



# EFRAG UPDATE

July 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

### Feedback Statement

On 27 July 2022, EFRAG published its Feedback Statement to the Final Comment Letter on the IASB's *Third Agenda Consultation Request for Information* and EFRAG's own Proactive Research Agenda.

The documents are available here: [Feedback Statement](#) and [Final Comment Letter](#).

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

## WEBINARS AND ON-LINE OUTREACHES

### Danish outreach event on *Better Information on Intangibles*

On 22 August 2022, from 9:00 to 12:00 (CET), EFRAG, the Confederation of Danish Industry (DI) and FSR – Danish Auditors are organising a public outreach event in Copenhagen on EFRAG's DP *Better Information on Intangibles – Which is the best way to go?*

Registration form and programme are available [here](#). This event is physical only and will be held in English.

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

### Reminder: EFRAG seeks input from users and preparers on an academic survey on the effects of IFRS 15 *Revenue from Contracts with Customers*

EFRAG reminds users and preparers to provide input to an academic study on the effects of IFRS 15 *Revenue from Contracts with Customers*. The study will be important for EFRAG's work related to the IASB's Post-implementation Review of IFRS 15.

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

### Summary Report – Joint outreach event on 'Better Information on Intangibles: What's next?'

On 27 July 2022, EFRAG issued a [Summary Report](#) of the outreach event '*Better Information on Intangibles: What's next?*' held on 30 May 2022. At the event, key corporate reporting players discussed the next steps for achieving better information on intangibles.

EFRAG's Discussion Paper *Better Information on Intangibles* is available [here](#).



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 [6 July 2022](#) and discussed the following topics:

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

The EFRAG FRB members received an update on the IASB's discussions on the project *Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures* and discussed the interaction between local regulations and the proposed IFRS Standard (draft Standard) set out in the IASB's *Exposure Draft Subsidiaries without Public Accountability: Disclosures*. In general, EFRAG FRB members welcomed the IASB's initiative to develop an IFRS Standard that allows eligible entities to apply reduced disclosure requirements with the recognition, measurement and presentation requirements in IFRS Standards. However, EFRAG FRB members were concerned that the IASB was mainly focusing its discussions on the scope while local regulators may be in a better position to determine the scope. To allow jurisdictions to make a choice, then the scope should not be too narrow.

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

EFRAG FRB received an update on the project. Members 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. Members discussed potential next steps of the project. EFRAG FRB did not support to terminate the project, members had sympathy for a middle ground approach where objectives are combined with a list of mandatory items of information.

#### **IASB Project *Financial Instruments with Characteristics of Equity***

The EFRAG FRB members received an update on the IASB's discussions on the project *Financial Instruments with Characteristics of Equity*. In general, EFRAG FRB members



welcomed the project direction and highlighted the importance of discussing obligations to redeem own equity instruments (e.g., put options on non-controlling interest).

### **IASB Research Project *Goodwill and Impairment***

EFRAG FRB received an update on the current status of the IASB discussions on the *Goodwill and Impairment* project and EFRAG working groups discussions on the IASB preliminary views on disclosure on business combinations and possible alternatives on the IASB preliminary views.

### **Update of work plan and any other matters**

EFRAG FRB approved the workplan until the end of 2022 as proposed by the EFRAG Secretariat and agreed to have the next EFRAG FRB Meeting on 18 October 2022.

### **[Webcast meeting](#)**

The EFRAG FRB held a webcast meeting on [14 July 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 equity instruments measured at fair value through other comprehensive income. EFRAG FRB also received an update on the IASB project plan for amendments to IFRS 9 *Contractual Cash Flow Characteristics of Financial Instruments*.

### **EFRAG Research Project *Variable Consideration***

EFRAG FRB approved the Discussion Paper *Variable Consideration- From a Purchaser's Perspective*. The Discussion Paper is expected to be published in September and it will be open for public consultation until the end of May 2023. A targeted outreach on the Discussion will be conducted starting from November 2022.

The EFRAG FRB will hold a next webcast meeting on [18 October 2022](#).

