strategy is divided into two main areas:
 - (a) Strategic objectives and priorities related to **EFRAG's technical work and advice to the European Commission**, which encompasses a financial reporting and sustainability reporting pillar.
 - (b) Objectives and priorities related to **EFRAG's governance structure, funding and administration as conditions** for EFRAG's technical work and advice to the European

Commission. These will help in ensuring that future IFRS Accounting Standards are endorsed and European Sustainability Reporting Standards (ESRS) are developed using an inclusive and rigorous due process and that EFRAG is an attractive organisation to work for now and in the future. These goals and objectives are particularly important so that EFRAG can effectively manage the aftermath of its governance reform, which integrated the sustainability reporting pillar into the EFRAG governance structure.

(a) Strategic Objectives and Priorities



(b) Objectives and Priorities on Governance, Funding and Administration as conditions for EFRAG’s Technical Work



- 13 In the sections below, this document identifies a number of enabling drivers/factors for the success and effectiveness of this strategy.

(a) Strategic Objectives and Priorities



Influence the international setting process so that the resulting IFRS Accounting Standards are fit for use in Europe

- 14 In order to meet the overall objective of being Europe’s voice in corporate reporting and to further develop its thought leadership in corporate reporting, EFRAG continues to actively influence the IASB standard setting process and collaborate and engage with National Standard Setters and relevant international counterparts on its positions.

- 15 This collaboration ensures that the European views are taken into account in the international standard setting process, and contributes to the development of IFRS Accounting Standards that are fit for use in Europe and a positive endorsement by EFRAG in its role as technical adviser to the European Commission. EFRAG’s early involvement in the IASB standard setting process, including through proactive research work influencing the international debate, facilitates the endorsement advice process.

Ensure successful development and implementation of ESRS interoperable with international standards of the ISSB and GRI

- 16 In light of its overall objective and ambition to further develop its thought leader, EFRAG needs to ensure that sustainability reporting is progressing significantly in the coming years. EFRAG remains committed to develop draft ESRS to the European Commission by a

number of deliverables under its mandate and will be actively supporting the implementation of ESRS in Europe (through non-authoritative implementation guidance and other means) fostering the consistent application of ESRS.

- 17 EFRAG ensures successful development and implementation of ESRS that are interoperable with the international standards of the ISSB and GRI. This is pursued by interacting closely with the ISSB and GRI and contributing to their international standards (fostering maximum feasible interoperability to avoid duplication in reporting and unnecessary burden for European companies). The ultimate objective is that companies applying ESRS will be in compliance with other international standards (e.g., ISSB standards and GRI standards) on the same topics.
- 18 EFRAG provides comment letters respecting its due process on exposure drafts and requests for information by relevant international organisations such as the ISSB to contribute to the international standard setting process with an aim to facilitate and ensure interoperability so that duplication in reporting and unnecessary burdens for companies are avoided.
- 19 EFRAG enters into cooperation agreements with relevant (international) organisations.

(b) Objectives and Priorities on Governance, Funding and Administration as conditions for EFRAG’s Technical Work

<i>Ensure proper funding while remaining independent</i>	
<i>Ensure EFRAG’s governance and due process is fit for EFRAG’s mission</i>	<i>Ensure EFRAG is an attractive organisation to work for and has sufficient excellent human resources</i>

Ensuring proper funding while remaining independent

- 20 EFRAG is a publicly and privately funded organisation, a public-private partnership, where the European Commission provides the public sector funding and EFRAG Member Organisations provide the private sector funding. It is important for EFRAG’s activities to be representative of all relevant European stakeholders whether or not they contribute to the EFRAG funding.
- 21 EFRAG through its Administrative Board actively seeks to be a solid high-quality organisation. This includes securing sufficient funding in order to preserve long-term funding stability and guarantee the feasibility of fulfilling its mandate as the technical advisor to the EC.
- 22 EFRAG is committed to responding to the challenges that arise from the new demands on corporate reporting but remains limited in its ability to do so unless there is sufficient funding. In particular, EFRAG will be seeking:
 - (a) increased EU funding;
 - (b) new member organisations at national level (i.e., countries - national standard setters) amongst EEA and EFTA countries to expand the geographical coverage of EFRAG and be representative of Europe; as part of this process, EFRAG will be seeking to broaden its membership in those parts of the EU not yet well presented;
 - (c) new member organisations to be representative of all corporate reporting stakeholders, notably in terms of impact organisations; and
 - (d) developing the Friends of EFRAG and possible funding through charities; and
 - (e) other funding activities.

23 EFRAG needs to remain independent from those that provide funding and this is achieved through the diverse composition of its bodies and a rigorous governance, ensuring that no single stakeholder group dominates the decision-making process.

24 Finally, EFRAG proactively communicates the importance of obtaining adequate funding and resources, how entities can contribute, and the different forms of contribution and memberships and their related benefits. Such information is publicly available on EFRAG's website.

Ensure EFRAG is an attractive organisation to work for and has sufficient human resources

25 EFRAG should be competitive in the recruitment market in terms of remuneration and career development perspective.

26 EFRAG should offer an attractive and inclusive working environment, and aim at ensuring an adequate number of human resources to achieve a reasonable workload and an appropriate work-life balance.

27 EFRAG should also enhance its career development policy with the objective of providing opportunities for the EFRAG Secretariat to progress in their careers.

Ensure EFRAG's governance and due process is fit for EFRAG's mission

28 EFRAG aims to be a high-reputation organisation that is well-managed, cost-effective, transparent, independent and to be a key enabler of a sustainable and attractive place to work.

