



EFRAG

Stockholm 20 December 2024

## **Comments on Exposure Draft – EFRAG Due Process Procedures for the EFRAG Financial Reporting Activities**

FAR, the Institute for the Accountancy Profession in Sweden, is responding to EFRAG's invitation to comment on the Exposure Draft – *EFRAG Due Process Procedures for the EFRAG Financial Reporting Activities (DPP)*.

In general, FAR supports EFRAG's proposed due process procedures to be applied by EFRAG when dealing with financial reporting issues but have some comments, please see Appendix 1.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Pernilla'.

Pernilla Lundqvist  
Chairman, FAR Strategy Group Accounting

## Appendix 1

### FAR's responses on the Questions addressed in the Exposure Draft and some other comments

*Currently, a thorough due process is applied for financial reporting but it is formalised only at a high level in the EFRAG Internal Rules. This document aims to formalise and explain in more detail the due process procedures to be followed by EFRAG when dealing with financial reporting issues*

#### **Question 1 Objective and general principles**

- a) Does the EFRAG financial reporting due process meet your needs?
- b) Is the EFRAG DPP sufficiently clear and contains all information you would expect?

#### ***FAR's response***

In FAR's view, the draft DPP meets its stakeholders' needs. However, FAR finds it to be too extensive and detailed, especially as EFRAG is neither a decision-making organisation, nor a standard setter in financial reporting. FAR are concerned that too comprehensive and detailed due process procedures may reduce flexibility and adaptation to changed circumstances and events.

As an example, FAR recommends removal of the policies in chapter 6 on page 29, especially in 6.4. In the light of the magnitude of the draft DPP document, FAR suggests that these regulations should not be part of the DPP and could preferably be published in another context.

Another, but related issue, is to what extent EFRAG is independent from the EU and how EU affects EFRAG's work. EFRAG's governance structure is also important to consider alongside the due process procedures.

In addition, FAR's impression from the exposure draft is that EFRAG's primary liaison partners seem to be the national standard setters within EU. In the sections 5.25 on page 24 and 5.31-5.33 on page 25 national standard setter appear to have a prominent role which could be questioned in relation to EFRAG's mission.

*Currently EFRAG Internal Rules do not establish a minimum comment period on its consultations. In practice EFRAG's consultation deadlines depend on the IASB's consultation deadlines for each project and should normally (but not always) be a little shorter to allow the timely response to the IASB consultation. The EFRAG consultation deadlines also consider that the EFRAG Secretariat has sufficient time to analyse properly the comment letters received. However, EFRAG considered that it was important to establish a minimum comment period of 30 days on its consultations unless there is a need for an accelerated due process. In the latter case, the EFRAG Administrative Board, in its oversight role of due process, will need to provide approval (thus, the comment period can only be reduced to less than 30 calendar days after approval from the EFRAG Administrative Board supported by its DPC).*

#### **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?

***FAR's response***

A comment period of 30 days or shorter should not be allowed except in extremely rare situations as FAR believes there is a significant risk that many potential stakeholders abstain from submitting any comments due to lack of time.

FAR acknowledges the proposed requirement of approval of less than 30 days comment period by the EFRAG Administrative Board but are concerned that such approval procedure may delay the process at the expense of the comment period.

The endorsement advice process is initiated by a request for endorsement advice by the European Commission. FAR is concerned about the long time from the EC request for endorsement advice to EFRAG's submission of draft endorsement advice. The comment period on draft endorsement advice is often several months. Therefore, the final endorsement advice from EFRAG may take a very long time, and without endorsement by the EU, European companies are prevented from early application. FAR suggests that EFRAG should speed up the endorsement advice process.

*Currently EFRAG Internal Rules do not provide detailed guidance on the treatment of comment letters received after its deadlines. In practice, the comment letters received after the comment deadline but before the EFRAG FR TEG meeting are included in the EFRAG agenda papers to the extent possible and uploaded on the EFRAG website. The 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 and (final) endorsement advice (i.e. are considered on a case-by-case basis, considering the timing of submission). However, comment letters received after EFRAG FRB meeting 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. EFRAG decided to formalise this procedure by including it in the EFRAG Financial Reporting DPP.*

**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?

***FAR's response***

FAR believes that EFRAG should be flexible and consider all relevant comments, including those submitted late. EFRAG should not disregard relevant and material input, even if submitted late, if there is any practical ability for EFRAG to benefit from the late comments. Short comment period and the risk that comment letters received after the comment deadline will not be considered by EFRAG, may disincentive stakeholders to submit comments to EFRAG.



***Other comments from FAR***

EFRAG's scope and mission do not include IFRS IC's agenda decisions. According to the draft DPP 6.40 EFRAG may exceptionally decide to comment on IFRS IC agenda decisions.

The issues IFRS IC deals with through agenda decisions are widespread and cover areas that can have a material impact on many companies. The agenda decisions issued do not always provide a solution for the issues raised. Discussions between preparers and auditors about how to interpret agenda decisions are common, which indicates that these decisions are not clear enough to be applied without ambiguity. The agenda decisions published must be implemented by preparers in a very limited time frame even in cases where the accounting consequences may be material. The EU enforcers regularly adopt decisions on the application of IFRS Accounting Standards based on agenda decisions in particular cases, even though agenda decisions are not part of IFRS Accounting Standards as endorsed by the EU. FAR is concerned that the published agenda decisions are not subject to EU's endorsement process, especially when the agenda decision ends up in guidance contradicting established practice based on current IFRS Accounting Standards. Some agenda decisions may call for a European public good assessment by the EU. Therefore, FAR believes EFRAG should extend its scope and always comment on draft agenda decisions issued by IFRS IC.