

EFRAG Due Process Procedures for the EFRAG Financial Reporting Activities

Analysis of the comment letters received

Objective

- 1 The objective of this agenda paper is to:
 - (a) present a summary of the comments received in response to EFRAG's request for comments;
 - (b) present the EFRAG Secretariat analysis of the comments received; and
 - (c) provide recommendations on potential changes to EFRAG Due Process Procedures for financial reporting activities.
- 2 Based on the comments received from the EFRAG Administrative Board DPC and discussions with EFRAG Administrative Board, EFRAG FR TEG and FRB, the EFRAG Secretariat will develop a revised draft of EFRAG Due Process Procedures for financial reporting activities.

Structure of the paper

- 3 This comment letter analysis contains:
 - (a) Background;
 - (b) Summary of respondents;
 - (c) Summary of respondents' views; and
 - (d) Appendix 1 - detailed analysis of responses to questions in EFRAG Exposure Draft on Due Process Procedures for Financial Reporting Activities, the EFRAG Secretariat's recommendations and questions to EFRAG FRB members.

Background

- 4 As a first step in the governance reform integrating the sustainability reporting pillar into the EFRAG structure, EFRAG developed its due process procedures for the sustainability reporting (SR DPP).

- 5 The EFRAG Administrative Board supported by its Due Process Committee (DPC), covering both financial reporting and sustainability reporting, recognised that a thorough due process is applied for financial reporting but it is only formalised at a high level in the EFRAG Internal Rules. Accordingly, the DPC requested that also the due process procedures (DPP) for EFRAG’s financial reporting pillar be formalised.
- 6 On 19 September 2024, EFRAG published an Exposure Draft (ED) setting out the due process requirements to be followed by the EFRAG financial reporting pillar. The deadline for comments was 31 December 2024 ([website](#)). The ED and a presentation of it are available here:
- (a) [EFRAG Exposure Draft - FR Due Process Procedures-September 2024.pdf](#)
 - (b) [PowerPoint Presentation \(efrag.org\)](#)
- 7 The DPP sets out the due process requirements for financial reporting pillar to be followed by EFRAG in its role as technical advisor to the European Commission, in its contribution to the IASB's standard-setting process by providing European views, including through proactive research activities, and providing technical advice to the European Commission on the endorsement of IFRS Accounting Standards. It details the requirements for the due process for the preparation of the documents as laid down in the EFRAG Statutes (Article 7.3.4 (b)) and EFRAG Internal Rules (Article 17). The DPP should be read in the context of the [EFRAG Statutes](#) and the [EFRAG Internal Rules](#).
- 8 EFRAG’s due process is based on interaction with and input from stakeholders. Accordingly, stakeholders’ acceptance of the DPP for EFRAG’s financial reporting pillar is essential. This is why the ED was developed and issued for public consultation.

Summary of respondents

- 9 11 comment letters have been received on EFRAG’s consultation. The consultation raised constructive feedback from a wide range of stakeholders. The respondents represent various stakeholder groups, including individuals, preparers, market organisations, professional organisations, auditors, and national standard setters from different countries.

CL01 Olivier Christian	Individual person
CL02 BusinessEurope	Preparer organisation – EU
CL03 The Swedish Corporate Reporting Board	National Standard Setter – Sweden
CL04 Accountancy Europe	Professional Organisation –EU

CL05 OIC	National Standard Setter – Italy
CL06 FAR	Professional organisation – Sweden
CL07 ICAC	National Standard Setter – Spain
CL08 Forvis Mazars	Auditor – France
CL09 – DASB	National Standard Setter – Netherlands
CL10 –ASCG	National Standard Setter – Germany
CL11 –AFRAC	National Standard Setter – Austria

