

EFRAG Administrative Board

EFRAG's Due Process Procedures for Sustainability Reporting Proposed revisions to reflect the final provisions of the CSRD

Objective

- 1 The objective of the session is to approve the revisions to EFRAG's Due Process Procedures for Sustainability Reporting (the 'DPP') to align them with the final provisions in the published CSRD.
- 2 These changes were discussed and recommended by the EFRAG Administrative Board Due Process Committee (EFRAG DPC) at its 8 February 2023 meeting.

Background

- 3 EFRAG's DPP (as approved by its General Assembly on 15 March 2022) have been developed based on the provisions contained in the proposal for a CSRD issued by the European Commission in April 2021. The DPP indicates that *'after the final legislative text of the CSRD is adopted, the DPP will be reviewed to ensure alignment with the final provisions'*.
- 4 The [final CSRD](#) was published in the EU Official Journal on 16 December 2022 and formally entered into force on 5 January 2023.
- 5 This paper focuses only on changes to align the DPP with the final text of the published CSRD. Agenda paper 06-02 contains a proposed marked-up version of the DPP identifying such changes submitted to the approval of the EFRAG Administrative Board.
- 6 It is reminded that, the DPP provides that¹, one-year after the initial application of the DPP (that is after March 2023) , *'a first review will be conducted by the EFRAG Administrative Board and its DPC to assess whether the DPP is fit for purpose'*. The outcome of this review, which has just been started, is not the subject of the present paper, and will be presented at future meeting(s) of the EFRAG Administrative Board.

Overview of the main changes identified

- 7 No major content changes are proposed to the substance of the due process itself, as the published CSRD essentially confirmed the conditions for EFRAG's mission as stated in the EC proposals. References to specific paragraph numbers or section of text quoted from the CSRD have been aligned to reflect the final text of the published CSRD.

¹ Paragraph 1.8 of the DPP.

- 8 In addition, references to specific article numbers of the CSRD have been clarified to reflect the fact that the CSRD actually modifies guidance contained in other Directives².
- 9 The most significant proposed updates (besides editorial improvements) include the following:
- (a) **Cover Page** Remove the mention that the DPP was prepared based on the EC proposals for a CSRD and include a reference to the final CSRD issued in December 2022. Expand the box to explain how EFRAG handles issues on due process raised in correspondence with stakeholders. Include a link to the new webpage containing EFRAG’s Register [Due process correspondence with stakeholders](#)³.
 - (b) **Chapter 1 Objective:** Include the conditions added to the CSRD for EFRAG’s technical advice to be considered by the EC and the documents that must be part of or accompany the technical advice.
 - (c) **Chapter 2 Principles:** Only editorial changes.
 - (d) **Chapter 3 Due Process Oversight:** Only editorial changes.
 - (e) **Chapter 4 Agenda Setting:**
 - (i) Align the mentioned deadlines for adoption of Sets 1 and 2 with the timeline in the revised CSRD. Add a mention that, in agreement with the EC, the second set of ESRS (sectoral standards) will be developed in batches over the period 2023 to 2027.
 - (ii) Add a mention of the requirement, introduced in the CSRD , that the EC shall, at least once a year consult with the European Parliament, the Member States Expert Group on Sustainable Finance and the Accounting Regulatory Committee (ARC) as regards EFRAG’s work program.
 - (f) **Chapter 5 Standard setting:**
 - (i) Include (in 5.1/5.2) the new language in the CSRD requiring EFRAG to take into consideration other initiatives and other EU legislation and provide a report on the matter;
 - (ii) Align the wording of the section on Standards for SMEs (5.9) with the revised language in the CSRD reinforcing the need for proportionality.
 - (iii) Also see open issues further discussed in the next section on the due process for Cost-benefits analysis and for Digital reporting.
 - (g) **Appendices :** add an appendix providing the detail of EU legislation and global initiatives (as listed in paragraph 29b(5) of Directive 2013/34/EU) that EFRAG

² It was improper, for instance, to refer to ‘ Article 19 of the CSRD’ as this paragraph belongs to the Accounting Directive (2013/34/EU’): this has been replaced by a reference to ‘Article 1 of the CSRD modifying Article 19 of Directive 2013/34/EU’.

³ The repository of the correspondence from stakeholders with the DPC is currently empty. Only letters submitted directly to the DPC raising due process issues are considered for inclusion.

must take into account when developing ESRS (and report on how it has taken them into account)

- 10 Finally, the EFRAG Secretariat has also identified a number of small editorial improvements (typos, inconsistent use of acronyms...) which are also marked up in the document.

Recommendations of the DPC

- 11 At its 8 February meeting, the EFRAG DPC agreed to recommend the changes contained in agenda paper 06-02 to align the DPP with the published text of the CSRD for presentation for approval by the EFRAG Administrative Board and then by the General Assembly.
- 12 At the meeting, members considered a broader range of possible revisions and updates to the DPP including those arising from the consideration of
 - (a) Areas not currently covered (or not fully covered) by the DPP such as the due process for Digital Guidance and for cost-benefit analysis); and
 - (b) Other areas for possible updates identified after the experience with the first year of application of the due process
- 13 Members however recommended that, at this stage, only the changes arising from the alignment with the final text of the CSRD should be submitted for approval to the EFRAG Administrative Board and then to the General Assembly at its 16 March meeting as more time was needed to assess the other possible changes.

Next Steps

- 14 The changes to the DPP, as approved by the EFRAG Administrative Board, will be presented for approval by the General Assembly at its 16 March 2023 meeting.

Questions to the EFRAG Administrative Board

- Does the EFRAG Administrative Board approve the changes to align the DPP with the final provisions of the CSRD (as reflected in the DPP mark-up contained in Agenda paper 06-02)?
- Do members have other suggestions for changes or comments?

- 15 In addition to this cover note, agenda paper 06-02 – *DPP for Sustainability Reporting – Proposed mark-up to align the final CSRD* is provided for the for this session.