



EFRAG UPDATE

April 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

Draft Letter

On 21 April 2022, EFRAG published a Draft Letter on the IFRS IC's Tentative Agenda Decisions in the final phase of implementing IFRS 17 *Insurance Contracts* and seeks constituents' views on the letter. Comments are requested **by 17 May 2022**. The Draft Letter is available [here](#).

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

Feedback Statements

Subsidiaries without Public Accountability

On 15 April 2022, EFRAG published the [Feedback Statement](#) summarising the main comments received on its Draft Comment Letter to the IASB Exposure Draft *ED/2021/7 Subsidiaries without Public Accountability: Disclosures* and explaining how those comments were considered by EFRAG during its technical discussions leading to the publication of [EFRAG's Final Comment Letter](#).

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

Non-current Liabilities with Covenants

On 29 April 2022, EFRAG published the [Feedback Statement](#) related to its [Comment Letter](#) on the IASB Exposure Draft *ED/2021/9 Non-current Liabilities with Covenants*.

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

Crypto-assets (Liabilities)

On 29 April 2022, EFRAG published the [Recommendations and Feedback Statement](#) on the EFRAG Discussion Paper *Accounting for Crypto-assets (Liabilities)* that includes the feedback to the [Discussion Paper](#) and EFRAG's recommendations for the IASB and any other National Standard Setter that may develop requirements to address the accounting challenges of crypto- transactions.

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



Supplier Finance Arrangements

On 1 May 2022, EFRAG published its [Feedback Statement](#) related to its [Comment Letter](#) on the IASB Exposure Draft ED/2021/10 Supplier Finance Arrangements.

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

WEBINARS AND ONLINE OUTREACHES

Save the date: 4 May 2022 – DRSC-EFRAG outreach event on accounting for intangible assets

On 4 May 2022 10:30 – 12:30, DRSC and EFRAG will host an outreach event *Öffentliche Diskussion zur künftigen Berichterstattung über immaterielle Werte*. At the event, which will be held in German, EFRAG's Discussion Paper *Better Information on Intangibles – Which is the best way to go?* will be presented. This will be followed by a panel discussion.

More information about the German event is available on the [DRSC website](#).

Save the date: 13 May 2022 – EFRAG Symposium at EAA Congress : *Digital Corporate Reporting - What Does It Mean for Standard Setting?*

The EFRAG symposium at the EAA annual congress, which will be held in Bergen (Norway) on 13 May 2022 11:00 – 12:30, will address the challenges and opportunities of digitalisation on standard setting. Speakers with a broad range of background will exchange views on the matter.

Speakers include Annalisa Prencipe (EAA President), Kai Morten Hagen (Norwegian institute of Public Accountants), Teodor Sveen Nilsen (financial analyst, SpareBank1 Markets); Tommaso Fabi (Italian Standard Setter OIC), Nicklas Grip (Svenska Handelsbanken), Chiara Del Prete (EFRAG Financial Reporting TEG Chairwoman) and Saskia Slomp (EFRAG CEO).

For more details, please see the programme [here](#).

Save the date: 30 May 2022 – EFRAG outreach event «Better Information on Intangibles – What's next?»

EFRAG is hosting a hybrid event on Monday 30 May 2022 12:00 – 14:30 (Brussels time) to discuss the next steps on intangibles from a broader perspective. Download the ["Save the date"](#) and register [here](#).

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



OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Draft Letter on the IFRS IC's Tentative Agenda Decisions in the final phase of implementing IFRS 17 <i>Insurance Contracts</i>	17 May 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 B)

Webcast meeting

The EFRAG FRB held a webcast meeting on [4 April 2022](#) and discussed the following topics:

IASB Project *Primary Financial Statements*

The EFRAG FRB members received an update on the IASB's redeliberation on the proposals in the Exposure Draft *General Presentation and Disclosures* and discussed the next steps on the project.

