



EFRAG UPDATE

February 2023

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.

CHIARA DEL PRETE APPOINTED AS EFRAG SR TEG CHAIR

On 1 February 2023, the EFRAG Administrative Board appointed Chiara Del Prete as EFRAG SR TEG Chair for a term of three years effective immediately. Chiara is a member of the EFRAG management team since April 2019, as EFRAG FR TEG Chair and, since May 2022 she has, in addition, been serving as EFRAG SR TEG Acting Chair. She will now fully devote herself to the Chair role of the EFRAG SR TEG. Chiara will continue her role as IFASS Chair.

In the meantime, Jens Berger, Vice-chair of the EFRAG FR TEG, will assume the role of the EFRAG FR TEG Acting Chair until the new EFRAG FR TEG Chair has been appointed and is operational.

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

CALL FOR CANDIDATES - EFRAG SEEKS A NEW EFRAG FINANCIAL REPORTING TEG CHAIR

On 3 February 2023, following the appointment of Chiara Del Prete as EFRAG SR TEG Chair, EFRAG issued a [call for candidates](#) for the full-time function of EFRAG Financial Reporting TEG Chair. Interested candidates may read the complete call and submit their application by **10 April 2023** at nominations@efrag.org.

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

WEBINARS AND ON-LINE OUTREACHES

Joint outreach event on EFRAG's Discussion Paper Accounting for variable consideration

On 16 February 2023, EFRAG and BusinessEurope organised an [online joint outreach event](#) to discuss issues arising and possible solutions in the accounting for variable consideration as

considered in EFRAG's Discussion Paper [Accounting for variable consideration – from a purchaser's perspective](#).

Following a presentation of EFRAG's Discussion Paper, a panel, consisting of different stakeholders, provided perspectives on practical challenges and views on possible approaches for accounting for variable consideration. The panel discussion of the aforementioned two main issues was divided into separate sessions which included audience Q&A and polling questions.

Summary Report on the conference "*Where is Corporate Reporting heading?*"

On 15 February 2023, EFRAG published its summary report on the conference "*Where is Corporate Reporting heading?*" that took place on 7 December 2022, in Brussels. At the event, key corporate reporting stakeholders discussed the new trends in the Environmental, Social, and Governance (ESG) revolution and the growing emphasis on the connectivity between sustainability and financial reporting. Read the report [here](#).

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

EFRAG Podcast: *Accounting for variable consideration – from a purchaser perspective*

On 10 February 2023, EFRAG published a podcast with an overview of the main issues considered in the EFRAG Discussion Paper [Accounting for variable consideration – from a purchaser's perspective](#) (DP). The DP aims to stimulate discussion on alternatives for accounting requirements to address the challenges related to accounting for variable consideration.

You can watch the podcast [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
EFRAG's Draft Endorsement Advice on Amendments to IAS 1 <i>Presentation of Financial Statements</i>	1 March 2023
Academic Study co-sponsored by EFRAG and ICAS <i>The Theory and Practice of Discounting in Financial Reporting under IFRS</i>	31 March 2023
EFRAG Discussion Paper <i>Accounting for Variable Consideration from a Purchaser Perspective</i>	30 November 2023

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

INTERNATIONAL FORUM OF ACCOUNTING STANDARD SETTERS (IFASS)

On 28 February 2023, EFRAG issued a report with the key messages and points of discussion from the financial and sustainability reporting topics covered at the January 2023 IFASS virtual meeting.

Read the report [here](#).

EFRAG FINANCIAL REPORTING BOARD (FRB) - EFRAG FR TEG

Physical meeting

The EFRAG FRB and EFRAG FR TEG held a joint physical meeting on [8 February 2023](#) and discussed the following topics:

IASB Project *Business Combinations: Disclosures, Goodwill and Impairment*

EFRAG FRB and EFRAG FR TEG discussed the EFRAG FRB members' concerns on the IASB's tentative decisions taken so far on the IASB's tentatively agreed disclosure requirements about business combinations. EFRAG FRB and EFRAG FR TEG members



noted that the current position of the IASB is an improvement compared to the requirements of IFRS 3 and that it represents a compromise in particular to accommodate the concerns of preparers.

