



EFRAG UPDATE

February 2022

The EFRAG Update is published on a monthly basis to inform constituents about due process publications, public technical discussions held and decisions taken during that month.

PUBLICATIONS

Final Endorsement Advice

On 1 February 2022, EFRAG completed its due process regarding *Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)* and has submitted its Endorsement Advice Letter to the European Commission.

The Endorsement Advice Letter to the European Commission can be found [here](#).

For more details, please see the [EFRAG website](#).

Final Comment Letter and Feedback Statement

Subsidiaries without Public Accountability: Disclosures

On 25 February EFRAG 2022, published its [Final Comment Letter](#) in response to the IASB's Exposure Draft *ED/2021/7 Subsidiaries without Public Accountability: Disclosures* (the ED). In the ED, the IASB proposes that eligible subsidiaries can provide reduced disclosure requirements together with the recognition, measurement and presentation requirements in IFRS Standards.

In addition, EFRAG has issued a [Summary of the inputs received from preparers](#) that includes the feedback received from EFRAG's survey "*Would you prefer less disclosures for subsidiaries?*" and a [Briefing](#) prepared by the EFRAG Secretariat focused on the compatibility of the Accounting Directive 2013/34/EU with the IASB's ED.

For more details, please see the [EFRAG website](#).

Management Commentary

On 1 February 2022, EFRAG published a [Feedback Statement](#), summarising constituents' feedback on EFRAG's Draft Comment Letter relating to the IASB Exposure Draft *ED/2021/06 Management Commentary* and explaining how EFRAG considered this feedback in developing its [Final Comment Letter](#).

For more details, please see the [EFRAG website](#).

Request for Information IFRS 9 Financial Instruments - Classification and Measurement - Post-Implementation Review

On 17 February 2022, EFRAG published its [Feedback Statement](#), summarising constituents' feedback on EFRAG's Draft Comment Letter relating to the IASB's *Request for Information*



IFRS 9 Financial Instruments - Classification and Measurement - Post-implementation Review and explains how EFRAG considered this feedback in developing its [Final Comment Letter](#).

For more details, please see the [EFRAG website](#).

Discussion Paper

On 2 February 2022, EFRAG issued an [electronic survey](#) to allow stakeholders to provide comments on its Discussion Paper *Better Information on Intangibles – Which is the best way to go?*; and stimulate debates. Comments to the Discussion Paper are requested **by 30 June 2022**.

For more details, please see the [EFRAG website](#).

WEBINARS AND ON-LINE OUTREACHES

Reporting interest rate risk management: EFRAG calls for input from banking analysts and investors

EFRAG is reaching out to understand the perception of banking analysts and investors regarding the current reporting for portfolio hedging of interest rate risk and the use of the EU carve-out from IAS 39 *Financial Instruments: Recognition and Measurement*. Please fill in our [Questionnaire](#) **by 2 March 2022**.

For more details, please see the [EFRAG website](#).

EFRAG asks for your views on Classification of Liabilities with Covenants and Supplier Finance Arrangements

EFRAG invites constituents to complete either or both of its online questionnaires on *Non-current Liabilities with Covenants* and *Supplier Finance Arrangements* **by 9 March 2022**. Both projects aim to improve reporting of liquidity risks.

Please find the *Non-Current Liabilities with Covenants* questionnaire [here](#) and the *Supplier Finance Arrangements* questionnaire [here](#).

For more details, please see the [EFRAG website](#).

Save the date: 29 March 2022 - Joint EFRAG and EFFAS webinar on users' directions for better information on intangibles

On Tuesday 29 March 2022, 12:00 - 14:30 (Brussels time), EFRAG and EFFAS are hosting an online webinar to discuss users' directions for better information on intangibles. Download the "[Save the date](#)" and register [here](#).

For more details, please see the [EFRAG website](#).



EFRAG reappointed to Accounting Standards Advisory Forum (ASAF)

The IFRS Foundation Trustees have selected EFRAG for reappointment to ASAF for the period 2022–2024. This membership renewal will allow EFRAG to continue contributing constructively with other members of the forum towards the achievement of the International Accounting Standards Board’s goal of developing globally accepted high-quality accounting standards.

For more details, please see the [EFRAG website](#).

