

Report of the EFRAG Administrative Board to the EFRAG General Assembly on how the due process oversight has been carried out: 2024

As submitted to the EFRAG General Assembly on 24 March 2025

Background

- 1 Article 7.3.4 of the EFRAG Statutes provides that the EFRAG Administrative Board, supported by the EFRAG DPC, is responsible for due process oversight of all technical bodies of EFRAG.
- 2 Paragraph 3.13 of the Due Process Procedures (DPP) for Sustainability Reporting requires that 'on a yearly basis, the EFRAG Administrative Board reports to the EFRAG General Assembly on how the due process oversight has been carried out'.
- 3 EFRAG Internal Rules (Article 15.4) and the Due Process Procedures (DPP) for Sustainability Reporting (Paragraph 2.9) state that the EFRAG Administrative Board must hold public sessions whenever the due process oversight is discussed. Meetings of the EFRAG Administrative Board DPC are not held in public.
- 4 Over the period from January 2024 to December 2024, the **EFRAG Administrative Board** held four public sessions where due process matters were discussed. In addition, two closed meeting were held to address due process related matters to receive and discuss a progress reporting from EFRAG Administrative Board DPC Chair. A summary of the discussions and decisions was included in the EFRAG Update publications for the related months.
- 5 The following section present the topics discussed and decisions made at each of these meetings.
- 6 In 2024 the **EFRAG DPC** held **7 meetings** and discussed the matters paragraphs 17 onwards present the topics discussed and recommendations made by the EFRAG DPC at these meetings.
- 7 At the end of 2024 Peter Sampers stepped down from the EFRAG Administrative Board and as Chair of the EFRAG Administrative Board DPC. Peter Sampers had chaired the EFRAG Administrative Board DPC since its establishment in January 2022. EFRAG is very grateful for Peter Sampers' contributions to EFRAG in various capacities for so many years.

- 8 Claes Norberg has agreed to be the new Chair of the EFRAG Administrative Board DPC effective from March 2025.

Executive Summary

- 9 In 2024, the EFRAG Administrative Board discussed EFRAG Due Process Procedures for Financial and Sustainability Reporting.
- 10 More specifically, in 2024 it discussed the development of an exposure draft on due process procedures for financial reporting activities (ED) with the objective of formalising the due process procedures currently applied for the financial reporting pillar and, to the extent possible, aligning the FR DPP with the SR DPP. A due process was being applied for financial reporting but formalised only at a high level in the EFRAG Internal Rules. The ED which was published in September 2024 with a comment deadline of 31 December 2024. EFRAG received 11 comment letters.
- 11 In addition, the EFRAG Administrative Board discussed potential improvements to the SR DPP, particularly on the key elements for the due process procedures related cost and benefit assessment and the key elements for the due process procedures related to XBRL Taxonomy.
- 12 Finally, the EFRAG Administrative Board discussed and subsequently received updates from EFRAG SRB Chair on Due process questions related to possible re-exposure of the ED LSME.

EFRAG Administrative Board meetings

- 13 In 2024, the EFRAG Administrative Board discussed EFRAG Due Process Procedures for Financial and Sustainability Reporting in the following meetings.

EFRAG Administrative Board 27 February 2024 (Public session)

- 14 The EFRAG Administrative Board held a physical meeting on 27 February 2024 and discussed due process matters related to 2023 activities in a public session.
- 15 The EFRAG Administrative Board also received a report on the due process oversight activities including the formalisation of the financial reporting due process procedures and the expected updates for the sustainability reporting due process updates related to cost and benefit assessment and the key elements for the due process procedures related to XBRL Taxonomy.

EFRAG Administrative Board 21 May 2024 (Public session)

- 16 EFRAG Administrative Board members discussed EFRAG's Financial Reporting Due Process Procedures in a public meeting with the objective of formalising the due process procedures currently applied for the financial reporting pillar. A due process was being

applied for financial reporting but formalised only at a high level in the EFRAG Internal Rules.

- 17 Members agreed that a discussion and consultation with EFRAG FRB and EFRAG FR TEG should take place whereafter the draft FR Due Process Procedures would be published as an exposure draft for public consultation.

