

EFRAG DUE PROCESS PROCEDURES FOR FINANCIAL REPORTING

EFRAG FRB-TEG meeting 8 October 2024



EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING - PROCESS

EFRAG CONSULTATION ON ITS DUE PROCESS PROCEDURES

- The EFRAG Administrative Board, supported by its Due Process Committee (DPC), 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. Thus, the EFRAG Administrative Board requested that the due process procedures (DPP) for EFRAG’s financial reporting activities be formalised.
- On 19 September 2024, EFRAG published an Exposure Draft (ED) setting out the due process requirements to be followed by EFRAG. The deadline for comments is 31 December 2024 ([website](#)).
 - [EFRAG Exposure Draft - FR Due Process Procedures-September 2024.pdf](#)
 - [PowerPoint Presentation \(efrag.org\)](#)
- EFRAG’s due process is based on interaction with and input from stakeholders. Accordingly, stakeholders’ acceptance of the DPP for EFRAG’s financial reporting activities is essential. This is why this ED on FR DPP has been developed and issued for public consultation.

CONTENTS OF DPP FINANCIAL REPORTING

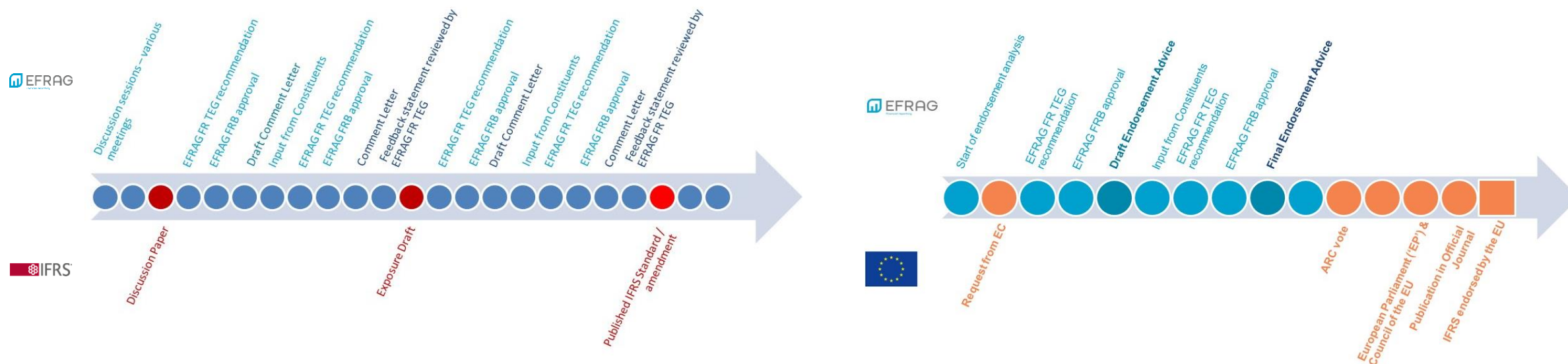
EFRAG ED FR DPP includes 6 chapters:

- **Chapter 1: Objective** - refers to the objective and importance of FR DPP for EFRAG. It also specifies the minimum steps to be taken and non-mandatory steps to be considered.
- **Chapter 2: Principles** - refers that EFRAG serves the European public interest, and its legitimacy is built on its transparency, governance, due process, public accountability and thought leadership. It also provides an overview of how the FR DPP addresses these principles.
- **Chapter 3: Due Process Oversight** - explains that EFRAG operates under a cascading oversight structure, where due process oversight is part of its governance. It also describes the areas of responsibility, the procedures (that ensure that due process steps have been complied with) and communication (including public meetings when necessary).
- **Chapter 4: Agenda Setting** – provides an overview of how EFRAG’s agenda is set. In particular, it explains that EFRAG FRB and TEG agendas are prepared based on the latest approved EFRAG Technical Work Plan and that the general update on the work plan (approved by EFRAG FRB) is available as part of the public papers of EFRAG FRB meetings.

CONTENTS OF DPP FINANCIAL REPORTING

EFRAG ED FR DPP includes 6 chapters:

- **Chapter 5: Technical Work Programme** – most important chapter, which provides a detailed description of EFRAG Due Process Procedures for reactive and proactive projects. For example:



- **Chapter 6: Types of publications and consultation documents** – refers to the different types of publications and consultation documents, their approval process and very importantly, how EFRAG treats comments letters received from its constituents.

NEW ELEMENTS IN THE DUE PROCESS PROCEDURES

CLARIFICATIONS IN THE DUE PROCESS PROCEDURES

- If the EFRAG FRB decides to not undertake a mandatory step for a specific project, it consults the EFRAG Administrative Board DPC on its decision and explains the reasons for not undertaking the step, giving it sufficient time to review them and react in a timely manner.
- EFRAG Administrative Board DPC is informed about non-mandatory steps not undertaken on significant projects.
- 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).
- Clarifications on how EFRAG deals with comment letters received, including comment letters received after EFRAG's comment deadline.

QUESTIONS

QUESTIONS TO CONSTITUENTS

Question 1 – Objective and general principles

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

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?

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?

NEXT STEPS

OUTREACH ACTIVITIES

- Preparation of a short video (2m) about the DP FR DPP and its objective.
- Refer to the consultation in its annual conference.

ANALYSIS OF THE COMMENTS RECEIVED

- Analysis of comments received in the consultation, update and finalisation of FR DPP and feedback statement.

APPROVAL OF THE FR DPP

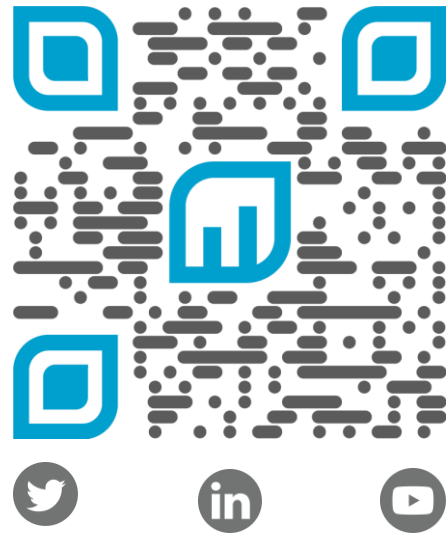
- Redeliberation process, involving EFRAG FRB and TEG, agreement by the DPC and recommendation to the EFRAG Administrative Board.
- Approval by the EFRAG General Assembly of the final DPP based on recommendation from EFRAG Administrative Board.

QUESTIONS

QUESTIONS TO EFRAG FRB-TEG MEMBERS

- How could EFRAG FRB and TEG help EFRAG in disseminating the consultation on FR DPP?
- What should the EFRAG Secretariat do more (if any) in terms of outreach activities?

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THANK YOU