Summary of respondents' views

- 10 There was a consensus that **formalising the Due Process Procedures is a positive step forward**. It would enhance the legitimacy and effectiveness of EFRAG's activities and enhance transparency and stakeholder confidence in EFRAG's work.
- 11 Nonetheless, stakeholders referred to a number of issues and potential improvements.
- (a) It was deemed **essential to keep flexibility within the DPP** to address unique circumstances.
 - (b) EFRAG's decision-making process should be closely monitored and EFRAG should commit to **regular review and update the DPP** to incorporate best practices and ensure continuous improvement and independence.
 - (c) **A 30-day comment period should be considered as the minimum (as in paragraph 5.7 of the ED) but it should not become the standard period**, to ensure adequate participation from stakeholders. When a minimum comment period of 30 days on public consultation cannot be followed, EFRAG should notify its stakeholders as soon as possible about the consultation timeline.
 - (d) It was proposed to **align or merge the due processes for financial and sustainability reporting**.
 - (e) **Further clarification was requested for certain DPP elements**, including Chapter 1's objectives, the role of the EFRAG Secretariat, abstention rules, and accelerated due process details.
 - (f) **Earlier availability of agenda papers** (beyond the minimum 5 days) was suggested.
 - (g) **Resource constraints in the financial reporting pillar and the resulting reliance on outsourcing were highlighted as concerns**. Respondents expressed concerns about the lack of resources in the financial reporting pillar and the tensions it creates within EFRAG. Outsourcing should be a last resort alternative, in the absence of in-house

knowledge or due to a lack of resources (subject to a quality control over the work of service providers over the life of the project).

- (h) A **faster endorsement advice process** was recommended.
- (i) It was noted that some documents mentioned in paragraph 6.4, particularly ‘non-mandatory’ documents, are not always discussed in the EFRAG FRB meetings. Therefore, it was suggested that paragraph 6.4 states that **the EFRAG FRB should have the opportunity to express its views on non-mandatory documents before finalisation or publication**, potentially through a ‘negative clearance’ or other reaction.
- (j) Some were concerned with the **excessive flexibility of paragraph 6.11** on comment letters received, which allows for late respondents to submit their letters after the EFRAG FR TEG meeting.
- (k) Finally, in case comment letters are confidential, stakeholders suggested **EFRAG disclose the types of organisations (or individuals) that submitted them**.

The EFRAG Secretariat recommendations

12 Considering the feedback received, the EFRAG Secretariat provides the following recommendations:

- (a) **Better explain how Due Process adapts to context:** The DPP should provide clearer guidelines or examples to illustrate how flexibility will be applied in practice to a limited number of requirements to address unique circumstances. This will offer stakeholders more predictability while preserving adaptability. It is thus suggested to:
 - (i) specify that an accelerated comment period (par. 5.7 of the ED) could be introduced when it is necessary to meet the deadlines of the IASB or to have new requirements endorsed before a specific date;
 - (ii) specify that if a comment letter is received after the relevant EFRAG FR TEG meeting, but before the EFRAG FRB meeting) (paragraph 6.11 of the ED), a factor whether it brings significant new information for the debate will be taken into account when deciding whether it should be considered.
- (b) **Underscore the vital role of impact assessments:** highlight the importance of preparing early impact assessments for major projects when deemed necessary, to ensure a more informed and effective process.

- (c) **Formalise regular review and monitoring:** The EFRAG DPP already includes a commitment to a regular review (e.g. reference to a wide Post-implementation Review after a minimum period of five years after publication) but could also refer to other regular updates of the EFRAG DPP within the document when deemed fundamental. Outline a framework for monitoring the decision-making process overtime, potentially including stakeholder feedback mechanisms (e.g. create an email address to receive comments from stakeholders at any moment on topics or concerns related to due process) to ensure continuous improvement and independence.
- (d) To state in the paragraph 5.7 of the DPP that when EFRAG **applies a comment period of less than 30 days** on a consultation, **EFRAG promptly informs its constituents of the anticipated publication date and the expected duration of the comment period.**
- (e) **Not merging the due processes for sustainability and financial reporting activities but explore/discuss the feasibility and costs and benefits of a potential merge in the feedback statement:** The EFRAG Secretariat suggests including a section in the feedback statement explaining that the ED already took into account the structure of the due process procedures for sustainability reporting and actively explore/discuss the feasibility and benefits of aligning or merging (even if partially) the due processes for financial and sustainability reporting in the future. It will also note that EFRAG’s role in the two pillars is different and further aligning different activities in one document may be confusing.
- (f) **Provide comprehensive clarifications:** Address the specific requests for clarification, including:
 - (i) recommend in the next review of the EFRAG Internal Rules to clarify/enhance the abstention rules for EFRAG Reporting Boards and the rules and consequences for dissenting opinions from EFRAG FR TEG members;
 - (ii) Having consistent language throughout the document while also taking into account alignment with the DPP for the EFRAG SR Pillar;
 - (iii) Clarifying the role of the EFRAG Administrative Board, for example, whether it can reverse the decisions of the EFRAG FRB (e.g. to not proceed with a mandatory step such as having a public consultation).;

