



EFRAG

Europe's voice in corporate reporting

December 2023



EFRAG UPDATE

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

Contents

EFRAG UPDATE DECEMBER 2023	3
Call for Candidates	3
EFRAG'S FINANCIAL REPORTING ACTIVITIES	4
Publications.....	4
EFRAG Financial Reporting Board (FRB).....	4
Webcast meeting 7 December 2023.....	4
EFRAG FRB December 2023 written procedures	4
EFRAG FRB approvals in January 2024.....	5
EFRAG Financial Reporting Board (FRB) & EFRAG Financial Reporting Technical Expert Group (FR TEG).....	5
Joint physical meeting 19 December 2023.....	5
EFRAG Financial Reporting Technical Expert Group (FR TEG).....	6
Webcast meeting 5 December 2023.....	6
Physical meeting 20 December 2023.....	7
EFRAG'S SUSTAINABILITY REPORTING ACTIVITIES.....	9
SELECTED NEWS ITEMS	9
Open consultations.....	9
Publications.....	10
WEBINARS AND ONLINE OUTREACHES	10
EFRAG Sustainability Reporting Board (SRB)	11
EFRAG Sustainability Reporting Technical Expert Group (SR TEG)	12
Other involvement in sustainability reporting	13

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.



CALL FOR CANDIDATES

EFRAG is hiring a new office manager

EFRAG is looking for an office manager to be offered a permanent contract.

The ideal candidate could start on **15 February 2024**. Applications are requested by **15 January 2024**.

You will be part of a team of three office managers. The function is based at EFRAG's Brussels office.

Download the job description [here](#).

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

EFRAG'S FINANCIAL REPORTING ACTIVITIES

PUBLICATIONS

Final Comment Letter

On 8 December 2023, EFRAG published its [Final Comment Letter](#) in response to the IASB's Exposure Draft *IASB/AI/ED/2023/1 Annual Improvements-Volume 11*.

In its letter, EFRAG welcomed the package of the annual improvements included in the ED and agreed with the majority of the proposed amendments. In EFRAG's view, they would improve consistent application and understandability of the IFRS Accounting Standards. However, EFRAG recommended the IASB to provide clarifications about the interaction between IFRS 9 and IFRS 16 as part of a narrow-scope standard-setting project and did not recommend the proposed amendment to IFRS 9.

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

EFRAG FINANCIAL REPORTING BOARD (FRB)

Webcast meeting 7 December 2023

The EFRAG FRB held a webcast meeting on [7 December 2023](#) and discussed the following topic:

IASB Project *Annual Improvements to IFRS Accounting Standards–Volume 11*

EFRAG FRB approved the Final Comment Letter ('FCL') on the proposals in the IASB's Exposure Draft *Annual Improvements to IFRS Accounting Standards–Volume 11* as recommended by EFRAG FR TEG, and the FCL was published, as highlighted above.

Next meeting

EFRAG FRB will hold a next meeting on [30 January 2024](#).

EFRAG FRB December 2023 written procedures

EFRAG FRB did not approve any documents using written procedures in December.

EFRAG FRB approvals in January 2024

- Final Endorsement Advice on *Lack of Exchangeability (Amendments to IAS 21)*, through written procedure; and
- Draft Comment Letter ('DCL') on Financial Instruments with Characteristics of Equity (Proposed amendments to IAS 32, IFRS 7 and IAS 1), during a joint meeting of the EFRAG FRB and the EFRAG FR TEG, on 8 January 2024. The DCL will be published in the upcoming days and EFRAG will seek comments on it. For more details, please refer to the open consultations in the [EFRAG website](#).

EFRAG FINANCIAL REPORTING BOARD (FRB) & EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Joint physical meeting 19 December 2023

The EFRAG FRB and EFRAG FR TEG held a joint physical meeting on [19 December 2023](#) and discussed the following topics:

IASB Project *Financial Instruments with Characteristics of Equity*

EFRAG FR TEG and the EFRAG FRB discussed EFRAG draft comment letter ('DCL') on the IASB's ED *Financial Instruments with Characteristics of Equity*. Members provided several comments and drafting suggestions. It was decided to approve the DCL at the joint meeting of EFRAG FR TEG and EFRAG FRB on 8 January 2024, as stated above.

IASB Project *Power Purchase Agreements*

EFRAG FR TEG and the EFRAG FRB discussed the recent IASB's tentative decisions on the IASB project *Power Purchase Agreements* and on an alternative own-use model developed by the EFRAG Secretariat.

Members were, in general, in agreement with the direction of the IASB project. Members also suggested to further develop the EFRAG Secretariat alternative own-use model with an illustrative example.

No decisions were taken at the meeting.