In general, EFRAGB members considered that it would be useful to test the requirements resulting from the key changes tentatively decided by the IASB, including the IASB's new approach on the classification of items in the financing category, the classification of hybrid contracts with host liabilities and embedded derivatives, the scope of management performance measures and a solution for the analysis of expenses by nature in the disclosures when presenting by function.

IASB Project *Rate-regulated Activities*

The EFRAG FRB received an update on the IASB redeliberation plan for the development of a new Standard after receiving constituents' feedback to the IASB Exposure Draft *Regulatory Assets and Regulatory Liabilities*. The Board was also updated on the tentative decisions on the scope of the proposed Standard.

IASB Research Project *Dynamic Risk Management*

The EFRAG FRB members received a presentation of the results of the outreach on perceptions about the carve-out. The carve-out is widely used in many European countries; while application guidance is absent, practices have been established and have commonalities mainly at the country level. Only part of the banks discloses the use of the carve-out and detailed information about the hedging accounting practices is not often presented. However,



the use of carve-out is not an area of focus in the communication to the market. The EFRAG FRB agreed that no additional work is needed by the EFRAG Secretariat on this subject at this stage.

The EFRAG FRB members received also an update on the IASB's redeliberation on the DRM core model, in particular about the accounting mechanism for the model.

In general, EFRAG FRBmembers considered that the approaches discussed by the IASB is a step in the right direction but felt that more information is necessary to evaluate fully the two proposed approaches before being able to express a preference.

Insurers and other industries highlighted the importance that the model could also be applied to their business model. The importance of field testing the model, once completed, was also highlighted.

Update on work plan and any other matters

The EFRAG FRB reviewed and approved the workplan.

Next meeting

The EFRAG FRB will hold its next meeting on [1 June 2022 in the EFRAG offices](#).

April 2022 written procedures

The EFRAG FRB approved the following document using written procedures in April:

- The Recommendations and Feedback Statement on the EFRAG Discussion Paper *Accounting for Crypto-Assets (Liabilities)*.

Expected May 2022 written procedures

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

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting

EFRAG FR TEG held a webcast meeting on [12-13 April 2022](#) and discussed the following topics:

IFRS 17 Insurance Contracts

EFRAG FR TEG discussed a draft letter on the IFRS Interpretations Committee ('IFRS IC') issue regarding profit recognition for annuity contracts under IFRS 17 *Insurance Contracts*. Most of the EFRAG FR TEG members had reservations on either the content of the draft letter or whether to issue the draft letter.



An updated draft letter incorporating the changes suggested by EFRAG FR TEG was sent to the EFRAG FRB for approval.

EFRAG Research Project *Variable Consideration*

EFRAG FR TEG continued its discussions on the content of a forthcoming Discussion Paper on variable consideration. The Discussion Paper will primarily consider and propose alternatives for the recognition of a liability for variable consideration to be paid in cash that will depend on the purchaser's future activities and whether the cost measurement of an acquired asset should be updated to reflect changes in the estimate of variable consideration. The Discussion Paper will also assess the consistency of requirements for variable consideration transactions and possible standard-setting approaches that could be undertaken.

No decisions were taken at the meeting.

EFRAG Research Project *Crypto-Assets*

EFRAG FR TEG discussed and agreed with the revisions proposed to the Recommendations and Feedback Statement to the EFRAG Discussion *Paper Accounting for Crypto-Assets (Liabilities)*. Specifically, the updated Statement recommends that the IASB addresses both issuer and holder accounting and amends IAS 38 *Intangible Assets* to allow FVTPL measurement. It also provides conceptual reasoning that can support a mixed measurement approach for crypto-assets within the scope of IAS 38.

No decisions were taken at the meeting.

Next meeting

EFRAG FR TEG will hold its next webcast meeting on [18-19 May 2022](#).

EFRAG FR TEG AND EFRAG USER PANEL

Webcast meeting

EFRAG FR TEG and EFRAG User Panel (EFRAG UP) held a joint webcast meeting on [12 April 2022](#) and discussed the following topics:

IASB Project *Primary Financial Statements*

The EFRAG FR TEG and EFRAG User Panel members received an update on the IASB's redeliberations on the proposals in the Exposure Draft *General Presentation and Disclosures*. Members also discussed a possible way forward for the analysis of operating expenses by nature in the notes when an entity provides its analysis of operating expenses by function in the statement of profit or loss.