- (iv) Providing more explanations of the criteria and steps involved in the accelerated due process, including the level of involvement of EFRAG Administrative Board and that EFRAG should notify its stakeholders when a consultation under an accelerated process is expected to start and the expected deadline for comments;
 - (v) Clarifying the role of the EFRAG Secretariat, including outlining the role and responsibilities of the EFRAG Secretariat within Chapter 3 of the ED. This would include a description of how the EFRAG Secretariat supports the various EFRAG bodies, manages the consultation process, ensures documentation accuracy, and facilitates effective communication; and
 - (vi) Clarifying the process for cases where stakeholders ask EFRAG to treat their letters as confidential (including parts of a comment letter) or letters that are not considered by the EFRAG FRB due to late arrival.
- (g) **Ways of having earlier availability of agenda papers:** Amend the DPP to consider ways of improving the availability of agenda papers, beyond the minimum of 5 days on a best effort basis. For example, aiming for a more extended timeframe for EFRAG Discussions Papers and other proactive agenda papers to allow for more thorough preparation by the EFRAG FRB and EFRAG FR TEG members.
- (h) **Reflecting that EFRAG’s Technical Work Plan is developed and amended taking into account available resources:** In the description of EFRAG’s Technical Work Plan (par. 4.1 of the exposure draft), it should be noted that EFRAG’s Technical Workplan is regularly updated to reflect changes and available resources.
- (i) **Outsourcing Governance.** Clarify in paragraph 5.40 of ED that when a specific technical task is outsourced due to lack of resources or lack of in-house technical knowledge (par. 5.36 and 5.37 of the exposure draft), the work only serves to inform EFRAG, the EFRAG FRB is responsible for the result from the outsourced work **and will monitor and review the work developed by the service provider**. EFRAG has to follow requirements in accordance with its call for tender when selecting a contractor for outsourced work. EFRAG is using criteria to determine which contractor to use. However, the assessment of potential contractors will include judgement.
- (j) **Include how potential consultations from the bodies other than the IASB are addressed and included in EFRAG’s workplan:** Include a reference in the Due Process Procedures to potential consultations from bodies other than the IASB, by

stating in the section related to the Technical Work Plan that EFRAG's Technical Workplan includes:

- a) current projects of the IASB/IFRS Foundation;
 - b) EFRAG proactive research work;
 - c) other pronouncements the EFRAG FRB decides to comment/work on because the papers/projects are closely related to work on (a) or (b) and are within EFRAG's mandate; and
 - d) work EFRAG is requested by the European Commission to carry out.
- (k) **Consider the creation of an appendix with more detailed guidance:** In response to concerns about the extensive detail of the proposed due process procedures, the EFRAG Secretariat will review the document to ensure an appropriate level of detail is maintained. The EFRAG Secretariat will assess which elements are essential to the due process and which are more operational in nature, which could be included in an appendix (e.g. those in Chapter 6).
- (l) **EFRAG Reporting Boards involvement in non-mandatory documents:** consider discussing with EFRAG FRB the usefulness of having a process for involvement of the EFRAG FRB for non-mandatory documents (such as feedback statements and bulletins), including the EFRAG Secretariat documents, submitted to the EFRAG FRB and where clearance would be given when members do not oppose or react. Also clarify in paragraph 6.2 that such non-mandatory documents, although not subject to formal approval, are typically discussed, at least, with EFRAG FR TEG (who may recommend the document be discussed with EFRAG FRB). Clarify in the feedback statement that the EFRAG Secretariat does not consider useful discussing podcasts and videos with the EFRAG FRB.

