

# EFRAG DUE PROCESS PROCEDURES FOR FINANCIAL REPORTING

September 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. Accordingly, the EFRAG Administrative Board requested that the due process procedures (DPP) for EFRAG’s financial reporting pillar be formalized.
- The Exposure Draft (ED) sets out the due process requirements to be followed by EFRAG:
  - in its role as technical advisor to the European Commission (EC),
  - in its contribution to the IASB's standard-setting process by providing European views, including through proactive research activities, and
  - in providing technical advice to the EC 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 and EFRAG Internal Rules. The DPP should be read in the context of these EFRAG Statutes and EFRAG Internal Rules.
- 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 this ED on DPP for the EFRAG financial reporting pillar has been developed and issued for public consultation.

# 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?

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# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 1 - OBJECTIVE

- The Due Process Procedures for the EFRAG Financial Reporting activities (**DPP**) set out the due process requirements to be followed by EFRAG.
- The DPP specify the minimum steps to be taken to ensure that EFRAG activities benefit from a thorough and effective public consultation; and identify additional non-mandatory steps to be considered by EFRAG FRB, EFRAG FR TEG and their working groups.
- All the steps described in the DPP do not need to be applied mechanically or sequentially in all instances. In some cases, an accelerated due process may be appropriate (this may involve shorter comment periods and/or approvals by written procedure). In such cases, the EFRAG Administrative Board, in its oversight role of due process, will be asked for approval.
- The DPP will be reviewed at least every five years. The DPP should be read in conjunction with EFRAG Statutes and EFRAG Internal Rules, which can be found on EFRAG Website.

# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 2 - PRINCIPLES

- EFRAG's legitimacy is built on its transparency, governance, due process, public accountability and thought leadership. EFRAG serves the European public interest.
- **Transparency:** EFRAG conducts a transparent due process that is open to all stakeholders by:
  - having technical discussions held in public meetings (EFRAG FR TEG and EFRAG FRB) with agenda papers made available five working days before the meeting (also to the public),
  - having a public consultation process with stakeholders,
  - publication of documents on EFRAG website such as draft comment letters, final comment letters, discussion papers, draft and final endorsement advice to the EC and other documents,
  - keeping information on the EFRAG's financial reporting projects updated on EFRAG Website,
  - timely publication of endorsement status reports, and
  - using social media, webinars, conferences and articles to raise awareness about its work.

# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 2 – PRINCIPLES (continued)

- **Public Accountability:** is ensured by EFRAG's governance and due process.
  - EFRAG is accountable to the public and the European institutions through its open and transparent due process.
- **Public Consultation:** For each of its projects, EFRAG consults its stakeholders publicly:
  - public consultation can be carried out through various means (e.g. comment letters, surveys, outreach events and field tests),
  - public comment periods are indicated on the EFRAG website,
  - all public comments received are posted publicly on EFRAG's website (unless confidentiality is requested),
  - consultation procedures that are mandatory include debating proposals in public meetings, publishing draft comment letters and draft endorsement advice, followed by consideration of the comment letters received and publication of a feedback statement, and
  - consultation procedures that are not mandatory include publishing a document for discussion, holding public outreach events and establishing consultative groups.

# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 3 - DUE PROCESS OVERSIGHT

- EFRAG operates under a cascading oversight structure:
  - the EFRAG General Assembly exercises oversight over the EFRAG Administrative Board,
  - the EFRAG Administrative Board is responsible for EFRAG's due process and oversight of all EFRAG's technical bodies and is supported by its Due Process Committee (DPC),
  - EFRAG FRB is required to apply an open and transparent due process including technical discussions held in public, and a public consultation process with stakeholders on draft EFRAG positions,
  - in case the EFRAG FRB decides not to undertake a mandatory due process step for a specific project, it has to explain the reasons why to the EFRAG Administrative Board DPC, giving it sufficient time to review them and react in a timely manner,
  - EFRAG Administrative Board DPC is informed, in a follow-up report, in case of non-mandatory steps that have not been undertaken for specific projects, and
  - the EFRAG Administrative Board supported by its DPC operates transparently and with fair consideration of the matters raised by stakeholders.



# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 4 - AGENDA SETTING

- EFRAG FR TEG and EFRAG FRB agenda is prepared based on the approved EFRAG Technical Work Plan.
- The work plan classifies IASB projects as 'significant' and 'less significant'. When a project is classified as 'less significant', the approval from EFRAG FRB will be managed based on a written procedure.
- **Reactive projects:** EFRAG closely follows the IASB technical agenda and creates corresponding technical financial reporting projects. The timing of the EFRAG projects is aligned with the timing of the related IASB projects.
- **Proactive projects:** EFRAG is required to undertake a public consultation on its research work plan on a regular basis. EFRAG FRB decides on the agenda of EFRAG's research activities, after public consultation.