### **[July 2022 written procedures](#)**

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

### **[Expected August 2022 written procedures](#)**

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

## EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

### Webcast meeting

EFRAG FR TEG held a meeting on [13 July 2022](#) and discussed the following topics:

#### **IASB Project *Rate-regulated Activities***

EFRAG FR TEG members received an update on the IASB project on regulatory assets and regulatory liabilities and provided their preliminary views on the IASB tentative decisions on the scope of the project and discussions on total allowed compensation.

EFRAG FR TEG welcomed the direction of the project and generally agreed with the IASB tentative decisions so far. It was agreed to have an educational session at a future EFRAG FR TEG meeting covering the different features of regulatory schemes and how these could be affected by certain proposals. EFRAG FR TEG also requested further discussion at a future meeting on the issue regarding differences between regulatory recovery pace and assets' useful lives.

No decisions were taken at the meeting.

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

EFRAG FR TEG members received an update on the IASB project on *Classification of Liabilities as Current or Non-current* and provided their preliminary views on the IASB tentative decisions on classification, presentation, and disclosures.

EFRAG FR TEG welcomed the direction of the project and generally agreed with the IASB tentative decisions so far as the proposed direction of travel of the exposure draft was in line with the views mentioned in the EFRAG final comment letter. One member regretted that the IASB had decided not to take the opportunity to address other conditionalities as part of the project.

No decisions were taken at the meeting.

#### ***Post-implementation Review (PIR) of IFRS 10, IFRS 11 and IFRS 12***

EFRAG FR TEG members were informed about the outcome of the IASB post-implementation review (PIR) of IFRS 10, IFRS 11 and IFRS 12.

EFRAG FR TEG noted that the PIR on IFRS 10, IFRS 11 and IFRS 12, although having received significant volumes of input from constituents, has now been closed without any standard-setting activities resulting from the process. EFRAG FR TEG appreciated the clarification on the prioritisation of issues identified as a result of the PIR.

No decisions were taken at the meeting.



### ***Post-implementation Review of IFRS 15***

EFRAG FR TEG members received a project update and an inventory of the preliminary issues identified during EFRAG's preparatory work, which included the IFRS 15 issues noted by ESMA, IFRS IC and FASB and outreach activities with preparers, users, auditors, national standard setters, and academics.

Members welcomed the issues that have so far been identified and provided their feedback in particular with regard to (i) principal versus agent consideration, (ii) interaction or inconsistency with other standards (e.g., IFRS 3, IFRS 9 and IFRS 10) and (iii) variable consideration. Furthermore, members highlighted the importance of outreach activities with impacted industries, prioritising the issues according to their importance or pervasiveness in Europe and identifying those that reveal some application issues.

No decisions were taken at the meeting.

### ***EFRAG Research Project Reserve List Segment Reporting***

EFRAG FR TEG members received an update on the EFRAG proactive research reserve list topic of operating segments including views on the project gotten from the EFRAG user panel and a preliminary possible scope of the project subject to retaining the management approach. Members conceded that IFRS 8 *Segment Reporting* has a potential for improvement with regards to aggregation criteria, and improvement of disclosures including reconciliations. The members suggested the need for outreach to users to understand the root causes behind their concerns and to monitor the developments of the Primary Financial Statements project and forthcoming FASB Exposure Draft on its segment reporting requirements. They noted that a project on pollutant pricing mechanisms should have priority over segment reporting.

No decisions were taken at the meeting.

### ***Next meeting***

EFRAG FR TEG will hold its 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.

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

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.

In July 2022 the European Parliament held public hearings of the candidates for EFRAG SRB Chair and EFRAG FRB Chair following the endorsement decision by the European Commission.

EFRAG finalised the selection of the contractor, following a public call for tenders, which will assist EFRAG in the analysis of the feedback from the public consultation on the exposure drafts of the first set of draft ESRS.

EFRAG also welcomed two new members to its Sustainability Reporting TEG following the decision to add two seats to enhance the social and direct practical SME sustainability-reporting expertise. These two new positions result in EFRAG SR TEG consisting of 22 members, offering now a wide range of expertise and specialisations in the ESG domain.