EFRAG Administrative Board recommendations

- 13 The EFRAG Administrative Board's Due Process Committee (the 'EFRAG DPC') discussed the recommendations of the EFRAG Secretariat at its meeting on 13 June 2025. At this meeting, the EFRAG DPC supported the suggestions of the EFRAG Secretariat. The suggestions of the EFRAG Secretariat were accordingly also presented at the meeting of the EFRAG Administrative Board on 24 June 2025. The EFRAG Administrative Board also supported the suggestions of the EFRAG Secretariat.

EFRAG FR TEG feedback

- 14 EFRAG FR TEG discussed the EFRAG Secretariat recommendations at its meeting on 1 July 2025 and made the below comments.
- 15 Members stressed that flexibility in the due process should come together with appropriate governance and a framework to address deviations. The DPP should thus be a balance of flexibility and rigour.
- 16 A member noted that allowing late submissions might disincentivise constituents from providing timely responses.
- 17 Another member noted that comments received on the ED were sometimes contradictory and questioned how the EFRAG Secretariat will approach them.
- 18 A member expressed concerns about whether the formal due process could be successfully implemented given the lack of resources at EFRAG’s FR pillar.

Questions for EFRAG FRB

- 19 Does EFRAG FRB have any comments on the comment letter analysis?
- 20 Does EFRAG FRB agree with the EFRAG Secretariat's recommendations in paragraph 12 of this agenda paper and in Appendix 1: Analysis and Summary of Comments received?
- 21 In particular, do you consider it useful having a process for non-mandatory documents (such as feedback statements, briefings, bulletins, etc, including the EFRAG Secretariat documents)¹, where clearance would be given when EFRAG FRB members do not oppose or react (refer to paragraphs 11(i) and 12(l))?

¹ EFRAG DPP extract: Additional non-mandatory materials

6.36 Additional non-mandatory materials to support the public consultation and public meetings can be issued by the EFRAG Secretariat in consultation with the EFRAG FR TEG, such as EFRAG Secretariat briefings, bulletins, short series discussion papers, podcasts, videos, other explanatory or educational material, Q&As, presentations and public EFRAG FR TEG or EFRAG FRB agenda papers.

6.37 These materials are not subject to approval by EFRAG FR TEG or EFRAG FRB and they do not represent the views of EFRAG but of the EFRAG Secretariat only.

6.38 However, any non-mandatory materials that include a position or a recommendation have to be approved by EFRAG FR TEG and EFRAG FRB.

Appendix 1 - Detailed analysis of responses to questions in EFRAG's Exposure Draft, EFRAG Secretariat recommendations and questions to EFRAG FR TEG

Question 1 – Objective and general principles

Does the EFRAG financial reporting due process meet your needs? Is the EFRAG DPP sufficiently clear and contains all information you would expect?

Proposals in the ED

- 22 Currently, a thorough due process is applied for financial reporting but it is formalised only at a high level in the EFRAG Internal Rules. The Exposure Draft aims to formalise and explain in more detail the due process procedures to be followed by EFRAG when dealing with financial reporting issues

Summary of constituents' comments

- 23 All the respondents **generally supported EFRAG proposals** outlined in the Exposure Draft for EFRAG Due Process Procedures on Financial Reporting Activities.
- 24 Respondents appreciated the efforts and work done by EFRAG in developing the Exposure Draft. They noted that the document represented a significant **step forward in the formalisation of the procedures** followed by EFRAG, which reinforces transparency and effectiveness in decision-making and stakeholder participation.
- 25 Two respondents considered that **the Due Process Procedures are sufficiently clear** and contain all information necessary to have a robust due process in EFRAG for the financial reporting pillar. Two other respondents welcomed the clarifications made by paragraphs 4.2–4.3 of the ED relating to the **classification of significant and less significant projects** in EFRAG's technical work plan.
- 26 Nonetheless, several respondents offered suggestions for improving EFRAG's due process. These included:
- (a) Emphasising the importance of real-life examples and **systematically assessing the impact on preparers**, particularly for proactive work.
 - (b) Recommending EFRAG to continuously **monitor its decision-making process** to ensure ongoing independence.
 - (c) Suggesting that EFRAG implement **periodic post-implementation reviews** of its Due Process Procedures (DPP) for both financial and sustainability pillars to ensure their effectiveness and intended operation.

