



EFRAG UPDATE

June 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.

WEBINARS AND ON-LINE OUTREACHES

EFRAG, O.I.B.R. and OIC outreach event on "*Better Information on Intangibles*"

On 15 June 2022, EFRAG, the O.I.B.R. and the OIC hosted an online outreach event to discuss how to get better information on intangibles. The event was held in Italian.

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

OPEN CONSULTATIONS

Title and description	Closing date
Academic study on the effects of IFRS 15 <i>Revenue from Contracts with Customers</i>	TBD

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

EFRAG FINANCIAL REPORTING BOARD (FRB)

Webcast meeting

The EFRAG FRB held a webcast meeting on [1 June 2022](#) and discussed the following topics:

IASB Research Project *Post-implementation Review of IFRS 9 Classification and Measurement*

EFRAG FRB received an update on the current status of the IASB discussions on the post-implementation review of IFRS 9 *Classification and Measurement* and EFRAG working groups discussions on the financial instruments with ESG features and contractually linked instruments.

EFRAG Research Project *Variable Consideration*

EFRAG FRB received an education session on the draft Discussion Paper on *Variable Consideration* and were generally supportive of the content of the Discussion Paper.



EFRAG Proactive Agenda 2022 – 2026

EFRAG FRB discussed the projects to be added to EFRAG's Proactive Research Agenda. EFRAG FRB approved two new projects on the connectivity between financial and sustainability reporting and cash flow reporting. EFRAG FRB also approved the addition to a reserve list of pollutant pricing mechanisms and operating segment reporting projects.

Update of work plan and any other matters

EFRAG FRB approved the workplan for the next 6 months as proposed by the EFRAG Secretariat and agreed to have an additional FRB Meeting on 14 July to approve a DP on EFRAG Research Project *Variable Consideration* and to be informed about developments of the IASB PIR IFRS 9 *Classification and Measurement* project (recycling OCI).

The EFRAG FRB will hold a next webcast meeting on [6 July 2022](#).

June 2022 written procedures

The EFRAG FRB has not approved any documents using written procedures in June.

Expected July 2022 written procedures

The EFRAG FRB is not expected to approve any documents using written procedures in July.

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting

EFRAG FR TEG held a meeting on [29 June 2022](#) and discussed the following topics:

IASB Research Project *Post-implementation Review of IFRS 9 Classification and Measurement*

EFRAG FR TEG discussed the IASB Staff preliminary views on equity instruments measured at fair value through other comprehensive income. EFRAG FR TEG members questioned the IASB Staff preliminary views and noted that they were not in line with EFRAG Comment Letter. Members also questioned the IASB conclusions that there was no new evidence to support the reintroduction of recycling.

No decisions were taken at the meeting.

IASB Research Project *Equity Method*

EFRAG FR TEG discussed the developments of the IASB project on equity method of accounting and the approaches to accounting for acquisitions of an additional share in associate and for partial disposals of the shares.

No decisions were taken at the meeting.



EFRAG Research Project *Variable Consideration*

EFRAG FR TEG recommended to the EFRAG FRB for approval the EFRAG Discussion Paper on *Variable Consideration* subject to the incorporation of EFRAG FR TEG's comments and drafting suggestions.

EFRAG Research Project *Better Information on Intangibles*

EFRAG FR TEG received a presentation about an inventory of practical issues on intangibles reporting that were not elaborated in the DP *Better Information on Intangibles – Which is the Best Way Forward*. EFRAG FR TEG discussed whether the scope of the DP should be extended and what the future steps in the project should be. EFRAG FR TEG considered that the focus of the DP was narrower and more precise and advised not to extend the scope. The research performed by the EFRAG Secretariat on these practical issues will inform the work on the possible PIR of IAS 38 *Intangible Assets*.

No decisions were taken at the meeting.

Digital Reporting

EFRAG FR TEG members were provided with the main messages from the preliminary discussions at the EFRAG symposium on digital reporting at the EAA annual conference held on 13 May 2022 in Bergen and related to: (i) the implications of the digitalisation of corporate reporting, (ii) the relation between digitalisation and standardisation, (iii) if and how the digital reporting could affect the role of the standard setter. Some members highlighted the importance (i) to have both data and information comparable, despite differences between different jurisdictions and the need to use a tagging system more standard as possible, and (ii) to educate users and entities on how to use and deliver the information. EFRAG FR TEG members generally agreed with the importance of the topic and encouraged further and continuous discussions in the next meetings.