The EFRAG User Panel members expressed concerns about the IASB's tentative decision to not retain the proposed prohibition of a mixed presentation in the statement of profit or loss



(operating expenses by nature and by function) without introducing application guidance that would limit its use and ensure comparability.

The EFRAG User Panel members also highlighted the importance of having an analysis of operating expenses by nature in the notes, which should be linked to the statement of profit or loss, and that the objective should be providing information as if the entity is preparing an operating profit or loss by nature. Further disaggregation in the form of a 'partial matrix' would be welcomed but subject to cost considerations.

IASB Project *Financial Statements with Characteristics of Equity*

The EFRAG FR TEG and EFRAG User Panel members received an update on the IASB's redeliberations on the proposals in the 2018 Discussion Paper *Financial Instruments with Characteristics of Equity*.

The EFRAG User Panel members welcomed the IASB's refinements to the disclosures proposed in the 2018 Discussion Paper. In particular, members welcomed having more disclosures on potential maximum dilution of ordinary shares and suggested having a scenario approach for these disclosures.

In addition, although EFRAG User Panel members were not usually focused on liquidation in their analysis, information about the priority at liquidation would be particularly useful if it showed the capital and funding structure of the group.

Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*

EFRAG FR TEG and EFRAG User Panel discussed EFRAG's preparatory work for the Post-implementation Review of IFRS 15. In general, members considered that the information on revenue under IFRS 15 was useful to users to assess a company's financial performance and position and to compare with other companies. Nonetheless, members indicated that some areas of IFRS 15 presented application challenges, largely in areas requiring judgement (e.g., whether a contract is under the scope of IFRS 15).

In addition, members discussed several issues that should be considered by the EFRAG Secretariat as a starting point, such as the interaction of IFRS 15 with other IFRS Standards and principal versus agent considerations. They also suggested that EFRAG should target the industries most affected by the implementation of IFRS 15 in order to identify the issues arising from the practical application of the standard.



SUSTAINABILITY REPORTING 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](#) 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 April 2022, EFRAG further progressed on its governance reform. In its [meeting of 13 April 2022](#), the EFRAG Sustainability Reporting Board (EFRAG SRB) appointed the 22 members of the EFRAG Sustainability Reporting Technical Expert Group (EFRAG SR TEG) respecting an optimal balance for professional background, nationality, and gender. Each of them demonstrated a high level of expertise and experience in the specific areas and topics listed in the call for candidates.

The EFRAG SR TEG will provide technical advice, on the draft EU Sustainability Reporting Standards (ESRS), to the EFRAG SRB based on its own professional judgment, arguments, technical analysis resulting from its technical expertise and EFRAG's due process.

With the completion of this important step in the implementation of the governance reform, the handover of the work of the PTF-ESRS to the permanent structure of the EFRAG SRB and EFRAG SR TEG is taking place.

EFRAG Sustainability Reporting Board (EFRAG SRB)

The EFRAG SRB held three public meetings on [13 April](#), [22 April](#) and [28 April 2022](#) to discuss:

- The appointment of the EFRAG SR TEG members (see above);
- The approval of the launch of the publication of the consultation package on the first set of ESRS and the consultation period for the exposure drafts (see section 'Development of EU sustainability reporting standards by the PTF-ESRS') including the accompanying cover note and online questionnaire;
- Possible outreach and communication activities to be conducted during the consultation period; and
- The modalities of the handover process between the PTF-ESRS and the new governance bodies.

In anticipation of a request and decision of the EFRAG SRB for an accelerated due process, the EFRAG Administrative Board supported by its Due Process Committee examined the case



(respectively at their meeting on 14 and 20 April 2022) and did not object to an accelerated due process with as conditions:

- The consultation period could not be shorter than 90 days;
- The consultation document should set clearly the responsibilities of respectively the PTF-ESRS and the EFRAG SRB; and
- The Bases for conclusions should be published at the latest by the end of May 2022.