- (d) Observing that the due process for both the financial and sustainability reporting pillars should be similar, given EFRAG's Internal Rules and the importance of connectivity in corporate reporting. It was also recommended that the **DPPs for both pillars be combined into a single document** to avoid inconsistencies and redundancies.
- (e) Noting that the EFRAG Secretariat plays an important role in EFRAG's Due Process. As such, **the Secretariat's role should be clarified in the Oversight Chapter** (chapter 3).
- (f) While appreciating the minimum five-day preparation period for meetings as necessary for proper document evaluation and internal consultations by the EFRAG FRB and EFRAG FR TEG members, it was suggested that **documents be circulated even earlier when possible, to allow for more thorough assessments** (whenever possible and taking into account the topic, documents be circulated with a larger time frame to ensure a more complete and detailed assessment of the topics covered).
- (g) Clarifying **Accelerated Due Process's description** in paragraph 5.7. In particular, whether the EFRAG Administrative Board's agreement or a consultation is sufficient (as mentioned in paragraph 1.6).
- (h) Performing an **additional check for inconsistencies and redundancies** within the financial reporting pillar's due process, citing examples of repeated rules/paragraphs with slightly different wording.
- (i) **Clarifying and streamlining Chapter 1** (Objective), particularly ensuring consistent and well-defined qualifiers for the DPP. For example, the document refers to a 'rigorous and transparent', 'open and transparent', 'proper', and 'robust, agile and adaptable' due process. Beyond transparency, these terms lack clear definitions, and it is unclear if they are used interchangeably. Consistent language was recommended for improved understandability.
- (j) Noting that, according to the EFRAG Internal Rules, the financial reporting pillar prepares comment letters in response to open calls for comments issued not only by the IASB but also by 'the IFRS Foundation or other bodies and draft endorsement advice letters to the European Commission and other position papers as appropriate'. In this regard, it was noted that paragraph 4.1 of the ED indicates that **the agenda is derived from the approved EFRAG Technical Work Plan, which refers (paragraphs 4.2-4.3) solely to the IASB projects**. It was suggested to supplement the

FR DPP with a process to **consider how other consultations will be addressed and added to EFRAG's workplan.**

27 Several respondents also raised concerns about EFRAG's Due Process Procedures (DPP) and EFRAG itself:

- (a) While acknowledging the rapid changes in EFRAG's structure after its governance reform and the mandate to draft European Sustainability Reporting Standards, respondents expressed **concerns about resource constraints within the financial reporting pillar** and the resulting internal tensions. Staff departures and shifts to the sustainability pillar have created a significant experience gap. They emphasised the need for an appropriate mix of skilled staff, expedited recruitment to address shortages, strong talent retention, and careful resource allocation to projects, ensuring experienced staff remain in charge.

As a result, it was suggested to reassess the adequacy of EFRAG's workplan with the existing resources. Strategic decisions could be made to drop projects from the work plan when required.

- (b) **Outsourcing should be used as a last resort**, ensuring that:
 - (i) The selection process is transparent (it was noted there are significant **deficiencies in the transparency on the selection of a service provider (outsourcing)** (based on objective and verifiable criteria, with EFRAG ensuring shortlisted candidates possess the necessary knowledge, availability, and independence).
 - (ii) Ongoing quality control over service providers' work, is implemented.
- (c) Considered that the **proposed due process procedures are overly extensive and detailed**, particularly given that EFRAG is neither a decision-making organisation nor a standard setter in financial reporting. There was a concern that such comprehensive procedures might reduce flexibility and adaptability. Specifically, it was recommended removing the policies in Chapter 6 on types of publications and consultation documents (page 29), especially section 6.4, from the DPP and publishing it separately.
- (d) Raised the important issue of **EFRAG's independence from the EU and the EU's influence on EFRAG's work**. EFRAG's governance structure was also considered relevant to the due process procedures.