IASB Project *Statement of Cash Flows and Related Matters*

EFRAG FR TEG and the EFRAG FRB received a presentation on input collected by EFRAG's contractor on perceived objectives of the statement of cash flows and how the statement of cash flows is used. The input collected will be used for EFRAG's

Discussion Paper on the statement of cash flows which, in addition to the objectives and uses, will list and explain identified issues with how the statement of cash flows is currently prepared under IAS 7 *Statement of Cash Flows* and include a discussion on whether these issues can be solved by targeted improvements or a comprehensive review of IAS 7 would be needed.

No decisions were taken at the meeting.

Next meeting

After the 8 January 2024 meeting referred to above, EFRAG FRB - EFRAG FR TEG will hold a next joint meeting on 15 May 2024.

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting 5 December 2023

EFRAG FR TEG held a webcast meeting on [5 December 2023](#) and discussed the following topics:

IASB Project *Annual Improvements to IFRS Accounting Standards–Volume 11*

EFRAG FR TEG received an update on the feedback from constituents and discussed the EFRAG Final Comment Letter ('FCL') on the proposals in the IASB's Exposure *Annual Improvements to IFRS Accounting Standards–Volume 11*.

EFRAG FR TEG agreed to recommend the FCL for approval to the EFRAG FRB, as highlighted earlier, subject to minor drafting changes agreed during the meeting.

IASB Project *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9)*

EFRAG FR TEG discussed a summary of the feedback received from both the financial instruments and the insurance accounting working groups, and the IASB tentative decisions on the assessment of contractual cash flows; derecognition of financial liabilities through electronic transfer; and equity instruments and other comprehensive income.

Members expressed concerns about practical aspects of the assessment of the insignificance of the fair value of a contingent feature, in particular how it could be done in a quantitative way. Members generally agreed with the IASB tentative decisions regarding derecognition of financial liabilities through electronic transfer and equity instruments and other comprehensive income.

No decisions were taken at the meeting.

Physical meeting 20 December 2023

EFRAG FR TEG held a physical meeting on [20 December 2023](#) and discussed the following topics:

IASB Project *Lack of Exchangeability (Amendments to IAS 21)*

The EFRAG FR TEG members discussed EFRAG's Final Endorsement Advice ('FEA') on *Lack of Exchangeability (Amendments to IAS 21)*. Members agreed to recommend the FEA for approval to the EFRAG FRB subject to drafting amendments.

IASB Project *Post-implementation Review of IFRS 9–Impairment (ECL)*

EFRAG FR TEG discussed a summary of a feedback received by the IASB on its Request for Information ('RFI') on PIR of IFRS 9 - *Impairment* and the IASB's plan for the next phase of the project.

Members noted low involvement of users in the consultation and suggested that the use of real-life examples with impacts on financial statements could be helpful to better engage with users. It was also suggested to leverage the work performed by Taskforce on Disclosures about Expected Credit Losses and to consider the cost-benefit analysis of full credit risk disclosures for non-financial entities.

No decisions were taken at the meeting.

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

EFRAG FR TEG was provided with a summary of the IASB discussions and decisions on the following topics: sweep issues–updating the language of disclosure requirements; project plan for the Catch-up Exposure Draft; sweep issues–approach to updating the Exposure Draft for the disclosure requirements in the PFS Standard.

Members expressed some concerns regarding the consequences of updating the language, which could in fact result in changes to the disclosure requirements for eligible subsidiaries when comparing it to the ones in the ED that were based on requirements included in the IFRS for SME Standard. They considered it helpful to make changes more transparent.

Members also noted that the timely publication of and consultation on the Catch-up ED would be beneficial. This could further reduce the disclosure requirements for eligible subsidiaries. Otherwise, there would be a risk that it was necessary to apply the new disclosure requirements e.g. under the upcoming IFRS 18 or the

amendments to IFRS 7 and IAS 7 (*Supplier Finance Arrangements*) in full for a certain period. It would be helpful to know the complete reduced disclosure requirements as soon as possible to prevent a two-step transition to the new reporting requirements. In this context, it was noted that one of the critical points could be to include the RRA disclosure requirements in the Catch-up ED consultation, as the decisions on this bigger project are currently not finalised.

Early adoption of the Subsidiaries without Public Accountability Standard would raise some issues, for example those entities that would elect to early apply the Subsidiaries without Public Accountability Standard would have to apply the disclosure requirements under IAS 1. Even when the upcoming IFRS 18 and IFRS 19 would both be early adopted, entities would have to apply the new disclosure requirements under the PFS Standard similar to other current publications in full, until the amendments to be included in the catch-up ED are published. Therefore, members highlighted the need for the Catch-up ED to be published as soon as possible.

