

Risks related to EFRAG’s project on key information for SMEs and start-ups

Issues Paper

Objective

- 1 The objective of this session is to consider the various risks (and how these can be mitigated) related to EFRAG taking up the request of the European Commission to investigate the appetite for a voluntary template on KPIs for SMEs and start-ups.

Tasks and issues

- 2 The EFRAG Secretariat considers the request of the European Commission to mean that EFRAG should assess the appetite for a voluntary template for innovative, fast-growing SMEs and start-ups on key information to be included on the European Single Access Point.

- 3 The main steps, suggested by the EFRAG Secretariat, to fulfil the request are:

Step 1: Identify possible users (information providers and information consumers) of a template, including how a template could be used and indications of the content that could be useful to include (as the request of the European Commission did not specify a specific user group). (Interviewing potential users – both information providers and information consumers).	Step 2: Consult on the appetite of the template by relevant stakeholders based on the potential users of the template (information providers and information consumers) and general content of the template identified in Step 1 (interviews and survey(s)).	Step 3: Perform an assessment of the appetite based on the information collected during Step 1 and Step 2, and if there is an appetite, the types of likely stakeholders and general content of the template (this will involve issuing EFRAG’s draft assessment for public consultation).
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- 4 When EFRAG FR TEG and EFRAG FRB discussed the request of the European Commission at the joint meeting on 10 September 2025, concerns were expressed on several issues. The

table below summarises most of these concerns/risks, some additional risks identified by the EFRAG Secretariat, and provides some comments on these risks.

Identified risks	EFRAG Secretariat comments
(1) Scope is not understood by EFRAG	The European Commission will be consulted regularly, for example, on the content of the survey EFRAG will issue in Step 2.
(2) Scope is outside of EFRAG's mission	EFRAG's statutes of incorporation (paragraph 4.2.3) specifies that activities common to both pillars of EFRAG include, among others, 'undertake innovative studies in the reporting field at the request of the European Commission, support the further integration of efforts of national standard setters, businesses, the accounting profession, users and other stakeholders in Europe in order to make efficient use of available knowledge in the area of corporate reporting within the EU, undertake research in the corporate reporting area'. As such, at its meeting on 16 September 2025, EFRAG Administrative Board did not identify any discrepancy of the project's scope with EFRAG's mission and approved the undertaking of the project.
(3) For any suggestions of a template to be realised, it requires strong support from EU Member States	EFRAG's task is only to assess whether there is an appetite among potential users for a template. It can be that EFRAG's assessment on the appetite for a template will not indicate that such appetite exists.
(4) EFRAG resource constraints, including that EFRAG's core IFRS-related work is not deprioritised	These issues are considered in relation to EFRAG's resource planning and have been considered by the EFRAG Administrative Board.
(5) Risk of failure and impact on EFRAG's reputation	There are two main risks: • EFRAG identifying an appetite for the template, if there is no appetite • EFRAG not identifying an appetite, if there is an appetite.

As EFRAG will only provide an assessment that there is an appetite for a template, if it has received some type of confirmation of such an appetite, the EFRAG Secretariat is mainly concerned about the second risk of failure (although the first risk also exists, particularly if EFRAG has to base its assessment on a very limited number of indications). Main factors contributing to the second risk are:

- Risk of not contacting possible interested parties.
- Risk related to not asking the correct questions and/or misunderstanding the answers provided.

Finally, for both of the main risks, a factor that could result in EFRAG providing a wrong assessment would be if respondents have motivations for a particular outcome of the assessment (other than the respondents' interest in using the database as an information provider or information consumer).

These risks are further described below.

In any case, these risks cannot be completely eliminated. In the assessment to be submitted to the European Commission, the EFRAG Secretariat thus suggests describing the limitations of the assessment and consulting the European Commission on these limitations early in the process.

(5-a) Risk of not contacting possible interested parties

This is one of the main concerns of the EFRAG Secretariat. Ideally, all possible users (both information providers and information consumers) and their needs in relation to the template should be identified before a survey is issued (before Step 2). However, identifying potential relevant stakeholders and arranging

	meetings with them takes time. EFRAG has limited time to conduct the project and also time will need to be spent on complying with EFRAG's procedures, including, but not limited to, due process procedures. However, EFRAG's procedures also reduce the risk of EFRAG providing a wrong assessment. Within the time available, the EFRAG Secretariat will try to mitigate the second risk by considering possible interested parties very broadly and hence contacting different types of possible interested parties. To find relevant stakeholders, the EFRAG Secretariat will capitalise on the network created by the EFRAG SR team working on VSME, EFRAG Administrative Board, EFRAG FRB members, EFRAG TEG members, members of EFRAG working groups, and EFRAG member organisations.
(5-b) Risk related to not asking the correct questions and/or misunderstanding the answers provided.	One of the issues, as highlighted at the 10 September 2025 joint EFRAG FRB/EFRAG FR TEG meeting, is how detailed some of the questions to be included in the survey/interviews in Step 2 should be. For example, to provide respondents with an idea of the type of information that could be presented in the template, the template should include examples and consult on these. On the other hand, such examples may limit the respondent's perception of what could be included in the template. The EFRAG Secretariat will ask members of the EFRAG Academic Panel to review (initial feedback provided by EFRAG Academic Panel on 22 September 2025) and also consult on the issue during its interviews performed in Step 1 of the project.
(5-c) Motivation for a particular outcome	The EFRAG Secretariat will ask for advice from the EFRAG Academic Panel on how to mitigate

	this risk. However, the risk cannot be eliminated.
(6) Reputational risk (EFRAG being associated with administrative burdens)	The EFRAG Secretariat cannot eliminate this risk, however, EFRAG can ensure its communication focuses on any benefits a template could have for SMEs and/or start-ups rather than the cost of preparing the information and on the fact that the template is voluntary.

Questions for the EFRAG FRB

- 5 Has the EFRAG FRB identified risks in addition to those listed in the table on risks above?
- 6 How does the EFRAG FRB think the risks could be mitigated in addition to the suggestions provided by the EFRAG Secretariat (including whether there is something EFRAG FRB can do to mitigate the risks)?