- (e) Noted that the exposure draft suggests that EFRAG's primary liaison partners are EU national standard setters. **The prominent role given to national standard setters was questioned** in relation to EFRAG's mission (in sections 5.25 of page 24 and 5.31-5.33 of page 25).
- (f) Noted that some documents mentioned in paragraph 6.4, particularly 'non-mandatory' documents, are not always discussed in the EFRAG FRB meetings. While acknowledging that the non-mandatory nature of these documents might explain their limited availability, it was suggested that paragraph 6.4 states that **the EFRAG FRB should have the opportunity to express its views on non-mandatory documents before finalisation or publication**, potentially through a 'negative clearance' or other reaction.
- (g) Recommended clarifying paragraph 3.12 of the exposure draft. While the paragraph suggests the EFRAG Administrative Board Due Process Committee (DPC) will be informed of any deviations from due process steps by the EFRAG FRB and receive an annual non-compliance report, **EFRAG should clarify that the EFRAG FRB cannot avoid *mandatory* steps, only other (non-mandatory) steps - if deemed unnecessary.**
- (h) While EFRAG FR TEG members are not allowed to abstain in votes on draft or final endorsement advice (paragraph 5.50 of the DPP and Article 42 of the Internal Rules), **abstentions for the EFRAG FRB votes are not addressed**. It was suggested that EFRAG either add procedures for the EFRAG FRB members' abstentions or explain why such guidance is not included. It was also recommended **clearer rules for the consequences of dissenting opinions from the EFRAG FR TEG members** (beyond Article 43 of the Internal Rules), potentially varying based on the decision type.
- (i) **Recommended improving the section related to requests for confidentiality on comment letters received**, including the definition of a "good reason" (paragraphs 2.14 and 2.28). It was questioned whether businesses' confidentiality requests are automatically granted upon citing sensitive information, or if the EFRAG Administrative Board/EFRAG FRB votes on each case. It was also suggested considering whether only specific portions of a comment letter could be withheld if publication would harm the submitting party, such as potentially breaching securities disclosure laws.

- (j) Questioned the **EFRAG Administrative Board DPC's options in response to the EFRAG FRB's decisions**. Specifically, asked if the DPC can reverse the EFRAG FRB's decision to skip a mandatory due process step.

EFRAG Secretariat's recommendations to EFRAG FR TEG on EFRAG's proposed final position

- 28 The EFRAG Secretariat recommendations are listed in paragraph 12 of this agenda paper, and in general address most of the comments received above.

Question 2 - 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?

Proposals in the ED

- 29 Currently, EFRAG Internal Rules do not establish a minimum comment period on its consultations. In practice EFRAG's consultation deadlines depend on the IASB's consultation deadlines for each project and should normally (but not always) be a little shorter to allow the timely response to the IASB consultation. The EFRAG consultation deadlines also consider that the EFRAG Secretariat has sufficient time to analyse properly the comment letters received. However, EFRAG considered that it was important to establish a minimum comment period of 30 days on its consultations unless there is a need for an accelerated due process. In the latter case, the EFRAG Administrative Board, in its oversight role of due process, will need to provide approval (thus, the comment period can only be reduced to less than 30 calendar days after approval from the EFRAG Administrative Board supported by its DPC at the request of the EFRAG FRB).