However, members expressed mixed views whether the proposed disclosures would meet the objective of providing relevant information to users, on auditability and comparability of the disclosures, on the subsequent integration of the acquired business and on the appropriate location of the proposed disclosures.

Given the mixed views, EFRAG FRB and EFRAG FR TEG members suggested to perform field-testing of the proposed disclosure requirements at the stage of the exposure draft. Members concluded that the project should be further pursued despite the concerns expressed above.

No decisions were taken at the meeting.

IASB Project *Disclosure Initiative: Targeted Standards Level Review of Disclosures*

EFRAG FRB and EFRAG FR TEG received an update on the latest decisions made by the IASB on the project, which were generally in line with the recommendations made by EFRAG in its comment letter. The question arose as to how binding the upcoming internal guidance is for the IASB and how it is embedded in the due process. Members questioned how EFRAG (and others) could be sure that the guidance was used to draft and release disclosure requirements during the standard-setting process. Members requested the EFRAG Secretariat to contact the IASB about these topics.

No decisions were taken at the meeting.

IASB Project *Supplier Finance Arrangements*

EFRAG FRB and EFRAG FR TEG received an update and gave input to the IASB on the decision about application date and transitional provisions. Members concluded that an effective date 1 January 2024 would not allow to request comparative information for the first year of application. Members considered that the topic was identified by various stakeholders as important (because of related liquidity risk) and has to be resolved within the near future. They emphasised that there is a benefit from the disclosures, even if no comparative information in the first year is attached.

EFRAG FRB and EFRAG FR TEG were informed about the potential timeline of the endorsement process by the EC. Members discussed implications of an EU endorsement in the first half of 2024 only in case the effective date would be 1 January 2024. Members concluded that the impact of an endorsement within 2024 would be very limited as the proposed amendment focuses on the disclosures and does not require separate or additional disclosures for condensed interim financial statements.

No decisions were taken at the meeting.



EFRAG Research Project *Better Information on Intangibles*

EFRAG FRB and the EFRAG FR TEG considered the Recommendations and Feedback Statement prepared in response to the input received on the EFRAG's Discussion Paper *Better Information on Intangibles – Which is the best way to go?* EFRAG FRB asked for some clarifications and changes to be made to the Recommendations and Feedback Statement and approved it for publication. The Recommendations and Feedback Statement is expected to be published in March 2023.

IASB Project *Provisions – Targeted Improvements*

EFRAG FRB and the EFRAG FR TEG received an update on the IASB project *Provisions – Targeted Improvements* and discussed whether an entity's own credit risk should be considered when measuring the discount rate for long term provisions and what disclosures would be useful in regarding to such discount rates. The members generally agreed that, conceptually, the discount rate should reflect entity's own credit risk, however, such a requirement may result in challenging implementation issues.

No decisions were taken at the meeting.

EFRAG Research Project *Connectivity between Financial and Sustainability Reporting*

EFRAG FRB and EFRAG FR TEG approved the scope and approach of a new proactive research project

EFRAG FRB and EFRAG FR TEG discussed the thinking so far on the proposed scope and two-phase approach towards the EFRAG research project on connectivity between Financial and Sustainability reporting. Members generally agreed with a two-phase approach and supported the formation of an advisory panel. There were mixed views expressed on whether management commentary should be in scope- and suggestions were provided to enhance the definition of connectivity and the analysis of differences between financial and sustainability reporting information.

Update of work plan and any other matters

EFRAG FRB approved the extension of the consultation period of the Discussion Paper *Accounting for Variable Consideration* by six months to the end of November 2023.

Next meeting

The EFRAG FRB and EFRAG FR TEG will hold a next joint webcast meeting on [10 March 2023 to approve a final comment letter on the Exposure Draft *International Tax Reform – Pillar Two Model Rules*](#).

The EFRAG FRB will hold a next physical meeting on [30 March 2023](#).

February 2023 written procedures

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



Expected March 2023 written procedures

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

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Physical meeting

EFRAG FR TEG held a physical meeting on [8 and 9 February 2023](#) and discussed the following topics:

IASB Project *Business Combinations: Disclosures, Goodwill and Impairment*

EFRAG FR TEG discussed the IASB's tentative decisions on the design of the disclosure exemption and expected synergies.

