

## **Draft Summary of Decisions (SOD)**

### **EFRAG FR TEG meeting – 15 May 2025**

#### **Objective of the Summary of Decisions**

- 1 The following is a summary prepared by the EFRAG Secretariat of decisions taken during the EFRAG FR TEG meeting held on 15 May 2025. After approval by the EFRAG FR TEG, this summary of decisions will become the formal record of the meeting. The draft summary continues to serve as a means to ensure that EFRAG FR TEG members and the EFRAG Secretariat have the same understanding of the outcomes of the meetings, so that the EFRAG Secretariat can best support next steps in EFRAG FR TEG’s deliberations and take follow-up actions as decided by the EFRAG FR TEG.

#### **Attendance**

- 2 The following EFRAG FR TEG members attended the session: Sebastien Harushimana (EFRAG FR TEG Chair), Jens Berger (EFRAG FR TEG Vice Chair), Carmen Barrasa, Ilka Canitz, Leandra Clark, Micha Derickx, Nikolaos Diamantoulakis, Anne-Françoise Didier, Aranzazu Leo Abad, Andrea Lionzo, An Lommers, Pierre Martin, Malgorzata Matusiewicz, Rafal Medak, Pierre Phan van Phi, David Procházka, Christoph Schauerte, Massimo Tosoni and Peter Ujvari.
- 3 The following observers attended the session: Eduardo Damasio, Timofei Karnaoukh, Hagit Keren, and Cristina Roxana Simion.
- 4 EFRAG Secretariat attended the session: Vincent Papa (EFRAG FR Project Director), Rasmus Sommer (EFRAG FR Associate Director), Didrik Thrane-Nielsen (EFRAG FR Project Director), Sapna Heeralall (EFRAG FR Senior Technical Manager), Ioana Kiss (EFRAG FR Advanced Technical Manager), Sergey Vinogradov (EFRAG FR Advanced Technical Manager), Vasilis Dionelis (EFRAG FR Junior Technical Manager) and Tamara Eiffes (EFRAG FR Junior Technical Manager).

#### **Summary of the decisions – Closed Session**

##### *Approval of EFRAG Academic Panel Composition*

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|--------------------|---|
| <i>Objective</i>   | <ul style="list-style-type: none"><li>• To approve the new composition of the EFRAG Academic Panel.</li></ul>   |
| <i>Discussions</i> | <ul style="list-style-type: none"><li>• It was asked whether applicants research in the field of artificial intelligence had been considered in the selection process. The EFRAG Secretariat replied that it had not, but candidates’</li></ul> |

activities in academic networks had been considered. The members of the EFRAG Academic Panel could therefore point to relevant academics in fields such as artificial intelligence when expert knowledge in an area was sought.

- Vote*
- The following EFRAG FR TEG members approved the suggested composition of the EFRAG Academic Panel: Sebastien Harushimana, Jens Berger, Carmen Barrasa, Ilka Canitz, Leandra Clark, Micha Derickx, Nikolaos Diamantoulakis, Anne-Francoise Didier, Aranzazu Leo Abad, Andrea Lionzo, An Lommers, Pierre Martin, Rafal Medak, Malgorzata Matusiewicz, Pierre Phan Van Phi, David Prochazka, Christoph Schauerte, Massimo Tosoni and Peter Ujvari.
- Tommaso Fabi and Matthias Meitner were absent during the vote.
- Next steps*
- EFRAG Secretariat to inform the applicants on the outcome of their applications.

### Summary of the decisions – Public Session

IASB Project *Dynamic Risk Management (DRM)*

- Objective*
- To obtain feedback from EFRAG FR TEG members on a survey to be launched by EFRAG as a part of the DRM project.
- Discussions*
- Generally, members agreed with the proposed survey and the overall approach i.e.:
    - (i) to issue now a first survey which focuses on the current practice of risk management in the context of the DRM model; and
    - (ii) to subsequently, after the ED is published by the IASB, issue a second survey which would focus on the technical aspects of the DRM model as described in the ED.
  - Many members considered that the deadline to complete the survey as proposed by the EFRAG Secretariat (30 June 2025) may be challenging for insurers as they are currently less involved in the DRM project than banks, so collecting the necessary information may take them more time. Therefore, **the deadline for the survey was agreed as 31 July 2025.**
  - Members introduced improvement suggestions to the survey, most importantly concerning:
    - (i) the hedging instruments used,
    - (ii) IT systems used,

(iii) management of interest rate risk together with/separately from FX risk, and

(iv) information on the future field testing.

- Next steps*
- The EFRAG Secretariat to finalise the survey, taking into account the feedback received from EFRAG FR TEG, and to launch the survey by the end of May 2025, as initially planned.

EFRAG Research Project: *Connectivity between Financial Reporting and Sustainability Reporting*

- Objective*
- To discuss draft chapters 1 and 2 and the outline and expected content of chapters 3 and 4 of EFRAG's upcoming Discussion Paper on connectivity (the 'DP').