## EFRAG Sustainability Reporting Board (EFRAG SRB)

The EFRAG SRB held a webcast meeting on [6 July 2022](#) and discussed the EFRAG SR TEG's survey comments on ESRS 1 and 2 as well as ESRS E1. The discussion about the remaining environmental drafts as well as the social drafts were continued at its meeting on [12 July 2022](#), during the public consultation.

The next meetings are scheduled for the second half of August.

## EFRAG Sustainability Reporting Technical Expert Group (EFRAG SR TEG)

The EFRAG SR TEG held a webcast meeting on [8 July 2022](#) and discussed the results of a survey of its members about the remainder of the environmental standards. At its meeting on [11 July 2022](#), the SR TEG discussed ESRS E1 versus IFRS S2, the exposure draft on climate change issued by the ISSB and continued the discussion at its meeting on [18 July 2022](#). On



11 July 2022 it also discussed the survey results about the social and governance standards. On [20 July 2022](#), EFRAG SR TEG completed the comparisons to the ISSB draft and discussed the feedback received from GRI on the ESRS exposure drafts. At its final meeting of the month, on [22 July 2022](#), the EFRAG SR TEG completed its discussion on the feedback from GRI and the discussion of the feedback from the use test will be postponed to a future meeting.

The next meetings are scheduled for the second half of August.

### Other involvement in sustainability reporting

#### **Platform on Sustainable Finance ('PSF')**

On 12 and 13 July 2022, EFRAG attended the twenty third plenary meeting of the PSF in which:

- Members received an update from the European Commission on recent developments and on the future of the Platform beyond September 2022.
- Members discussed the effects of the vote by the European Parliament on the Complementary Delegated Act on climate change mitigation and adaptation covering certain gas and nuclear activities.
- The rapporteurs of the different sub-groups provided an update on their activities. In particular:
  - SG1 *Technical Working Group* provided an update on its continuing work;
  - SG3 *Extended Taxonomy* provided an update on dissemination;
  - SG4 *Social Taxonomy* presented the launch event for their report; and
  - SG5 *Data and Usability* provided an update on their final report.

At a pre-plenary meeting, the subgroup on Data and Usability (SG5) also discussed a number of selected outstanding issues including the use of controversies, mortgages, the use of taxonomy by EU Public Sector; the treatment of sovereign debt and grandfathering of the taxonomy alignment regarding green bonds and the legacy market.

Lastly, EFRAG is 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 July 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 [from May till July 2022](#).



Date & time	Outreach country/Organisers	Language	Programme	Recording/Slides
Friday 1 July, 9:30-13:30 CEST	Spain/EFRAG, CGE & ICAC	Spanish	<a href="#">Programme</a>	<a href="#">Recording</a>
Monday 4 July, 15:00-18:30 CEST	EFRAG, BusinessEurope & EuropeanIssuers	English	<a href="#">Programme</a>	<a href="#">Recording</a>
Tuesday 5 July, 14:30-18:00 CEST	Italy/EFRAG & OIC	Italian	<a href="#">Programme</a>	<a href="#">Slides</a>
Friday 8 July, 14:00-16:00 CEST	EFRAG, EFAA & SMEunited	English	<a href="#">Programme</a>	<a href="#">Recording</a>
Monday 11 July, 12:00-16:00 CEST	EFRAG & CSR HELLAS	Greek	<a href="#">Programme</a>	<a href="#">Recording</a>
Wednesday 13 July, 9:30-15:30 CEST	NGOs & trade unions	English	<a href="#">Programme</a>	-
Thursday 14 July, 15:00-18:15 CEST	EFRAG, BETTER FINANCE, BEUC & Finance Watch	English	<a href="#">Programme</a>	<a href="#">Recording</a>
Thursday 14 July, 16:30-18:00 CEST	EFRAG & EAA	English	<a href="#">Programme</a>	<a href="#">Recording 1 + 2</a>





## OPEN CONSULTATIONS

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

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