OPEN CONSULTATIONS

Title and description	Closing date
Questionnaire on <i>Reporting interest rate risk management</i>	2 March 2022
Questionnaires on the IASB Exposure Drafts <i>ED/2021/9 Non-Current Liabilities with Covenants</i> and <i>ED/2021/10 Supplier Finance Arrangements</i>	9 March 2022
Draft Comment Letter on the IASB's Exposure Draft <i>ED/2021/10 Supplier Finance Arrangements</i>	9 March 2022
EFRAG Draft Comment Letter on the IASB's Exposure Draft <i>ED/2021/9 IAS 1 Non-Current Liabilities with Covenants</i>	9 March 2022
EFRAG Discussion Paper <i>Better Information on Intangibles – Which Is the Best Way to Go?</i>	30 June 2022

For more information please see [EFRAG’s consultations page](#).

EFRAG FINANCIAL REPORTING BOARD (FR BOARD)

Webcast meeting

The EFRAG FR Board held a webcast meeting on [22 February 2022](#) and discussed the following topics:

IASB Project Disclosure Initiative - *Subsidiaries without Public Accountability: Disclosures*

The EFRAG FR Board approved a final comment letter for issuance, subject to drafting changes agreed during the meeting. EFRAG welcomes the IASB's efforts in developing



reduced disclosure requirements for subsidiaries without public accountability and agrees with the proposed project objective. EFRAG reports that European constituents asked for the IASB to consider widening the scope and provided different suggestions. EFRAG acknowledges that there are potential benefits of a broader scope, nonetheless EFRAG also recognises that there is no consensus on whether and to what extent the scope should be widened. Therefore, any decision on the extension of the scope is likely to be challenging and controversial. Considering this, at this stage, EFRAG supports that the IASB should proceed with its project with the current scope, but clarify some scope relevant definitions and explore scope extensions in parallel.

Next meeting

The EFRAG FR Board will hold a next webcast meeting on [2 March 2022](#).

February 2022 written procedures

The EFRAG FR Board has not approved any documents using written procedures in February.

Expected March 2022 written procedures

The EFRAG FR Board is not expected to approve any documents using written procedures in March.

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting

EFRAG FR TEG held a webcast meeting on [9 February 2022](#) and discussed the following topics:

IASB Project *Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures*

EFRAG FR TEG discussed the feedback received on the EFRAG Draft Comment Letter on the IASB Exposure Draft *Subsidiaries without Public Accountability: Disclosures* ('the ED') and agreed to recommend the Final Comment Letter for approval to the EFRAG FR Board subject to comments and drafting suggestions. One EFRAG FR TEG member dissented due to disagreement with the proposed scope. From his point of view the ED should be applicable as well to the subsidiaries in the insurance industry. He welcomed the comments that further clarification is required from the IASB on the terms used (e.g. fiduciary capacity). However, he did not agree to not require a (timely) scope extension for insurance companies.

Webcast meeting

EFRAG FR TEG held a webcast meeting on [16 February 2022](#) and discussed the following topics:



EFRAG Research Project *Variable and Contingent Consideration*

EFRAG FR TEG discussed an initial draft of the Discussion paper focusing on scope and when a liability should be recognised when goods or services are received and where the variability depends on the purchaser's future activities.

Two issues are addressed in the Discussion paper: (i) when should a liability be recognised for the fact pattern described above and (ii) whether the cost of an asset acquired for variable consideration should be updated to reflect changes in the estimate of the variable consideration. EFRAG FR TEG indicated that the scope of the two issues being needed to be consistent, i.e., to consider only variable consideration to be paid in cash or by transferring other financial instruments.

No decisions were taken at the meeting.

The IASB's approach to prioritising matters arising from post-implementation reviews

EFRAG FR TEG members generally welcomed IASB stating its approach to addressing matters arising from post-implementation reviews (PIR).

The EFRAG FR TEG made several comments including the comment that the PIR should still be a place where previously discussed items can be brought back to the IASB based on new information or aggregated experiences, in particular for issues that originated debate when developing the standard. It was also noted that when, following the outcome of a PIR, issues are put to the research pipeline, there should be checks to ensure that issues are get back from that agenda and into standard-setting projects. Further clarification on the interaction between the IASB and the IFRS IC may be warranted. The application of the IASB approach should be such that inputs to the PIR will not be discouraged and it should remain clear that urgent topics will flow through to standard setting independent of a PIR process.

No decisions were taken at the meeting.