29 The EFRAG Administrative Board ensures effective oversight over EFRAG's governance, governance activities and a robust due process.

30 EFRAG continues to strengthen its governance and its capacity to execute. This is achieved by ensuring that the recently implemented structure works well and planning a post-implementation review of the governance to assess which elements of EFRAG's governance structure work well or less well and whether and where changes are needed.



Overview of EFRAG Activities



- 31 On the financial reporting pillar, the IASB will publish several new consultation documents and IFRS Accounting Standards that will require continued dialogue and engagement between the IASB, EFRAG and EFRAG's stakeholders. EFRAG continues its work on influencing the IASB and will undertake:
- (a) Proactive research work;
 - (b) Comment on IASB's Discussion Papers, Exposure Drafts and its other pronouncements. This will be done through EFRAG's due process documents (draft comment letters, outreach and field testing reports, final comment letters and feedback statements); and
 - (c) Provide endorsement advice on new IFRS Accounting Standards, and amendments of IFRS Accounting Standards following the request from the European Commission.



- 32 On the **sustainability pillar**, EFRAG is committed to the following deliverables under its mandate, including (among others):
- (a) ESRS implementation support activities (Q&A and non-authoritative implementation guidance)
 - (b) Listed SME and Voluntary SME ESRS
 - (c) XBRL taxonomy for ESRS and Art 8 of the Taxonomy Regulation
 - (d) Sector-specific ESRS
 - (e) ESRS for Non-EU companies
 - (f) Post-implementation preparatory activities
- 33 The above is underpinned by proactive research.
- 34 EFRAG's international positioning is an important success factor in achieving interoperability and enhancing the recognition of EFRAG as a thought leader in corporate reporting and a world leader in sustainability reporting.

Enabling drivers for the success of EFRAG's 2024-2027 strategy

- 35 The necessary enabling drivers for the success of the 2024-2027 strategy are as follows:

1. Enhance EFRAG Thought Leadership in Corporate Reporting

- 36 Thought leadership is achieved by delivering timely and high-quality technical work in its standard setting activities and influence over the standard setting process of internationally recognised organisations.
- 37 EFRAG will cooperate with National Standard Setters in its work to join resources and to benefit from the experience with national stakeholders and discussions, improving the overall quality of the work. More specifically, it will carry out sustainability and financial reporting projects in partnership with National Standard Setters in Europe to ensure resources are used efficiently and to promote stronger coordination at the European level.

- 38 Proactive research (e.g., publication of discussion papers and bulletins) stimulates debate at the international level (e.g., outreach activities and events). The aim is to influence future standard-setting developments by engaging with European stakeholders.
- 39 Promoting good practices could support the implementation of ESRS once the first reporting has taken place. It could also support financial and sustainability reporting topics for which EFRAG would stimulate standard setting or research (European Lab function).

2. Promote international cooperation and European views on international debate

- 40 EFRAG will continue to promote international cooperation to coordinate influence on the IASB, ISSB and other corporate reporting standard setters, to promote European views on international debate and to ensure interoperability with the main international standards.
- 41 This is achieved by:
 - (a) Carrying out sustainability and financial reporting projects in partnership with National Standard Setters in Europe to ensure resources are used efficiently and to promote stronger coordination at the European level;
 - (b) keeping regular dialogue with National Standard Setters at EFRAG CFSS (a similar forum still to be created in the sustainability reporting pillar);
 - (c) participating in global forums (e.g., IFASS, ASAF, SSAF, Jurisdictional Working Group, IFRS Advisory Council and others);
 - (d) keeping regular dialogue on topics of common interest with European and other international standard setters and other relevant organisations and cooperating in joint projects when appropriate.

3. Foster connectivity

- 42 Connectivity between financial reporting and sustainability reporting is essential for high-quality corporate reporting and is an issue that is considered in all the EFRAG's activities, including those on ESRS standard setting, contributing to the international standard setting process and cooperating with relevant global standard-setting setters and developing research.
- 43 In addition, EFRAG fosters collaboration between its financial reporting and sustainability reporting pillars aiming at a smooth working together and presenting EFRAG as one organisation to the outside world.

4. Visibility and transparency

- 44 EFRAG continues improving its visibility and awareness among its stakeholders and the wider public by developing an effective communication strategy and ensuring a high-quality engagement with stakeholders, including investors and other users, preparers, auditors, regulators (including EP), civil society organisations (NGOs, consumer, and trade organisations) and academics.
- 45 In particular, EFRAG aims to enhance its contacts with the EP (ECON and JURI) and the Council Presidencies to inform them and gain their support for EFRAG's corporate reporting work and the related funding.
- 46 In addition, EFRAG makes efforts to communicate with those affected by EFRAG's work but not closely involved. These stakeholders need to be addressed differently from the direct stakeholders including through more accessible non-technical language.

5. Provide innovation in digital reporting

- 47 Through its work on the digital taxonomy for the ESRS (and Art 8 of the Taxonomy Regulation) and its Digital Reporting Consultative Forum, EFRAG promotes innovation in digital reporting and is involved with the major digital taxonomy players including XBRL

Europe and XBRL International. This includes promoting the use of digital XBRL taxonomy for ESRS and ensuring interoperability with the ISSB XBRL taxonomy and the GRI XBRL taxonomy. In addition, EFRAG will undertake efforts to explore the opportunity to use artificial intelligence and machine learning for research purposes, improved data analysis and comment letter analysis.

6. A sound risk mitigation

- 48 EFRAG has a sound risk assessment process carried out by the EFRAG Administrative Board supported by its Audit Budget and Risk Committee.