The EFRAG Administrative Board also advised that if, as a consequence of the political agreement reached in the CSRD legislative process, the timetable would be extended in a way that creates additional flexibility EFRAG would also expect to have the possibility to extend the public consultation period to 120 days.

At an additional meeting of the EFRAG SRB held on 28 April 2022 to approve the cover note accompanying the EDs and the consultation survey (see below); EFRAG SRB did not object to a 100-day public consultation period with a deadline set on 8 August 2022.

[Development of EU sustainability reporting standards by the PTF-ESRS](#)

The EFRAG Project Task Force on European Sustainability Reporting Standards ('PTF-ESRS') had a plenary meeting on 8 April 2022 where the updated ESRS 1 General Provisions, ESRS 2 General strategy, governance and materiality assessment, ESRS E3 Water and marine sources, ESRS E4 Biodiversity and ecosystems, ESRS S4 on Own workforce – Other work-related rights, ESRS S5 on Workers in the value chain, ESRS S6 on Affected communities and ESRS S7 on Consumers and end-users were presented.

A second plenary meeting on 13 April 2022 during which seven more updated working papers were presented. These included ESRS S2 on Own workforce – Working conditions, ESRS P1 Sustainability statements, ESRS E5 Resource use and circular economy, ESRS E2 Pollution, ESRS G1 Governance, risk management and internal control and ESRS G3 Business conduct as well as ESRS SEC 1 Sector classification standard. The results from the consensus-building questionnaire of ESRS G2 Products and services, management and quality of partnerships with business partners were also presented.

A third plenary meeting took place on 20 and 21 April 2022 where the PTF-ESRS discussed further changes to ESRS 1 and ESRS 2 and approved ESRS E1 Climate change, ESRS E2, ESRS E3 Water and marine resources and ESRS E5. ESRS S1 Own workforce, ESRS S2 Workers in the value chain; ESRS S3 Affected communities and ESRS S4 Consumers and end-users were also approved.

The PTF-ESRS held its final plenary meeting on 25 and 26 April 2022 in Brussels to approve its Exposure Drafts for handover to the EFRAG SRB.



During this last meeting, **Ugo Bassi**, Director for Financial Services (DG FISMA) at the European Commission, stated: *“The European Commission is very grateful to the members of the EFRAG Project Task Force for the work they have undertaken to develop a first draft set of European Sustainability Reporting Standards, under the leadership of Patrick de Cambourg. The completion of the Task Force’s work and the handing over of responsibility to EFRAG’s new Sustainability Reporting Board and Technical Expert Group represent another significant milestone on the journey to sustainability reporting that corresponds to business realities and better meets users’ needs. The multistakeholder, consensus-based approach of the Task Force sets an important precedent for further work in this field.”*

Jean-Paul Gauzès, EFRAG Board President, added: *“The PTF-ESRS and the Secretariat supporting the PTF-ESRS did a tremendous job with efforts that others would almost call unsustainable, literally working days and nights. Their contributions, dedication and commitment have been essential to arrive where we are now: the publication of the Exposure Drafts in the coming days. I am confident that the EFRAG Sustainability Reporting Board, advised by the EFRAG Sustainability Reporting TEG, will continue the work aiming at providing the technical advice to the European Commission on the first set of draft ESRS.”*

Finally, **Patrick de Cambourg**, PTF-ESRS Chairman, commented: *“The Project Task Force on European Sustainability Reporting Standards is coming to an end as we hand over the Exposure Drafts that we have prepared to the new sustainability reporting pillar of EFRAG. This is a milestone moment: the Project Task Force is proud of what has been achieved so far and is also fully conscious of, and confident about, the crucial steps ahead in the journey towards completing high quality draft standards.”*

The Exposure drafts have now been issued for consultation with a deadline for comments of 8 August 2022, click [here](#). EFRAG invites comments on all aspects of the Draft ESRS. These EDs correspond to the first set of standards required under the proposal for a CSRD and cover environmental, social and governance matters. This set also includes cross-cutting standards.



