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**Financial Reporting Technical
Committee**

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Berlin, 30 December 2024

Dear Benoit,

Re: Exposure Draft *EFRAG Due Process Procedures for the EFRAG Financial Reporting Activities*

On behalf of the Accounting Standards Committee of Germany (ASCG), I am writing to contribute to EFRAG's Exposure Draft *EFRAG Due Process Procedures for the EFRAG Financial Reporting Activities*, issued by EFRAG on 19 September 2024 (herein referred to as the "ED"). We appreciate the opportunity to comment on the ED.

We welcome and support EFRAG's efforts to formalise the Due Process Procedures (herein referred to as the "DPP") for EFRAG's financial reporting pillar. In substance, we agree with the proposed DPP. We believe they meet stakeholders' needs and, in general, appropriately reflect EFRAG's current practice. Overall, we also agree with the proposed paragraphs on public consultation deadlines (i.e., paragraphs 5.6 and 5.7) as well as the proposed paragraphs on comment letters received after the consultation deadline (i.e., paragraphs 5.7 to 6.11).

Nevertheless, we have identified areas where the DPP could be clearer and more precise.

First, we recommend EFRAG combine its DPP for EFRAG's financial reporting pillar with its DPP for the sustainability reporting pillar in one single document to avoid inconsistencies and redundancies.

Second, we believe certain elements of the DPP would benefit from further clarifications. Apart from streamlining and clarifying the objectives in chapter 1, we encourage EFRAG to lay out rules for abstentions of FRB members and provide more details on the design of the Accelerated Due Process as well as the prerequisites for confidential treatment of comment letters.

Other Corporate Reporting Standard Setters have similar due process procedures documents as part of their governance and oversight, that have already gone through numerous review cycles (like the Due Process Handbook of the IFRS Foundation). We encourage EFRAG to leverage those documents if seen fit for purpose.

We provide our response to EFRAG's questions to constituents in the appendix of this letter. If you would like to discuss our view further, please do not hesitate to contact Rico Chaskel (chaskel@drsc.de) or me.

Yours sincerely,

Sven Morich
Vice President

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Appendix – Answers to the questions in the ED

Question 1 – Objective and General Principles

Does the EFRAG financial reporting due process meet your needs?

Is the EFRAG DPP sufficiently clear and contains all information you would expect?

We welcome EFRAG's efforts to formalise its Due Process Procedures (DPP) for EFRAG's financial reporting pillar. Overall, the due process procedures outlined in the ED meet our expectations and reflect current practice.

We deem it of utmost importance to define clear procedures for EFRAG's standard setting activities. This includes exceptional situations where the standard procedures cannot be followed. We believe it needs to be clear under which circumstances these exceptions to the standard due process can occur as well as which procedures are then to be followed.

We have identified some aspects that might be improved in the current draft of the DPP. We therefore suggest EFRAG consider the following points:

Combination of the DPP for EFRAG's financial reporting pillar and for EFRAG's sustainability reporting pillar in one single document

We suggest combining the DPP for EFRAG's financial reporting pillar and for EFRAG's sustainability reporting pillar in one single document to make the process more streamlined, less error-prone, and more comprehensible for stakeholders. In any case, both DPP should be checked for inconsistencies and redundancies, and a rationale be given for any differences. In terms of (potential) inconsistencies with the EFRAG Internal Rules, we suggest EFRAG clarify which document prevails.

Check for inconsistencies and redundancies

We believe the DPP for EFRAG's financial reporting pillar would benefit from an additional check for inconsistencies and redundancies within the document. There are some instances where rules are repeated, but with slightly different wording. For instance, the DPP repeat the following rules:

- *"All papers and comment letters received as a part of EFRAG's due process are published on the EFRAG website unless confidentiality is requested by the respondent supported by good reason (e.g. it contains sensitive business information)." (ref. paragraphs 2.14 and 2.28),*
- *"The EFRAG Administrative Board will hold public sessions whenever the due process oversight is discussed." (ref. paragraphs 2.9 and 3.14),*
- *"In some circumstances, an accelerated due process may be appropriate whereby a core of necessary due process steps will be defined. In such cases, the EFRAG Administrative Board, in its oversight role of due process, will be consulted." (ref. paragraphs 1.6 and 5.7),* whereby from the last sentence in paragraphs 1.6 and 5.7 it is not clear whether the EFRAG Administrative Board only needs to be consulted, or whether EFRAG Administrative Board explicitly needs to approve an accelerated due process,
- the rules on written procedure (ref. paragraphs 5.23 and 5.54), and



- the rules on outsourcing a specific task due to the lack of “*in-house knowledge*” (ref. paragraph 5.36) vs. “*in-house technical knowledge*” (ref. paragraph 5.37).