No decisions were taken at the meeting.

Next meeting

EFRAG FR TEG will hold its next webcast meeting on [13 July 2022](#).

EFRAG CFSS AND EFRAG FR TEG

[Webcast meeting](#)

EFRAG FR TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) held a meeting on [28 June 2022](#) and discussed the following topics:

IASB Project *Dynamic Risk Management*

EFRAG FR TEG and EFRAG CFSS members provided input on whether equity should be eligible for designation in the Dynamic Risk Management ('DRM') model. In general, members



agreed that equity should be eligible for designation in the DRM model and balances relating to cash flows usable for funding should be included.

Members also provided their views on the IASB's recent discussions and tentative decisions. In general, members considered that the project was moving in the right direction and they emphasised the importance of field-testing and, should a standard be finalised, substantial preparation time before the effective date.

IASB Project *Financial Instruments with Characteristics of Equity*

The EFRAG FR TEG and EFRAG CFSS members discussed some of the IASB's tentative decisions to date, in particular financial instruments with contingent settlement provisions and effects of laws on the contractual terms.

Members in general supported the direction of the IASB discussions on compound instruments with contingent settlement provisions. However, some members noted that in practice there are entities recognising discretionary distributions in profit or loss. Thus, such entities are allowed to apply hedging accounting to such instruments. If discretionary distributions have to be presented in equity, this will represent a significant change to some entities.

On the meaning of liquidation, members highlighted the risk that the meaning of liquidation for accounting purposes may end up being different from the meaning of legal liquidation. Finally, on the effect of laws on contractual terms, members considered that the IASB should further discuss and better explain its principles on when the law should be considered for classification purposes.

IASB Project *Disclosure Initiative—Targeted Standards-level Review of Disclosures*

EFRAG FR TEG and EFRAG CFSS were provided with a high-level summary of the feedback received by the IASB during the consultation period as well as the main differences with the messages included in the EFRAG's comment letter. They were also asked about the potential next steps of the project. Members had sympathy for a middle ground approach where objectives are combined with a list of mandatory items of information. Members did not support the finalisation of the Amendments to IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*.

IASB Project *Primary Financial Statements*

EFRAG FR TEG and EFRAG CFSS members expressed interest in conducting targeted outreach on some proposals on the *Primary Financial Statements* project. It was important that the timing of the outreach was carefully planned for October - November 2022 (before the closing of 2022 accounts starts) and focused on the key changes.

EFRAG FR TEG and EFRAG CFSS discussed the IASB's recent deliberations on disclosure of operating expenses by nature. In general, members supported the IASB's direction on this topic and agreed that only major line items by function should be disclosed in the notes by nature. However, members expressed concerns on the costs of providing further reconciliation.



EFRAG FR TEG and EFRAG CFSS also considered the IASB's revised approach to unusual income and expenses. Members noted that the proposed working definition for unusual items was challenging to apply and suggested the IASB to keep the definition easy to implement even though it may not be perfect.

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

EFRAG FR TEG and EFRAG CFSS members discussed the interaction between local regulations and the proposed IFRS Accounting Standard set out in the IASB's Exposure Draft *Subsidiaries without Public Accountability: Disclosures*.

EFRAG FR TEG and EFRAG CFSS members expressed concerns that the IASB is using the concept of 'public accountability' when defining the scope of this project. Particularly, when considering that this concept is different from the notion of Public Interest Entities (PIE), a similar but different term used in the European Union accounting law. This could create confusion at the European Union level.

IASB Project *Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)*

EFRAG FR TEG and EFRAG CFSS members received an update of the workplan in preparation for the forthcoming draft endorsement advice. Members highlighted the importance to further assess the prevalence of the transactions addressed by the proposed amendments (both in terms of frequency and volume) across EU jurisdictions and industries (e.g. real estate) and appreciated the planned discussion with the users.

IASB Research Project *Goodwill and Impairment*

EFRAG FR TEG and EFRAG CFSS members received a project update and discussed feedback received on the IASB preliminary views on disclosure on business combinations and possible alternatives on the IASB preliminary views. Members were supportive of the IASB intention to narrow down the population of business combinations and provided several suggestions in addition to the IASB two alternatives, such as: a mix of quantitative and qualitative criteria, or based on risks and opportunities of a particular acquisition. Members were sceptical to provide an exemption from disclosure requirements based on either impracticability or commercial sensitivity and considered that existing provisions in IFRS 3 *Business Combinations* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* could be applied.