Most of the members supported the exemption as developed by the IASB but suggested to clarify what information an entity should disclose when the exemption no longer applies. Members expressed mixed views on whether synergies should be defined and how the information about the subsequent performance should be provided.

No decisions were taken at the meeting.

IASB Project *Dynamic Risk Management*

The EFRAG FR TEG received an educational session from the IASB Staff regarding the main features of the new DRM model as tentatively decided by the IASB so far.

No decisions were taken at the meeting.

IASB Research Project *Post-implementation Review of IFRS 9 – Impairment*

EFRAG FR TEG discussed the categorisation and prioritisation of the issues collected during the preliminary work performed by the EFRAG Secretariat in anticipation of the publication of RFI of the PIR of IFRS 9 – Impairment.

No decisions were taken at the meeting.

Next meeting

EFRAG FR TEG will hold a next webcast meeting 16 March 2023.

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 [6 February 2023](#) and discussed the following topic:



IASB Project *International Tax Reform—Pillar Two Model Rules (IAS 12)*

EFRAG FR TEG and EFRAG CFSS members discussed the Exposure Draft *International Tax Reform – Pillar Two Model Rules* and the status of the new legislation enactment in their jurisdictions. EFRAG FR TEG and EFRAG CFSS members generally supported the proposed temporary exception. Members raised question in relation to the proposed targeted disclosure requirements in the ED. They expressed some concerns about the cost benefit relationship of such disclosures. Members considered that the publication of the amendments in due time should be a priority. Members also discussed the potential impact of these amendments in their local GAAP.

Next meeting

EFRAG CFSS and EFRAG FR TEG will hold a next webcast meeting [15 March 2023](#)

EFRAG ADMINISTRATIVE BOARD

The EFRAG Administrative Board held a meeting on [1 February 2023](#) and discussed the following topics:

- a final decision on the consultation periods for Set 2 of draft ESRS; and
- possible improvements to the application of the due process arising from the experience with Set 1.

The EFRAG Administrative Board reluctantly approved the proposed shortened consultation periods for the first two batches of Set 2 that is:

- a consultation period of 100 days for 3 EDs: Coal and Mining, Oil and Gas, SEC 1 (from early April 2023); and
- a consultation period of 3 months (90 days) for 3 EDs: Listed SMEs, Agriculture, Road Transport (from early May 2023).

The EFRAG Administrative Board noted that the EFRAG SRB and EFRAG SR TEG would make their best efforts to extend the consultation period for the Listed SMEs standard to at least 100 days, to the extent is feasible. This may imply that the listed SMEs standard is consulted upon separately from the batches of sector specific standards.

Regarding the lessons learned from Set 1 and identified improvements to the due process for Set 2 members generally supported the identified procedural improvements recommended by the EFRAG DPC and summarised in the meeting papers, in particular:

- publishing the meetings' agenda on EFRAG's website covering both open and closed sessions;
- always starting the public session at the time indicated in the agenda;
- explaining the reasons for the closed sessions or meetings and providing a summary of the discussions held in closed sessions/meetings at the next public meeting; and



- better defining criteria for recourse to closed meetings in full respect of the general principle contained in the Internal Rules and Due Process Procedures.

The EFRAG Administrative Board held a meeting on [27 February 2023](#) and addressed the following topics:

- approval of the revisions to the Due Process Procedures to align with the provisions of the published CSRD and recommendation to the EFRAG General Assembly to approve these revisions at its 16 March meeting.
- discussion and approval of the draft report on due process oversight to be presented by the EFRAG Administrative Board at the 16 March 2023 EFRAG General Assembly.

Members approved the proposed updates to the DPP and their submission for approval to the EFRAG General Assembly with some suggested drafting improvements.

Members also approved the yearly report on the oversight of the due process. It was in particular suggested to add a section to this report to indicate that EFRAG has received no correspondence from stakeholders on the due process posted directly to its new online Register of Due Process Correspondence (see section below).

The Due Process oversight Report and the revised DPP will be published to [the EFRAG website](#) after approval by the EFRAG General Assembly.

EFRAG'S SUSTAINABILITY REPORTING AND RELATED ACTIVITIES

EFRAG Governance

ESRS Digital Reporting Consultative Forum

The call for candidates to join EFRAG's ESRS Digital Reporting Consultative Forum (ESRS DRCF) was closed on Monday 23 January 2023. EFRAG is currently completing the review and selection of the candidates with a view to have members appointed early March by the EFRAG SR TEG.