Rules on abstentions (ref. paragraph 5.50 of the DPP)

We note that in a vote on a draft or final endorsement advice, EFRAG FR TEG members are not allowed to abstain (paragraph 5.50 of the DPP and art. 42 of the Internal Rules). Abstentions for FRB votes, however, are not mentioned in the DPP nor in the Internal Rules. We therefore suggest EFRAG either add procedures for abstentions for FRB members or explain why such rules are not included. Furthermore, we suggest EFRAG articulate clearer rules for consequences of dissenting opinions from FR TEG members (in addition to art. 43 of the Internal Rules), potentially depending on the type of decision.

Clarification of the DPP objectives

We suggest EFRAG clarifying and streamlining Chapter 1 (Objective). Most importantly, the qualifiers used to describe the DPP should be consistent and well-defined. For instance, paragraph 1.1 calls for a “rigorous and transparent” due process, while paragraphs 3.3 and 3.9 refer to an “open and transparent” due process. Furthermore, paragraph 1.4 requires a “proper” due process while paragraph 1.6 calls for a “robust, agile and adaptable” due process. Apart from transparency, neither of these terms is well-defined and it is not clear whether some of these qualifiers are used interchangeably. Using consistent language would contribute to the understandability of the document.

Further Clarifications

Furthermore, we suggest EFRAG clarifying the following aspects laid out in the DPP:

- The requirements for and the design of an Accelerated Due Process should be specified more clearly. For instance, does the Administrative Board need to agree to an Accelerated Due Process or is a consultation sufficient (as outlined in paragraph 1.6)? Furthermore, the description of the Accelerated Due Process in para. 5.7 appears somewhat vague.
- The Due Process Procedures name “good reason” as a prerequisite for confidentiality (paragraphs 2.14 and 2.28). It is currently not clear what constitutes a sufficiently good reason. For instance, are businesses’ requests for confidentiality automatically granted as long as they claim to cite sensitive information or does the Administrative Board/FRB vote on each case? Furthermore, it might be considered whether (only) specific portions of a comment letter may be withheld from the public if publication would be harmful to the submitting party, for example, if the letter potentially breached securities disclosure laws.
- Paragraph 3.12: It is not clear which options the Administrative Board DPC has in response to the FRB’s decision. For instance, can the Administrative Board DPC reverse the FRB’s decision to skip a mandatory step in the Due Process?
- The EFRAG Secretariat plays an important role in EFRAG’s Due Process and is mentioned several times throughout the DPP. As such, the Secretariat’s role should be clarified in the Oversight (chapter 3).



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?

We agree with the proposals outlined in paragraphs 5.6 and 5.7, including the minimum comment period of 30 days for consultations. However, we suggest clarifying the process for deciding upon the ultimate deadline for the “exceptional cases” when EFRAG’s comment deadline is very close or even the same as the IASB’s deadline.

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?

We agree with the proposals outlined in paragraphs 6.7 to 6.11 on comment letters received after EFRAG’s comment deadline. However, we wonder whether it would improve EFRAG’s workflow to set slightly earlier deadlines than outlined in paragraphs 6.10 and 6.11 (e.g., one or two days earlier). Otherwise, it may prove impractical or impossible for the EFRAG Secretariat, FR TEG members, and FRB members to consider documents that are submitted very close to the respective meetings. As a minor point for clarification, we believe that not only comment letters that were received after the FRB meeting should receive an indication regarding their non-consideration on EFRAG’s website, but also those that were received shortly *before* the meeting but could not be considered due to time constraints (paragraph 6.11).