*Discussions* *General comments:*

- *Priority and implications of EFRAG's connectivity project on reporting practices:* A few members questioned the project's priority in the aftermath of the EU Omnibus proposal, and they voiced concerns that the project may further increase the enormous reporting burden faced by preparers. A member noted that connectivity was not new, and no user had ever asked for it during their engagement with management. However, many members affirmed the priority of finalising the project and publishing a DP because:
  - (a) Connectivity in reporting is important irrespective of the underlying reporting framework/requirements.
  - (b) Connectivity of reported information could help preparers avoid unnecessary duplication.
  - (c) The DP will not introduce new reporting requirements. Instead, it aims to stimulate stakeholders' feedback and influence the IASB and ISSB (e.g. on the possible joint project on connectivity and boundaries of general purpose financial reports).
  - (d) Most of the work to finalise the DP has already been done, so pausing the project or abandoning it altogether at this stage would be a waste of resources allocated including by the EFRAG CAP. It was noted that the Omnibus reports will only be available after several years (likely only after 2028), and the delayed publication of the DP will minimise the influence of its content. There was an expectation by many stakeholders that EFRAG would build on the initial paper content that was well received.
  - (e) During EFRAG CAP discussions and EFRAG's outreach, users and other stakeholders have underscored their interest in the topic and the usefulness of the presented illustrations. The role of connectivity in enhancing an entity's strategic-oriented communication was also emphasised. Nonetheless, it was agreed that the EFRAG Secretariat should explore the

reasons why connectivity was not directly raised during users' calls with preparers.

(f) The connectivity principle is new in the context of authoritative/mandated reporting requirements (ESRS and ISSB Standards), and it is not explicitly included in IFRS accounting literature. Hence, EFRAG's thought leadership in enhancing the understanding and application of connectivity was important.

- *Role of the SR pillar:* While acknowledging the constraints in EFRAG SR Pillar's (SR TEG and SRB) participation in joint meetings, members underscored the importance of drawing upon the expertise and perspectives of the SR pillar. The Chair confirmed that he will ensure there is a mechanism to incorporate the SR pillar's input into the DP (including through their review of the DP).
- *Information that cannot be connected:* Some members noted that the suggested DP drafting did not address information that cannot be connected across different reports. They called for a discussion on why information about green investments in sustainability disclosures may not be connected to the information in the financial statements. The EFRAG Secretariat highlighted that Chapter 4 will cover the boundaries of different annual report sections, and this will encompass why information cannot be connected.
- *Governance and connectivity in process:* Some EFRAG FR TEG members recommended giving more prominence to the significance of an entity's governance and processes (e.g. coordination across departments) in achieving the connectivity of reported information, possibly also by presenting related illustrations. The EFRAG Secretariat noted that it would be difficult to identify illustrations of connectivity in processes, however, this will be covered when looking at the challenges with implementing connectivity in practice, in Chapter 3 and in the recommendations for enhancing connectivity in Chapter 4.

#### *Chapter 1: Background*

Apart from the editorial suggestions later provided via email, the following suggestions were made on Chapter 1.

- *Boundaries of financial statements:* To explain what the boundaries of financial statements are and why they should be retained for the foreseeable future.
- *Consistency:* To give more prominence to the concept of consistency, akin to coherence/complementarity.
- *IFRIC agenda decision on climate-related commitments:* To mention the April 2024 IFRIC agenda decision on climate-related commitments. The EFRAG Secretariat notes that this is further expanded on in Chapter 4 of the DP.

*Chapter 2: Concepts underpinning the illustrations of connectivity in the DP*

The following discussions and suggestions were made on Chapter 2.

- *Incorporation by cross-reference:* Some members disagreed with the assertion in the suggested Chapter 2 drafting that incorporation by reference is not explicitly prohibited in IFRS Accounting Standards, as indicated in the Basis for Conclusion for IFRS 18 *Presentation and Disclosure in Financial Statements (Paragraphs BC 370-371)*. A member referred to a sentence in IFRS 4 *Insurance Contracts* allowing cross-references that was not repeated in IFRS 17 *Insurance Contracts*. The absence of this sentence was interpreted as an implicit prohibition of cross-reference in her jurisdiction. The IASB Board member confirmed that, consistent with the drafting in the EFRAG meeting papers, the IASB had no position on whether incorporation by cross reference is prohibited, and the assumed prohibition tended to be a jurisdictional interpretation/requirement.
- *Additional anchor points:* A member suggested the addition of the following as anchor points: a) GHG intensity metrics emissions that are linked to data from the financial statements, and b) ESG-linked financing. The EFRAG Secretariat noted that GHG-intensity metrics were already included in the anchor points, and the ESG-linked financing would be included as recommended.

*Chapter 3: Illustrations of connectivity and practical challenges in implementing connectivity*

- Linked to the additional anchor points in Chapter 2, a member suggested including an illustration of financial liabilities, such as an entity issuing green bonds.

*Chapter 4: Roadmap for enhancing connectivity and definition of boundaries of different reports*

- Members had no comments.

*Next steps*

- The EFRAG Secretariat will incorporate the drafting suggestions into the next version of the draft DP.
- During the drafting of the DP, Jens Berger, An Lommers, Malgorzata Matusewicz, and Rafal Medak will be the pre-meeting sounding board FR TEG members.
- Suggested draft Chapters 3 and 4 of the DP will be discussed at the 12 June EFRAG FR TEG meeting. Inputs from EFRAG CAP, EFRAG FRB, and EFRAG CFSS members will be sought before the next version of the DP is presented to EFRAG FR TEG.