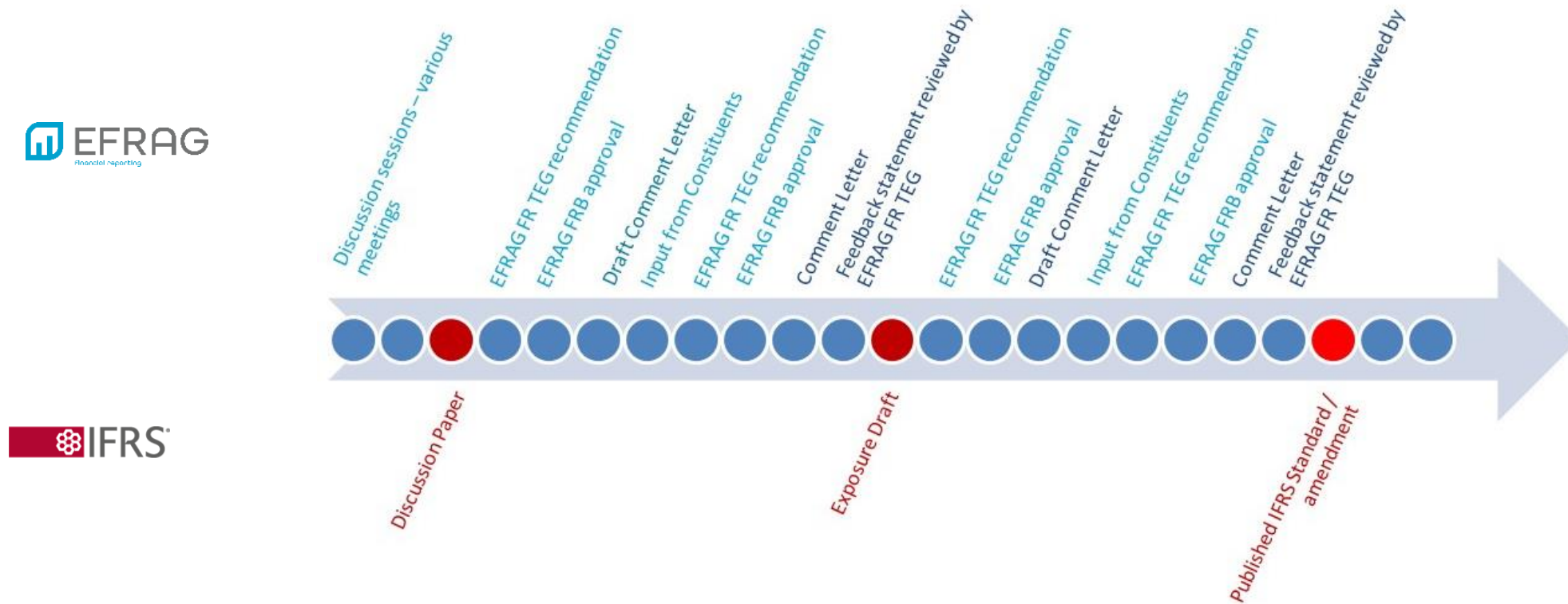
# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 5 - TECHNICAL WORK PROGRAMME – REACTIVE WORK

- EFRAG runs an open consultation process, the results of which contribute to the determination of the final EFRAG position in its final comment letter and endorsement advice.
- EFRAG consultation deadlines depend on the IASB deadlines - normally they are a little shorter to allow a timely response to the IASB - and the time that the EFRAG Secretariat needs to analyse properly the comment letters received. In some cases, EFRAG deadline can be close to or the same as the IASB's to allow collection of more input from its stakeholders. In such exceptional cases, EFRAG final comment letter is published after the IASB's deadline. This situation should be exceptional and be agreed with the IASB in advance.
- EFRAG aims at having the longest possible comment period and applies a minimum comment period of 30 days on its consultations unless there is a need for an accelerated process. In the latter case, the EFRAG Administrative Board will need to provide approval.
- EFRAG FRB is responsible for all positions of EFRAG on financial reporting, after having considered the technical advice from EFRAG FR TEG and reflecting the results of EFRAG's due process. All EFRAG letters reflecting a position on financial reporting are signed by the EFRAG FRB Chairman.
- At the end, EFRAG publishes a feedback statement that is reviewed by EFRAG FR TEG.

# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 5 - TECHNICAL WORK PROGRAMME – REACTIVE WORK



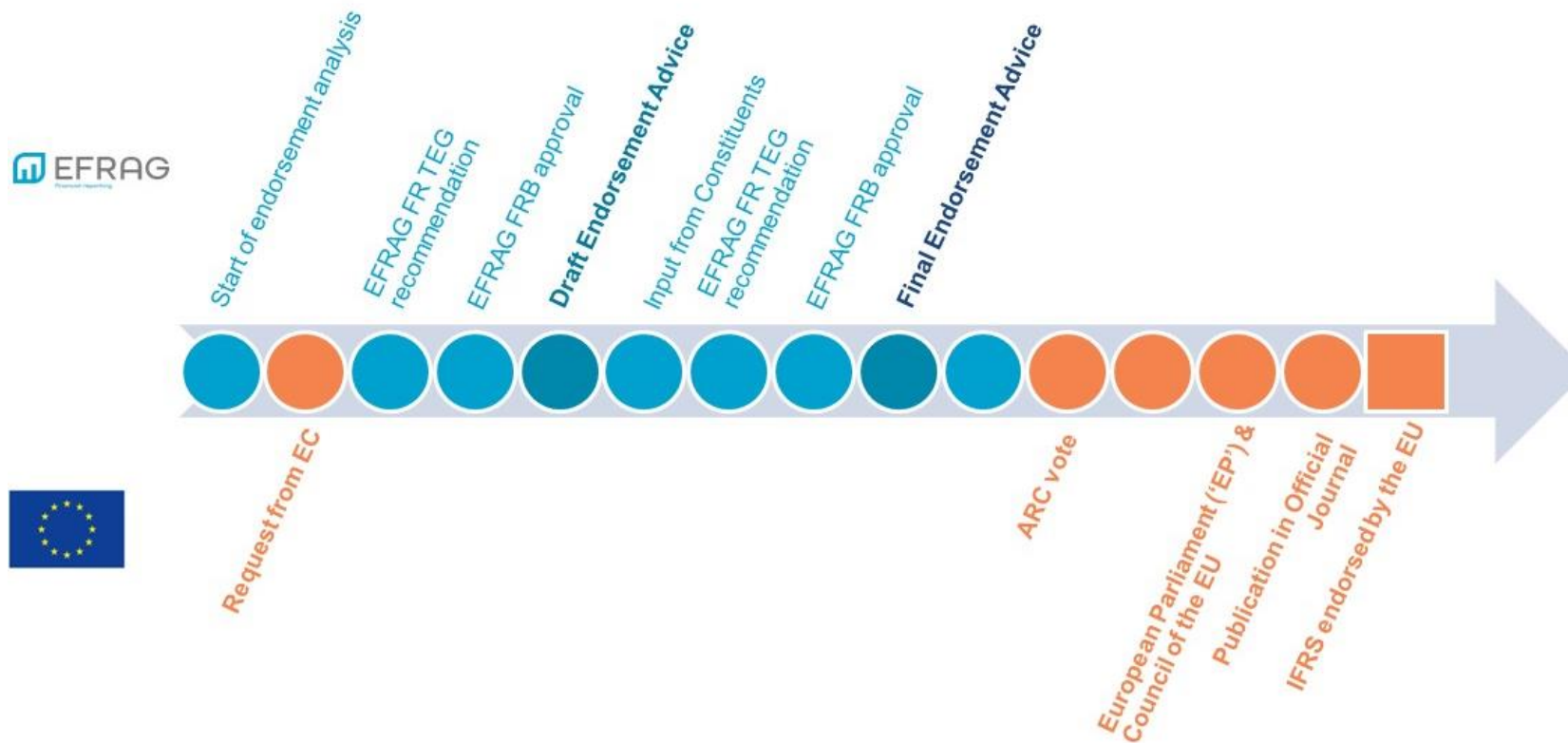
# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 5 - TECHNICAL WORK PROGRAMME – ENDORSEMENT

- After the publication of the final IFRS Accounting standards (Amendments, Standards and Interpretations issued by the IASB) and the request from the EC (typically through a letter), EFRAG provides its endorsement advice to the EC.
- Following the request from the EC, EFRAG prepares a draft endorsement advice based on the discussions in EFRAG FRB, EFRAG FR TEG with input of the EFRAG working groups. Final endorsement advice reflects the feedback received from a public consultation.
- EFRAG FRB is responsible to provide directions on the field work of EFRAG where specific consultations or investigations are deemed necessary to provide an assessment.
- EFRAG Internal Rules for EFRAG FRB and EFRAG FR TEG define voting procedures and rules for draft and final endorsement advice.
- EFRAG endorsement schedule is reflected in the endorsement status report on EFRAG website.
- EFRAG publishes its final endorsement advice and updates the EFRAG endorsement schedule on the day it delivers endorsement advice to the EC.

# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 5 - TECHNICAL WORK PROGRAMME – ENDORSEMENT



# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 5 - TECHNICAL WORK PROGRAMME – PROACTIVE WORK

- EFRAG aims to influence future financial reporting developments by engaging with stakeholders and providing timely and effective input to early phases of the IASB's work.
- EFRAG may carry out this research work in partnership with National Standard Setters to ensure resources are used efficiently and to promote coordination.
- The main output of the EFRAG's research work is expected to be discussion papers, which must be submitted for EFRAG FR TEG and EFRAG FRB approval - all EFRAG research outputs are discussed and approved by the EFRAG FRB and published on the EFRAG website.
- After the end of the public consultation period EFRAG publishes a summary report of the feedback received that may include recommendations and positions for the way forward.
- The summary report will be reviewed by EFRAG FR TEG. However, the EFRAG FRB should approve the summary report of the feedback received when it includes recommendations.

# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 5 - TECHNICAL WORK PROGRAMME – FIELD WORK

- During a public consultation process on EFRAG projects, field work may be undertaken. This can include the involvement of other organisations such as National Standard Setters. Field work may include surveys, field tests, workshops and other forms of consultation ([EFRAG Field Work Policy](#)).
- EFRAG may support studies (e.g. academic studies) or subcontract specific tasks (e.g. impact analysis). EFRAG positions are the responsibility of the EFRAG FRB and are published as comment letters, discussion or position papers.

## TECHNICAL WORK PROGRAMME – APPROVAL AND VOTING

- The consultation documents (comment letters, discussion papers, endorsement advices) have to be discussed with EFRAG FR TEG (with input of the EFRAG working groups when relevant).
- EFRAG FR TEG provides technical advice to the EFRAG FRB and the EFRAG FRB approves the consultation documents for publication. Any dissenting views of EFRAG FR TEG members should be considered by EFRAG FRB.
- If the EFRAG FRB does not follow the technical recommendation of the EFRAG FR TEG, it provides an explanation to the EFRAG FR TEG as to why the recommendation was not followed.

# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 5 - TECHNICAL WORK PROGRAMME – APPROVAL AND VOTING

- Voting arrangements are included in the Internal Rules for EFRAG FRB and EFRAG FR TEG.
- Some key elements on voting:
  - attendance and majority principles for EFRAG FR TEG and EFRAG FRB by type of document and form of voting,
  - results of the vote as well as the members' discussions are recorded internally in the Summary of Decisions (SoD) of the related EFRAG FR TEG or EFRAG FRB meeting and made public through the monthly EFRAG Update,
  - for "less significant" projects, the consultation documents can be approved by written procedure. In this case EFRAG FR TEG or EFRAG FRB members can vote by e-mail. The results of the vote are made public through the monthly EFRAG Update, and
  - For projects considered less significant (but not limited to less significant), the EFRAG FRB may agree to delegate all the due process work on a consultation document (except for (draft) endorsement advices) to the EFRAG FR TEG but it remains responsible also in these cases - EFRAG FRB Chair signs the consultation or other resulting document setting out technical positions.



# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 6 - TYPES OF PUBLICATIONS AND CONSULTATION DOCUMENTS (1)

- EFRAG typically publishes the following documents:

EFRAG Reactive projects	EFRAG Proactive projects
Draft comment letter	Discussion Paper
Final comment letter	Summary Report of feedback received
Feedback statement	Summary report of an outreach event
Draft endorsement advice	Additional non-mandatory materials
Final endorsement advice	Summary Report of feedback received and recommendations
Early-stage impact analysis	
Summary report of an outreach event	
Additional non-mandatory materials such as briefings, bulletins and others	Additional non-mandatory materials such as briefings, bulletins, videos and others

# EFRAG DUE PROCESS PROCEDURES – FINANCIAL REPORTING

## CHAPTER 6 - TYPES OF PUBLICATIONS AND CONSULTATION DOCUMENTS (2)

- Comment letters received from stakeholders are key in the deliberations process of both the EFRAG FR TEG and EFRAG FRB, because they provide considered and public responses to a formal consultation.
- All comment letters received by EFRAG are made available on the EFRAG website on the respective project page as soon as they are received and are presented in chronological order, unless confidentiality is requested (rare cases):
  - comment letters received after the comment deadline but before the EFRAG FR TEG meeting will be considered by EFRAG FR TEG in formulating its advice (uploaded and presented orally if necessary),
  - 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 (uploaded and presented orally if necessary),
  - comment letters received after EFRAG FRB meeting in which the technical position has been approved, 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, and
  - The EFRAG Secretariat obtains, to the extent possible, draft comment letters from stakeholders that cannot meet the EFRAG deadline so that they can be considered by EFRAG FR TEG – however, only the final letters are uploaded.

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THANK YOU