Summary of constituents' comments

- 30 Most respondents generally agreed with the proposals in paragraphs 5.6 and 5.7. of establishing a minimum comment period of 30 days for its consultations, unless there is a need for an accelerated process
- 31 One respondent agreed with EFRAG's proposal to establish a minimum comment period of 30 days for its consultations. This respondent was supportive of the pragmatic approach applied historically with regards to comment letters received after deadlines. This is especially important given that many of the constituents have limited resources and may find it challenging to sometimes meet the tight comment deadlines needed.
- 32 However, some respondents expressed concerns or emphasised specific points on EFRAG proposals:

- (a) Highlighted that **it is crucial that the 30-day period is considered as the minimum and not as a standard, to ensure adequate participation**. It was acknowledged, however, that external parties can occasionally impose such 30-day deadlines on EFRAG. Respondents noted that **longer comment period should be prioritised wherever possible**, allowing stakeholders to carry out a more thorough analysis and provide more detailed answers.
- (b) Acknowledged the need for **approval of accelerated due process** (less than 30 days) by the EFRAG Administrative Board but expressed concerns that it could delay the process and noted that it should be applied in extremely rare situations.
- (c) In such a case it was suggested that **EFRAG should notify its stakeholders when a consultation under an accelerated process is expected to start and the expected deadline for comments** (even if dates are tentative).
- (d) Noted that the ED provided a minimum comment period of 30 days on EFRAG consultations on the IASB projects (except when an accelerated due process is applied), while **nothing is proposed regarding the comment period for draft endorsement advice, discussion paper or other EFRAG consultation papers**. In order to give complete information, the respondent suggested to integrate in the ED the definition of a minimum comment period for all EFRAG consultations.
- (e) **It was important to clarify the process for deciding upon the ultimate deadline for the ‘exceptional cases’ when EFRAG’s comment deadline is very close or even the same as the IASB’s deadline.**

33 One respondent was concerned about the long time from the EC request for endorsement advice to EFRAG’s submission of draft endorsement advice. The respondent noted that comment period on draft endorsement advice often lasts several months. Therefore, the final endorsement advice from EFRAG may take a very long time, and without endorsement by the EU, European companies are prevented from early application. This respondent suggested that **EFRAG should speed up the endorsement advice process.**

EFRAG Secretariat's recommendations to EFRAG FR TEG on EFRAG's proposed final position

34 The EFRAG Secretariat recommendations are listed in paragraph 12 of this agenda paper.

35 Comments received for which the EFRAG Secretariat is not proposing changes are listed below:

- (a) Paragraph 5.7 of the DPP already states that EFRAG aims at having the longest possible comment period and that 30 days is a minimum and not a standard comment period. The EFRAG Secretariat does not recommend setting the standard comment period in the DPP as it may differ in different circumstances. For the reference, the IASB does not set standard comment period in its Due Process Handbook.
- (b) Paragraph 5.6 of the DPP refers to all EFRAG consultation deadlines which includes all types of consultation documents (comment letters, (draft) endorsement advice and other documents). Therefore, the EFRAG Secretariat does not recommend making changes to the DPP in this regard.

Question 3 - 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?

Proposals in the ED

- 36 Currently EFRAG Internal Rules do not provide detailed guidance on the treatment of comment letters received after its deadlines. In practice, the comment letters received after the comment deadline but before the EFRAG FR TEG meeting are included in the EFRAG agenda papers to the extent possible and uploaded on the EFRAG website. The Comment letters that are received after the EFRAG FR TEG (but before EFRAG FRB meeting) are not included in the EFRAG FR TEG advice. These comment letters may be considered by the EFRAG FRB for the purposes of the EFRAG (final) comment letter and (final) endorsement advice (i.e. are considered on a case-by-case basis, considering the timing of submission). However, comment letters received after EFRAG FRB meeting are not considered by the EFRAG FRB. In these cases, it is indicated on the EFRAG website that the comment letter was not considered by the EFRAG FRB. EFRAG decided to formalise this procedure by including it in the EFRAG Financial Reporting DPP.

Summary of constituents' comments

- 37 Respondents generally agreed with EFRAG’s proposals in paragraphs 6.7 to 6.11 on handling comment letters received after EFRAG’s comment deadline.
- 38 Some of these respondents detailed that they:
- (a) Considered that the draft Due Process Procedure document strikes a **reasonable balance between EFRAG's need for timely input and stakeholder difficulties in meeting deadlines** due to internal resource and procedural limitations.