No decisions were taken at the meeting.

IASB Project *Primary Financial Statements*

EFRAG FR TEG members discussed the sweep issues identified by the IASB relating to the application of requirements for Management Performance Measures to specific measures (e.g., net debt cost). Members expressed some concerns on how an entity would assess whether a measure is or is not communicated with prominence in its public communication based on the IASB discussion held in November. Furthermore, members recommended the IASB to consider that when additional clarifications are included in the Basis for Conclusions rather than in the main body of IFRS 18, they cannot be used for enforcement purposes.

No decisions were taken at the meeting.

Next meeting

EFRAG FR TEG will hold a next meeting on [18 January 2024](#).

EFRAG'S SUSTAINABILITY REPORTING ACTIVITIES

SELECTED NEWS ITEMS

EFRAG welcomes ISSB's high-quality climate-related disclosures

EFRAG has subscribed to a public statement recognising the ISSB's crucial role in setting climate-related disclosures and emphasising their significance in enhancing transparency in global markets. EFRAG highlighted that the recently adopted ESRS incorporates the ISSB disclosures with a thorough interoperability approach. This results in the seamless integration of ISSB disclosures into the ESRS, ensuring that companies complying with EU standards simultaneously meet ISSB climate-related requirements, reducing their reporting burden. The interoperability facilitates reporting for companies and promotes progress in global reporting.

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

EFRAG and TNFD sign a cooperation agreement to further advance nature-related reporting

EFRAG and the Taskforce on Nature-related Financial Disclosures (TNFD) have announced the signing of a cooperation agreement, highlighting the importance of addressing nature-related issues to advance corporate sustainability and reflecting a shared commitment to enhance corporate transparency related to biodiversity and ecosystems.

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

OPEN CONSULTATIONS

Title and description	Closing date
Draft EFRAG IG 1: Materiality assessment implementation guidance	
Draft EFRAG IG 2: Value chain implementation guidance	2 February 2024
Draft EFRAG IG 3: Detailed ESRS datapoints implementation guidance	
Field test of LSME and VSME (call for candidates)	31 January 2024

PUBLICATIONS

Implementation Guidance documents

EFRAG published the first three (Draft) ESRS Implementation Guidance documents for public feedback. These documents form part of its implementation support activities, which consists of issuing non-authoritative implementation guidance and other material to support the application of sector agnostic ESRS adopted as delegated act on 31 July 2023 ('ESRS').

The three documents are as follows:

- Draft EFRAG IG 1: Materiality assessment implementation guidance [\[link\]](#)
- Draft EFRAG IG 2: Value chain implementation guidance [\[link\]](#)
- Draft EFRAG IG 3: Detailed ESRS datapoints implementation guidance [\[link\]](#) and accompanying explanatory note [\[link\]](#).

Stakeholders are invited to provide feedback on the draft implementation guidance documents by completing the respective surveys:

- Draft EFRAG IG 1: Materiality assessment implementation guidance [survey](#)
- Draft EFRAG IG 2: Value chain implementation guidance [survey](#)
- Draft EFRAG IG 3: Detailed ESRS datapoints implementation guidance [survey](#)

For more information, including the PDFs of the survey, read the press release [here](#).

WEBINARS AND ONLINE OUTREACHES

Joint webinar "Supporting high-quality ESRS implementation" organised by Accountancy Europe and EFRAG

Accountancy Europe and EFRAG organised a 2-hour joint webinar titled "Supporting high-quality ESRS implementation" on 12 December 2023.

The Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) will be effective on 1 January 2024 starting with the first companies in scope. The ESRS guide how companies report information under the CSRD. They introduce many new concepts and first-time adopters are now facing the challenges of implementing the new standards.

To support preparers and others in approaching the first time application of ESRS, EFRAG is committed to a series of implementation support activities, including the

issuance of its first implementation guidance on key ESRS concepts: materiality assessment and value chain.

Accountancy Europe and EFRAG jointly organised this webinar to:

- Look into the challenges to ESRS implementation and how to overcome them; and
- Share perspectives from the reporting ecosystem on the two implementation guidance in consultation (the draft Materiality Assessment Implementation Guidance & the draft Value Chain Implementation Guidance).

The full programme of the webinar can be found [here](#).

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

Call for participation in field test of EFRAG Exposure Drafts on Sustainability Reporting Standards for SMEs

EFRAG is calling for SMEs and users to test its forthcoming exposure drafts on voluntary sustainability reporting standard for non-listed SMEs (VSME) and ESRS for listed SMEs (ESRS LSME).

Confirmation of interest to be provided by **31 January 2024**.