IASB Research Project *Post-implementation Review of IFRS 9 – Classification and Measurement*

EFRAG FR TEG and EFRAG CFSS members received an update on the current status of the IASB discussion on the post-implementation review of IFRS 9 – *Classification and Measurement* project and provided their views on the possibility of making a narrow-scope amendments to IFRS 9 requirements relating to the cash flow characteristics of financial assets and the discussion on prominence of other issues raised during the post-implementation review.

Members welcomed the direction of the IASB project but expressed concerns whether the simple clarifications for the financial instruments with the ESG features will be sufficient. They suggested to wait for the detailed IASB proposals to make the final decision.

Members also provided comments on how widespread the five application questions of the IASB were.

Post-implementation Review of IFRS 9 - Expected Credit Losses

EFRAG FR TEG and EFRAG CFSS members received a first project update and discussed the preliminary list of issues to be potentially raised in the EFRAG's future draft comment letter in response to the forthcoming IASB RFI on IFRS 9 *Expected Credit Losses* (ECL).

Members welcomed the issues that have so far been identified and provided several suggestions to improve or supplement them. Particular attention was given to the concerns described with reference to credit enhancements and financial guarantees contracts, the application of ECL to lease contracts, intercompany loans, and understandability and comparability of disclosures.

Next meeting

EFRAG CFSS and EFRAG FR TEG will hold a next webcast meeting on [14 September 2022](#).

EFRAG'S SUSTAINABILITY REPORTING AND RELATED ACTIVITIES

EFRAG Governance Reform

The European Commission adopted in April 2021, 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* accompanied with their basis for conclusions and Cost-benefit Analysis and guidance for Digital Reporting.

At the [request of the European Commission](#) in the letter dated 12 May 2021 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.

On 30 June 2022, CSRD text provisionally agreed between the European Commission, the Council and the European Parliament was published. The CSRD text confirms the role of EFRAG as technical advisor providing draft ESRS. The text of the CSRD is available on the [Council website](#).

On the same day, the European Commission adopted its decisions endorsing the EC candidates for EFRAG SRB Chair and EFRAG FRB Chair. The European Parliament public hearings are expected to take place in mid-July.

Jean-Paul's Gauzès mandate as EFRAG's President ended on 30 June 2022 after he completed his two terms. See his message [here](#).

Hans Buysse took over the role as EFRAG Administrative Board President. The EFRAG General Assembly appointed Serge Pattyn as Acting FRB Chair and Kerstin Lopatta (EFRAG SRB member for Germany) as Acting SRB Chair until the new Chairs have been appointed by the EFRAG General Assembly.

Public calls for tenders

In June 2022, EFRAG:

- Finalised the selection of the contractor, following a public call for tenders, which will assist EFRAG in its cost-benefit analysis of the first set of draft ESRS; and
- Collected and started analysing the responses to its second public call for tenders for assistance in analysing the feedback to the public consultation on the draft ESRS exposure-drafts (closed on 27 June). The contract will be awarded to the appointed contractor in July 2022.

EFRAG Sustainability Reporting Board (EFRAG SRB)

The EFRAG SRB held a webcast meeting on [21 June 2022](#) and discussed the outreach events during the public consultation. At its [24 June 2022](#) meeting, EFRAG SRB had a preliminary



exchange of views on the draft ESRS cross-cutting exposure drafts as well as the discussions of the EFRAG SR TEG on the same topic.

[EFRAG Sustainability Reporting Technical Expert Group \(EFRAG SR TEG\)](#)

The EFRAG SR TEG held a webcast meeting on [20 June 2022](#) and discussed the results of a survey of its members about the architecture, priorities and/or phasing-in of the draft ESRS cross-cutting exposure drafts. At its [27 June 2022](#) meeting, the EFRAG SR TEG continued its discussions on the survey about the cross-cutting standards and discussed the results from the survey about the draft ESRS E1 Climate change.

[Educational sessions on draft ESRS exposure drafts](#)

The following educational sessions were held in June for EFRAG SRB and SR TEG on the exposure drafts:

- [ESRS S1](#) Own workforce on 2 June 2022;
- [ESRS G1](#) Governance, risk management and internal control on 7 June 2022; and
- [ESRS G2](#) Business conduct on 8 June 2022.