- (b) **Appreciated flexibility regarding comment letters received**, ensuring all relevant and material input is considered, **even if received after the formal deadline**, provided there's practical ability to incorporate it. This approach fosters stakeholder engagement and confidence in the consultation process by valuing diverse perspectives. Short comment periods and the risk of comment letters received after the comment deadline will not be considered may disincentive stakeholders to submit comments to EFRAG.
- (c) **Appreciated that letters received after EFRAG FR TEG meeting are considered by the EFRAG FRB**, provided there's practical ability to incorporate it, as it ensures that all contributions are properly evaluated.
- (d) Supported the limitation of not considering letters after the final EFRAG FRB meeting, as this maintains the integrity and rigor of the process.

39 One respondent acknowledged that in exceptionally rare circumstances, it may be unavoidable that EFRAG considers comment letters received after the comment deadline. However, **in such exceptional situations the organisation providing comments should early-warn and inform EFRAG about the fact that they will not be able to 'meet the deadline' and provide (early) draft comments**. The latter might be done in an informal way as it is important that EFRAG will be able to review and consider all the comments in due time.

40 However, some respondents expressed concerns or emphasised specific points on EFRAG proposals:

- (a) concerned with the **excessive flexibility of paragraph 6.11 which allows for late respondents to submit their letters after the EFRAG FR TEG meeting**. In such cases, these responses should not be considered for the purpose of both EFRAG FR TEG advice and the EFRAG FRB approval of the final comment letter.
- (b) stressed that the **EFRAG due process rules (on handling late comment letters) should in a similar way be applied by external (assisting) parties/subcontractors**.
- (c) When a letter is not published for confidentiality reasons, EFRAG should, at a minimum, **identify the organisations or individuals that submitted confidential comment letters**.
- (d) Suggested **advancing the deadlines in paragraphs 6.10 and 6.11 by one or two days to improve EFRAG's workflow**. Late submissions may hinder the EFRAG Secretariat,

Comment Letter Analysis – EFRAG Due Process Procedures

EFRAG FR TEG, and EFRAG FRB from adequately reviewing documents before meetings.

- (e) EFRAG's website should indicate not only comment letters received after EFRAG FRB meeting (as non-considered), but also **identify those received shortly before the EFRAG FRB meeting that were not considered due to time constraints** (paragraph 6.11).

EFRAG Secretariat's recommendations to EFRAG FR TEG on EFRAG's proposed final position

- 41 The EFRAG Secretariat recommendations are listed in paragraph 12 of this agenda paper.
- 42 Considering the comments received, the EFRAG Secretariat does not recommend changes to paragraphs 6.7 to 6.11 of the DPP.

Other comments received

Summary of constituents' comments

- 43 One respondent highlighted that EFRAG's scope and mission do not include IFRS IC's agenda decisions (ADs). According to paragraph 6.40 of DPP, EFRAG may exceptionally decide to comment on IFRS IC ADs.
- 44 The issues IFRS IC deals with through ADs are widespread and cover areas that can have a material impact on many companies. The ADs issued do not always provide a solution for the issues raised. Discussions between preparers and auditors about how to interpret ADs are common, which indicates that these decisions are not clear enough to be applied without ambiguity. The ADs published must be implemented by preparers in a very limited time frame even in cases where the accounting consequences may be material. The EU enforcers regularly adopt decisions on the application of IFRS Accounting Standards based on ADs in particular cases, even though ADs are not part of IFRS Accounting Standards as endorsed by the EU. FAR is concerned that the published ADs are not subject to EU's endorsement process, especially when the agenda decision ends up in guidance contradicting established practice based on current IFRS Accounting Standards. Some ADs may call for a European public good assessment by the EU. Therefore, FAR believes EFRAG should extend its scope and always comment on draft ADs issued by IFRS IC.

EFRAG Secretariat's recommendations to EFRAG FR TEG on EFRAG's proposed final position

- 45 The EFRAG Secretariat recommendations are listed in paragraph 12 of this agenda paper.

- 46 Commenting on IFRS IC ADs is not part of EFRAG’s objectives set in paragraph 4.1 of the EFRAG Statutes, therefore the EFRAG Secretariat recommends no changes to the DPP in this respect.