Next meeting

EFRAG FR TEG will hold a next webcast meeting on [22-23 March 2022](#).

EFRAG CFSS AND EFRAG FR TEG

[Webcast meeting](#)

EFRAG FR TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) held a webcast meeting on [17 February 2022](#) and discussed the following topics:

IASB Publication *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

EFRAG TEG and EFRAG CFSS received a presentation about the IASB proposal in Exposure Draft ED/2021/9 Non-Current Liabilities with Covenants as well as EFRAG preliminary views. The member generally welcomed the IASB efforts to solve the problems, that were raised to the IFRS IC, with the proposed guidance. The members expressed views on presentation,



where they disagreed to separate lines in the statement of financial position. On disclosures the members held mixed views about the proposed forward-looking disclosures and their usefulness. Moreover, the members also discussed the classification requirement set up by the exposure draft for classifying liabilities as current or non-current. The member agreed that the classification (especially para. 72C(b) of the amendments) could raise difficulties and lead to diversity in practice.

IASB Project *Supplier Finance Arrangements*

EFRAG TEG and EFRAG CFSS received a presentation on the IASB's Exposure Draft ED/2021/10 *Supplier Finance Arrangements* and the EFRAG preliminary views on the exposure draft's proposals. EFRAG CFSS members welcomed the proposed scope and the IASB's approach to describe supplier finance arrangements which suited better principle-based standards. Members supported disclosing aggregated information about such arrangements and providing disaggregation only when it was necessary to obtain relevant information. In general, members observed that gross presentation of cash flows could provide useful information, however, they considered that the statement of cash flows should only reflect actual cash flows.

Next meeting

EFRAG CFSS-TEG will hold a next webcast meeting on [22 March 2022](#).

EFRAG'S SUSTAINABILITY REPORTING AND RELATED ACTIVITIES

The European Commission adopted in April 2011, a [legislative proposal for a Corporate Sustainability Reporting Directive \(CSRD\)](#) which would require companies within its scope to report in compliance with European Sustainability Reporting Standards (ESRS) adopted by the European Commission as delegated acts. Under the proposed CSRD, EFRAG would be the technical advisor to the European Commission developing draft *EU Sustainability Reporting Standards* accompanies with their basis for conclusion and Cost-benefit Analysis and guidance for Digital Reporting.

Development of EU sustainability reporting standards

The EFRAG Project Task Force on European sustainability reporting standards (PTF-ESRS) had a plenary meeting on 10 February 2022 where the PTF-ESRS received a presentation and discussed the feedback from the consensus building questionnaires completed by members with respect to the working papers released on 18 January 2022 for four cross-cutting standards ([Draft] ESRS 2 *Strategy and business model*, [Draft] ESRS 3 *Sustainability governance and organisation*, [Draft] ESRS 4 *Sustainability material impacts, risks and opportunities* and [Draft] ESRS 5 *Definitions for policies, targets, action plans and resources*). A representative of the European Banking Authority also gave a presentation to the PTF-ESRS on their final draft implementing technical standard (ITS) on Pillar 3 disclosures on ESG risks.



A second plenary meeting took place on 18 February 2022 during which the structure of [Draft] ESRS 1 *General provisions* was presented and discussed. In addition, three more working papers were presented ([Draft] ESRS E2 *Pollution*, [Draft] ESRS E3 *Water and marine resources* and [Draft] ESRS E5 *Circular economy*) to facilitate the review and the completion of the corresponding consensus building questionnaires that were launched on the same day. The PTF-ESRS also received a presentation and discussed the feedback from the consensus building questionnaires completed by members with respect to the working papers released on 18 January for two conceptual guidelines ([Draft] ESRG 1 *Double materiality* and [Draft] ESRG 2 *Characteristics of information quality*).

A third plenary meeting took place on 25 February where Cluster 1 presented a preview of orientations for [Draft] ESRS 1 *General provisions*, Cluster 7 presented a working paper for [Draft] ESRS SEC 1 *Sector classification*, and Cluster 8 gave a status update and proposed next steps with respect to SMEs.

For transparency purposes during February 2022 EFRAG released the working papers presented in the plenary meetings covering the following topics:

- (a) [Pollution](#);
- (b) [Water and marine resources](#);
- (c) [Circular economy](#); and
- (d) [Sector classification](#).

