

15th September 2021



THE MALTA
INSTITUTE OF
ACCOUNTANTS

Please find below the following comments in relation to EFRAG's Consultation Paper – Due Process Procedures for EU Sustainability Reporting Standard-Setting:

1.1 What does it mean when we say that the development of standards should be in the 'public interest'? We believe that there isn't a proper definition of 'public interest'. We are of the opinion that the development of standards should be done taking into consideration the interest of all stakeholders. This also applies to point 2.2.

1.4 We believe it is important that the 'basis for conclusion' takes into consideration the thought process when setting standards. We would like to emphasise that the EU Commission should remain consistent with regulation 1606/2002 (which adopted IASs/IFRSs as the norm for all listed entities within the bloc as of January 1, 2005) and adopt the IASB's practice statement on management commentary. We would like to emphasize the importance of having a 'global initiative' thus such standards should not be something done by the EU, but they should be international standards with the contribution and the input of the EU.

1.5 We believe that if we want 'robust' reporting standards, then the normal process should apply.

2.3 It must be noted that the circumstances of an Island state economy such as Malta are in many ways different to those of our counterparts in Mainland Europe.

2.8 When we refer to 'Other sustainability standard setters' EFRAG should take on board what is proposed by the IASB, this should then be endorsed by EFRAG. Any global initiative standards developed with the IASB should be in tandem with EFRAG.

2.10 Webcasts should be available until the end of the process of setting the standard, not just for one year. Once the standard is set, they can be archived and made available publicly on request.

2.11 It is proposed to have published on EFRAG's website, not just the tentative decisions but also the basis for conclusion on tentative decisions.

2.12 All agenda papers should be publicly available, however in the case that they would be harmful to certain parties there should be an explanation issued giving an explanation as to why such an agenda paper is not being published.

2.13 This should be a transparent process; therefore, all comments should be visible. Possibly such comments could be anonymous to protect the identity of the person making the comment.



2.21 Why is it required to do a cost benefit analysis for sustainable reporting when there isn't one for financial reporting? The issue is that if the costs exceed the benefits would such a project be dropped? it is our opinion that it must be continued even if this occurs, therefore we do not understand the reason of making such an analysis.

2.22 The costs will exceed the benefits at some stage; therefore, we do not agree with this paragraph.

2.23 We do not agree with post-implementation reviews if they are going to be done before.

3.5 This paragraph states that 'the oversight over the due process includes agenda setting and post implementation reviews when applicable'. However, in our opinion this should not only be applied 'when applicable' but this should be part of the standard procedure.

3.7 a It should be specified that the 'development of materials to support the consistent application of ESRS' specifically relates to educational materials.

3.7 c With regards to the composition of 'consultative groups' it is suggested to have a rotation of members every 5 to 7 years, this would be in line with the rotation of the audit partner.

3.10 Not undertaking a specific non-mandatory step of the specific standard setting project might lead to certain abuse. It is our view in line with what we stated in points 2.12 and 2.13 and that if it is decided not to undertake a project the reports on the reasons why such a project is not undertaken is made publicly available.

3.12 Could this point be clarified as it is not so clear to us. Furthermore, on a case-by-case basis, the due process for an individual standard may be considered.

4.3 There is a typo here, it should state 'recommendations' instead of 'recommend'.

4.7 With regards to 'cost-benefit analysis' make reference to comments 2.21 and 2.22.

4.8 In line with the point 1.4, the European Commission should remain consistent with regulation 1606/2002 (which adopted IASs/IFRSs as the norm for all listed entities within the bloc as of January 1, 2005) and adopt the IASB's practice statement on management commentary. We would like to emphasise the importance of having a 'global initiative'. Thus, such standards should be published by the IASB or a separate international body.



4.9 e There should be full support for a research program, EFRAG should give the due weight to contribute to research that will help with standard based reporting.

5.1 b) We do not agree with reducing the comment period to 60 days as we believe Exposure drafts and other consultation documents should all have the same comment period of 120 days.

5.2. a) We believe that publishing a discussion paper for major projects before an exposure draft is developed should be made mandatory.

5.2 c) We would recommend that outreaches and public events are on a rotation basis held in different member states.

5.5 We believe that there should be a discussion paper before these steps. Also, we would like to bring up the point that In line with the point 1.4 and 4.8, the European Commission should remain consistent with regulation 1606/2002 (which adopted IASs/IFRSs as the norm for all listed entities within the bloc as of January 1, 2005) and adopt the IASB's practice statement on management commentary. We would like to emphasize the importance of having a 'global initiative'. Thus, such standards should be published by the IASB or a separate international body.

5.8 We believe that there should be a discussion paper before the exposure draft.

5.12 In line with point 2.12, all agenda papers should be publicly available, however in the case that they would be harmful to certain parties there should be an explanation issued giving an explanation as to why such an agenda paper is not being published.

5.14 It must be emphasised that we should be fully transparent in the process and all materials should be made public.

5.15 We believe that what already applies for IFRS financial reporting standards should be applicable when the CSRD comes into force.

5.23 In line with 5.2 c) outreach events open to the public should be on a rotation basis held in different member states.