EFRAG Administrative Board on 23 July 2024 (public)

- 18 EFRAG Administrative Board members discussed EFRAG's Financial Reporting Due Process Procedures in a public meeting. Members agreed that the draft due process procedures would be published for public consultation in September 2024 with a three-month deadline.
- 19 Members also discussed whether a re-exposure would be needed following the tentative decision of the EFRAG SRB to restructure the LSME draft standard following the comments received in the public consultation by adopting the content of VSME as starting point whenever possible, while keeping the listed SME standard as a separate standard. Members agreed that the EFRAG SRB had duly followed the procedures until the date of the EFRAG Administrative Board meeting. They also acknowledged the EFRAG SRB's agreement that no new feedback could be expected to emerge from an additional public consultation following re-exposure at this stage and that therefore there was no need for re-exposure. The EFRAG Administrative Board and its DPC noted that EFRAG will undertake additional focused meetings with relevant stakeholders to obtain their input.
- 20 The EFRAG SRB Chair would keep the EFRAG Administrative Board DPC updated on future discussions in relation to the LSME¹ developments.

EFRAG Administrative Board on 17 December 2024 (public)

- 21 In its 17 December 2024 meeting in the public session, the EFRAG Administrative Board members received an update on EFRAG Due Process Procedures for Financial and Sustainability Reporting Activities.
- 22 More specifically, members received an update on the Exposure Draft Due Process Procedures for Financial Reporting, which was open for public consultation until 31 December 2024, an update on the review of sustainability due process procedures and discussed a request for having a short comment period (less than 30 days) for the Draft

¹ The draft LSME has not been submitted to the EC in December. In the Omnibus proposal published on 26 February 2025 the listed SMEs are scoped out and the LSME standards are no longer required by the proposals

Endorsement Advice related to the project Power Purchase Agreements, which was approved by consensus.

- 23 Peter Sampers, the Chair of the EFRAG Administrative Board Due Process Committee also stepped down per 31 December after a long history of involvement in EFRAG in various roles. He was thanked for his great contributions to and support for EFRAG.

EFRAG Administrative Board DPC meetings

- 24 In 2024, the EFRAG Administrative Board DPC met seven times. As required by Article 19 (6) of EFRAG's Internal Rules, at least two-thirds of the members of the EFRAG Administrative Board DPC were present to have a quorum for decisions.
- 25 In 2024, the EFRAG Administrative Board DPC discussed major topics related to both financial and sustainability reporting, including:
- (a) Agreement on EFRAG Administrative Board reporting to the EFRAG General Assembly on the oversight of the due process in 2023 for reporting to the EFRAG Administrative Board in a public meeting and subsequently to the EFRAG General Assembly in its meeting of 18 March **(27 February 2024)**
 - (b) Discussions on ED EFRAG Due Process Handbook for EFRAG Financial Reporting Pillar, including discussions on the feedback received from EFRAG FR TEG and EFRAG FRB, on potential improvements to an updated version of the Financial Reporting DPP, and on the starting date and length of the public consultation period improvements to the draft prepared by EFRAG Secretariat **(27 February, 27 March, 8 May 2024 and 11 July 2024)**
 - (c) Discussions on concerns raised by the President of the Accounting Standards Committee of Germany (ASCG) on the process followed in finalising the Materiality Assessment Implementation Guidance (MAIG) **(8 May 2024)**
 - (d) Discussions on 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 would 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) **(11 July 2024)** (see footnote) and sequential updates from EFRAG SRB Chair **(5 September and 27 November 2024)**.

- (e) Discussions on potential outreach activities to be undertaken during the consultation period of Exposure Draft on EFRAG Due Process Procedures for Financial Reporting Activities **(5 September 2024)**
- (f) Discussions on a request to have a comment period of less than 30 days for the draft endorsement advice related to the project Power Purchase Agreements **(27 November 2024)**
- (g) Discussions on potential improvements to the SR DPP, particularly on the key elements for the due process procedures related cost and benefit assessment and the key elements for the due process procedures related to XBRL Taxonomy **(5 September and 27 November 2024)**