All working papers released so far can be accessed through plenary meeting agenda paper links on the EFRAG website [here](#). Further working papers covering additional topics will be shared in the coming weeks.

As a reminder, all documents released are technical working papers intended solely for the internal use of PTF-ESRS members, supporting debates in plenary meetings. They are not open to public consultation but serve as work-in progress documents leading to the exposure drafts to be submitted to a future public consultation. Significant changes to these working papers may arise from the subsequent steps of the due process (for more information on subsequent steps of the due process, see [here](#)).

The released working papers should therefore not be interpreted in any way whatsoever as representing the views of the PTF-ESRS as a whole at this stage, nor the position of relevant co-construction partners. Also, the content of these working papers is the sole responsibility of the PTF-ESRS and can under no circumstances be regarded as reflecting the position of the European Union or European Commission DG Financial Stability, Financial Services and Capital Markets Union (DG FISMA).

For more information see the project page on the EFRAG website [here](#).

EFRAG Governance Reform

At the [request of the European Commission](#) and in parallel to the adoption of the final legislative proposal, EFRAG has already carried out extensive work on key changes to its



governance and funding In February 2022, EFRAG further progressed on its governance reform :

- Welcomed Eurosif as a new EFRAG Member Organisation in the Sustainability reporting pillar in the European Stakeholders Organisations Chapter, in the 'users' sector; and
- Completed the composition of the EFRAG Administrative Board with the appointment of Hans Buysse as its President (effective as of the end of the mandate of EFRAG Board President Jean-Paul Gauzes; Georg Lanfermann as its Vice-President (effective 15 February) and Marilyn Waite as the member representing the Civil Society Organisations.

The [calls for candidates](#) launched in January 2022, for the membership the Sustainability Reporting TEG and its Chair closed on 28 February 2022. EFRAG will examine the candidatures received in March.

EFRAG expects to announce the composition of its Sustainability Reporting Board¹ in early March 2022 following the call for candidates and nominations by the EFRAG Member Organisations in the Sustainability reporting pillar

In parallel, the EFRAG Administrative Board Due Process Committee (DPC) met twice in February and agreed to recommend a draft Due Process Procedures for the DPC which were considered by the EFRAG Administrative Board at its 28 February meeting in a public session ([here](#)).

Reporting of non-financial risks and opportunities and linkage to the business model

The PTF-RNFRO held its final plenary meeting. The members agreed to keep promoting the report and as needed they will either individually or collectively provide feedback to the PTF-ESRS consultation on Standards.

Other involvement in sustainability reporting – Platform on Sustainable Finance (PSF)

In February 2022, EFRAG attended the seventeenth plenary meetings of the PSF in which updates were provided by the rapporteurs of the different Sub-groups. Members also discussed the effect of European Commission Taxonomy Complementary Climate Delegated Act issued on 2 February on climate change mitigation and adaptation covering certain gas and nuclear activities.

EFRAG also attended a meeting of the subgroup on Data and Usability (SG5) in which members discussed the action plan for the subgroup's final report.

Next steps

Plenary meetings of the PTF-ESRS are scheduled for 16, 18 (tentative), 21 (tentative), 25 and 30 March and for 8, 14, 20 (tentative), 21, 25 and 26 April (tentative).

¹ With the exception of the Chair and Vice- Chair. The Chair is nominated by the European Commission after having heard the EP and Council.



Coronavirus – Update on EFRAG’s meetings and events

EFRAG will continue to monitor the impact of COVID-19 pandemic on its activities recognising the circumstances and priorities of our stakeholders and adapt its activities accordingly:

- All EFRAG public meetings of the EFRAG Board, EFRAG TEG and EFRAG CFSS are turned into webcast meetings until further notice. Due to the particular circumstances, the meetings have been shortened and the frequency has been increased. Digital access to these public meetings is provided as usual;
- All EFRAG public events and outreaches take place into electronic format (see below) until further notice;
- EFRAG has adjusted the timelines of several of its projects taking into account the priorities of its stakeholders during the pandemic and is flexible in obtaining input through outreaches, field tests and other means, recognising the availability and individual circumstances of the stakeholders concerned. Input of stakeholders is an essential part of EFRAG’s due process as public interest organisation.

EFRAG staff is gradually coming back to the offices and is contactable in the office or by email, Teams or phone.

The EFRAG offices are open for visitors.

You can find contact details [here](#).