

EFRAG Sustainability Reporting Board

DUE PROCESS OVERSIGHT

Agenda item 6

Peter Sampers

31 March 2022



DISCLAIMER

The views expressed in this presentation are those of the presenters, except where indicated otherwise. They are not approved by: the EFRAG Administrative Board, the EFRAG Sustainability Reporting Board or the European Lab Project Task Force on European sustainability reporting standards (PTF- ESRS)



Due Process Procedures (DPP) for sustainability reporting standards

Objective

- A rigorous and transparent due process must underpin standard-setting and is critical for the long-term credibility and independence of the standard-setting
- Cornerstones of standard setting are: proper due process, public oversight and transparency
- The DPP set out the process requirements for EU Sustainability Reporting Standards (ESRS)
- Two levels:
 - Minimum steps to be applied in all cases
 - Additional non-mandatory steps

Background

- Public consultation on proposed DPP in June 2021. Based on report by JP Gauzès in the context of his ad personam mandate. Inspired by procedures of peers
- 38 comments received. Largely supportive
- Summary of comments published November 2021
- EFRAG Secretariat prepared draft DPP on this basis



Due Process Committee (DPC)

- The EFRAG Administrative Board Established a DPC
- Composition
 - Peter Sampers Netherlands, Chair
 - Michel Barbet-Massin France
 - Benoit Jaspar Insurance Europe
 - Georg Lanfermann Germany
 - Elina Peill Finland
 - Andrea Sternisko Austria
 - Marilyn Waite Civil Society Organisations
- DPC Terms of Reference agreed 28 February 2022

Status DPP

- Draft DPP were updated for changes in EFRAG Statutes and Internal Rules and discussed in the DPC
- EU input was received
- Draft DPP discussed in the first **public meeting** of the Administrative Board on 28 February
- Draft DPP were approved by the Administrative Board for submission to the General Assembly
- DPP were approved by the EFRAG General Assembly on 15 March

Some key points (1)

- Oversight occurs throughout the development of ESRS by SRB and SR TEG (including agenda-setting and post-implementation reviews)
- Connectivity and coordination between financial and sustainability reporting needs to be ensured
- Due process steps outlined in Chapter 5 of the DPP:

MANDATORY STEPS	NON-MANDATORY STEPS
Debating proposals in public meetings	Consultation with consultative forum 1)
Taking into account relevant developments	Publication of discussion papers
Considering interactions with EU legislation	Establishing working groups
Issuing exposure drafts and other documents	Outreach and public events
Considering comments	Fieldwork

Some key points (2)

- Review DPP after 3 years but additionally after 1 year for the initial set
- More work is needed on procedures for digital reporting and cost-benefit analysis once SRB and SR TEG are in place

Communication and follow-up

- DPP will be published on EFRAG website together with feedback statement
- News item will be circulated
- Website presence for DPC
- Due process procedures for financial reporting will also be documented (building on existing way of working)

First set of ESRS

- Likely that a shortened consultation period has to be applied
- Proper explanation and contextualisation will be needed
- Administrative Board DPC to be involved



EFRAG receives financial support of the European Union - DG Financial Stability, Financial Services and Capital Markets Union. The contents of this presentation is the sole responsibility of EFRAG and can under no circumstances be regarded as reflecting the position of the European Union.



EFRAG
Aisbl - ivzw
35 Square de Meeüs
B-1000 Brussel
Tel. +32 (0)2 207 93 00
www.efrag.org