EFRAG received 76 applications from a wide range of stakeholders. The ESRS DRCF will contribute to the development and maintenance of the XBRL Taxonomy of the ESRS by providing regular views and recommendations on XBRL taxonomy-related issues to the EFRAG SRB and EFRAG SR TEG.

The first meeting of the ESRS DRCF is envisaged to take place as soon as feasible, after the appointment of the members during the second half of March 2023.

EFRAG Sustainability Reporting Board (EFRAG SRB)

On [7 February 2023](#), the EFRAG SRB discussed the Mining quarrying and coal mining ('Mining') and LSME (Listed SMEs) Exposure Drafts. At its meeting on [13 February 2023](#) the



EFRAG SRB had a joint meeting with EFRAG SR TEG to receive a presentation from GRI on its coal sector standard and its mining exposure draft. On [22 February 2023](#) EFRAG SRB evaluated its general approach to ESRS Sector standards and further discussed standards concerning Financial Institutions. The EFRAG SRB agreed to start the activities for the definition of sector guidance on value chain for Financial Institutions. EFRAG SRB received an update from the European Commission on the ongoing activity for the finalization of EFRAG sector agnostic standards delivered in November 2022. The EFRAG SRB discussed the forthcoming Exposure Drafts SEC 1 and Oil and Gas on [24 February 2023](#). On [27 February 2023](#) EFRAG SRB discussed updates on the Mining Exposure Draft as well as a first draft for LSMEs.

Next meeting

EFRAG SRB will hold its next meeting on [8 March 2023](#).

EFRAG Sustainability Reporting Technical Expert Group (EFRAG SR TEG)

At its meeting on [2 February 2023](#), EFRAG SR TEG discussed working papers concerning LSMEs section 1 *General requirements* and section 2 *General Disclosure requirements*. On [3 February 2023](#) EFRAG SR TEG discussed working papers for Sector Classification (SEC 1) and Mining. EFRAG SR TEG continued its discussion on the latter on [15 February 2023](#). EFRAG SR TEG discussed a similar working paper for its Oil and Gas sector standard on [17 February 2023](#).

At its meeting on [21 February 2023](#) EFRAG SR TEG further discussed working papers for LSME and SEC 1. On [23 February 2023](#) EFRAG SR TEG discussed for the Mining Exposure Draft and received an update on the EFRAG Secretariat research on Agriculture, Farming and Fishing disclosure requirements.

Next meeting

EFRAG SR TEG will hold its next meeting on [2 March 2023](#).

Other involvement in sustainability reporting

Platform on Sustainable Finance (PSF)

The first PSF was first established in October 2020, for a two-year mandate that ended in October 2022.

A call for applications for the selection of members for the new mandate of the PSF was launched in October 2022 and the new composition of the Platform was [announced on 8 February 2023](#). EFRAG was re-appointed as observer. EFRAG will be represented by Kerstin Lopatta, Vice- Chair of the EFRAG SRB.

The 28 selected members and invited observers of the Platform have a mandate limited to two years.

The PSF main purpose is to advise the European Commission on the implementation and usability of the EU taxonomy and the sustainable finance framework more broadly. The



Platform will also work on the development and possible revisions of taxonomy criteria and on monitoring of capital flows.

Based on the mandate of the Platform set out in Article 20 of the Taxonomy Regulation and the work delivered in the previous mandate, the members and observers are expected to start working on three main tasks to deliver key deliverables.

- Advising on the usability of the EU taxonomy and wider sustainable finance framework;
- Advising on the technical screening criteria for the EU taxonomy; and
- Monitoring capital flows into sustainable investments.

The first meeting of the PSF will be held in March 2023.

Closed sessions of EFRAG SRB and EFRAG SR TEG

Starting from January 2023, in the event that (part of) meetings of the EFRAG SRB or EFRAG SR TEG are held as closed sessions and address technical matters, in the next public session or meeting, the Chair provides a short update on the topics discussed.

EFRAG SRB

- 13 February 2023
- 15 February 2023

EFRAG SR TEG

No technical matters discussed in closed sessions this month.