A [cover note](#) to explain the process and present the objectives of this public consultation has been published.



The first set of Draft ESRS includes the following EDs:

Cross-cutting standards:

- [ESRS 1 General principles](#)
- [ESRS 2 General, strategy, governance and materiality assessment](#)

Environment:

- [ESRS E1 Climate Change](#)
- [ESRS E2 Pollution](#)
- [ESRS E3 Water and marine resources](#)
- [ESRS E4 Biodiversity and ecosystems](#)
- [ESRS E5 Resource use and circular economy](#)

Social:

- [ESRS S1 Own workforce](#)
- [ESRS S2 Workers in the value chain](#)
- [ESRS S3 Affected communities](#)
- [ESRS S4 Consumers and end-users](#)

Governance:

- [ESRS G1 Governance, risk management and internal control](#)
- [ESRS G2 Business conduct](#)



Cross-cutting standards

EXPOSURE DRAFT

ESRS 1
General principles
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

EXPOSURE DRAFT

ESRS 2
General, strategy, governance and materiality assessment disclosure requirements
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

ESRS 1 General principles

ESRS 2 General, strategy, governance and materiality assessment disclosure requirements

Environment

EXPOSURE DRAFT

ESRS E1
Climate change
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

EXPOSURE DRAFT

ESRS E2
Pollution
April 2022




Open for comments until 8 August 2022


PTF-ESRS 

EXPOSURE DRAFT

ESRS E3
Water and marine resources
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

ESRS E1 Climate change

ESRS E2 Pollution

ESRS E3 Water and marine resources

EXPOSURE DRAFT

ESRS E4
Biodiversity and ecosystems
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

EXPOSURE DRAFT

ESRS E5
Resource use and circular economy
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

ESRS E4 Biodiversity and ecosystems

ESRS E5 Resource use and circular economy



Social

EXPOSURE DRAFT

ESRS S1
Own workforce
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

ESRS S1 Own workforce

EXPOSURE DRAFT

ESRS S2
Workers in the value chain
April 2022




Open for comments until 8 August 2022

PTF-ESRS 

ESRS S2 Workers in the value chain

EXPOSURE DRAFT

ESRS S3
Affected communities
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

ESRS S3 Affected communities

EXPOSURE DRAFT

ESRS S4
Consumers and end-users
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

ESRS S4 Consumers and end-users

Governance

EXPOSURE DRAFT

ESRS G1
Governance, risk management and internal control
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

ESRS G1 Governance, risk management and internal control

EXPOSURE DRAFT

ESRS G2
Business conduct
April 2022



Open for comments until 8 August 2022

PTF-ESRS 

ESRS G2 Business conduct

Two online consultations surveys have been created for respondents to answer the public consultation questions. For more details please click [here](#).



Other involvement in sustainability reporting

EFRAG JURI Contact Group

The first meeting of the informal EFRAG JURI Contact Group was held on 19 April 2022, which is chaired by the rapporteur on the CSRD Pascal Durand and took place with presence of EC representatives. In the meeting the governance reform of EFRAG; the EFRAG and JURI Contact Group relations; the nomination of the EFRAG SRB Chair and the state of play on the draft ESRS were discussed.

Platform on Sustainable Finance ('PSF')

On 19 and 20 April 2022, EFRAG attended the twentieth plenary meeting of the PSF in which: the rapporteurs of the different sub-groups provided an update on their activities.

Members also discussed the future activities of the PSF.

EFRAG also attended a meeting of the subgroup on Data and Usability (SG5), on 5 April 2022, in which members received an update on the final report, the organisation of workshops and the list of remaining tasks and discussed the third batch of Frequently Asked Questions prepared by the Corporate working group on Article 8 Delegated Act of the EU Taxonomy Regulation.