The educational sessions on the other exposure drafts on the first set of draft ESRS took place in May.

[Other involvement in sustainability reporting](#)

Platform on Sustainable Finance ('PSF')

On 14 and 15 May 2022, EFRAG attended the twenty second plenary meeting of the PSF in which:

- The rapporteurs of the different sub-groups provided an update on their activities;
- The report of SG4 on Minimum Safeguards was presented for approval by the plenary; and
- The Technical Working Group presented its planned activities for May to September 2022.

At the meeting, the subgroup on Data and Usability (SG5) also discussed the following:

- Update on the workshops organised between April and June 2022;
- Update on verification and assurance;
- Update on the recommendation regarding the consistency with other Regulatory Framework; and
- Presentation on current reporting practices and trends.

Lastly, EFRAG also attending bi-weekly meetings of the accounting workstream of SG5.



WEBINARS AND ON-LINE OUTREACHES

Outreaches on the Draft ESRS EDs

During the month of June several outreach events, mostly hybrid in type, were held to discuss the requirements of the Draft European Sustainability Reporting Standards exposure drafts. Outreaches took already place in May and will continue to take place till 14 July 2022.

Date & time	Outreach country/Organisers	Language	Save the date/Programme	Registration link/recording
Wednesday 25 May, 10:00-12:00 CET	Croatia/EFRAG, IDOP, RRIF & UNGC Croatia	Croatian/English	Programme	Recording
Thursday 2 June, 14:00-18:00 CET	France/EFRAG & ANC	French	Programme	Recording
Friday 10 June, 10:00-16:00 CET	Germany/EFRAG & DRSC	German	Programme	No recording
Wednesday 15 June, 13:30-17:30 CET	The Netherlands/EFRAG & DASB (RJ)	English	Save the date	Recording
Friday 17 June, 09:00-14:30 CET	Denmark/Nordic outreach event	English	Programme	Recording
Wednesday 22 June, 09:00-12:00 CET	Financial Institutions (EFRAG & Member Organisations)	English	Programme	Recording
Wednesday 22 June, 14:00-18:00 CET	Austria/AFRAC, EFRAG & the Institute for Accounting & Auditing at Vienna University of Economics and Business (WU Vienna)	German	Programme	Recording
Wednesday 29 June, 10:00-13:30 CET	Poland/EFRAG, the Ministry of Finance of the Republic of Poland, WARSAW STOCK EXCHANGE and the Polish Association of Listed Companies	Polish	Programme	Recording



Friday 1 July, 9:30-13:30 CET	Spain/EFRAG, CGE & ICAC	Spanish	Programme	Recording
Monday 4 July, 15:00-18:30 CET	EFRAG, BusinessEurope & EuropeanIssuers	English	Programme	Recording
Tuesday 5 July, 14:30-18:00 CET	Italy/EFRAG & OIC	Italian	Programme	Register here
Friday 8 July, 14:00-16:00 CET	EFRAG, EFAA & SMEunited	English	Save the date	Register here
Monday 11 July, 12:00-16:00 CET	EFRAG & CSR HELLAS	Greek	Save the date	Register here
Wednesday 13 July, [tbc]	NGOs & trade unions	English	Save the date	Register here
Thursday 14 July, 15:00-18:15 CET	EFRAG, BETTER FINANCE, BEUC & Finance Watch	English	Save the date	Register here
Thursday 14 July, 16:30-18:00	EFRAG & EAA	English	Save the date	Register here



OPEN CONSULTATIONS

Title and description	Closing date
<p>Exposure Drafts European Sustainability Reporting Standards</p> <p>Cross-cutting Exposure Drafts</p> <ul style="list-style-type: none"> • ESRS 1 General principles • ESRS 2 General, strategy, governance and materiality assessment <p>Topical standards - Environment</p> <ul style="list-style-type: none"> • ESRS E1 Climate change • ESRS E2 Pollution • ESRS E3 Water and marine resources • ESRS E4 Biodiversity • ESRS E5 Resource use and circular economy <p>Topical standards - Social</p> <ul style="list-style-type: none"> • ESRS S1 Own workforce • ESRS S2 Workers in the value chain • ESRS S3 Affected communities • ESRS S4 Consumers & end-users <p>Topical standards - Governance</p> <ul style="list-style-type: none"> • ESRS G1 Governance, risk management and internal control • ESRS G2 Business conduct 	8 August 2022

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