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

EFRAG SUSTAINABILITY REPORTING BOARD (SRB)

Meeting date	Topics covered
13 December 2023	<ul style="list-style-type: none"> • Cooperation with CEN/CENELC (closed) • Approval of ESRS-GRI Interoperability index (open) • Approval of LSME standard (open)
15 December 2023	<ul style="list-style-type: none"> • Continued discussion and approval of the LSME ED (open) • Approval of Batch 2 Categorisations from the Q&A Platform (open)

The next EFRAG SRB meeting will be held on [10 January 2024](#).

ESRS-GRI Interoperability index

On 13 December 2023, the EFRAG SRB approved the (draft) ESRS-GRI Interoperability Index with no objections. It was emphasized that undertakings should not use the Index to fulfil ESRS legal requirements. Clear designation of different interoperability documents was also highlighted. As a result, the ESRS-GRI

Interoperability Index will be numbered as the Interoperability Map 1 (IM-1). In addition to this index, EFRAG and GRI will develop a digital correspondence table to achieve digital interoperability between ESRS and GRI Standards. The index will now be updated and released after agreement on the amendments to the disclaimer agreed in this meeting.

Approval of the LSME ED

On 15 December 2023, the EFRAG SRB approved the exposure draft for LSME. Almost all EFRAG SRB members approved the ED and agreed on new additions and changes to the standard. A few EFRAG SRB members abstained on the basis of the large volume of changes during the two meetings without sufficient time to evaluate these and to see the wording. The LSME ED will be released for 120-day public consultation period in January 2024.

Q&A Platform

The EFRAG SRB also approved the second batch of categorisations of the questions received in the context of the Q&A Platform.

EFRAG SUSTAINABILITY REPORTING TECHNICAL EXPERT GROUP (SR TEG)

Meeting date	Topics covered – all in public
05 December 2023	<ul style="list-style-type: none"> • Discussion and approval of the ESRS XBRL Taxonomy (open) • Approval of the ESRS and GRI Interoperability Index (open) • Approval of first batch of categorisations from the Q&A platform (open)

The next EFRAG SR TEG meeting will be held on 15 January 2024.

ESRS Taxonomy

Following the input of the EFRAG Digital Reporting Consultative Forum and intensive debate in the Digital Committee (composed by EFRAG SR TEG and EFRAG SRB members that volunteered to review in detail the taxonomy) and in SR TEG previous meetings, on 5 December 2023, EFRAG SR TEG consensually agreed to recommend the draft ESRS XBRL Taxonomy to the EFRAG SRB for public consultation, as the digital translation of the ESRS that best represents the content of the standards.

Prior to the approval, in this meeting EFRAG SR TEG discussed the last changes to the ESRS XBRL taxonomy regarding the methodological approach towards conditional and technical Booleans. Few conditional datapoints were re-classified as normal datapoints (no Booleans), based on the presence of another element in the XBRL taxonomy already covering that information and the low potential usability of the Boolean XBRL elements for users. A question on whether to keep the conditional Booleans will be included in the public consultation. When released for public comments, the draft ESRS XBRL taxonomy will be accompanied by an explanatory note illustrating the main methodological decisions implemented.

ESRS and GRI Interoperability Index

In the following session, EFRAG SR TEG approved to recommend to the EFRAG SRB the ESRS and GRI Interoperability Index for issuance. Points of improvement suggested in this meeting focused on the disclaimers and included ensuring a clear distinction in explanations regarding entity-specific matters and the role of GRI references. It was agreed to provide further explanations regarding the ESRS materiality assessment as well as on the use of the column "ESRS Disclosure Requirements."

Q&A Platform

EFRAG SR TEG reviewed the first batch of Explanations (i.e. technical answers to questions that do not require public feedback as they can be addressed explaining where in ESRS the corresponding answer can be found) drafted by the EFRAG Secretariat, after the approval of the respective categorisation by the EFRAG SRB. EFRAG SR TEG members suggested to provide a disclaimer regarding the timeline of the category for "Implementation Guidance". EFRAG SR TEG approved to recommend to the EFRAG SRB for issuance 14 explanations and agreed changes to five of them, before submitting them for written approval by the EFRAG SRB.

OTHER INVOLVEMENT IN SUSTAINABILITY REPORTING

Platform on Sustainable Finance (PSF)

EFRAG is an official observer in the second mandate of the Platform on Sustainable Finance and is represented by Kerstin Lopatta, EFRAG SRB Vice-Chair. EFRAG participates in Usability and Data (SG1) and in the Technical Working Group advising on the technical screening criteria (SG2).

The 11th plenary meeting of the Platform took place on 13 December 2023 preceded by the three Subgroup meetings and a joint meeting of SG1 and SG3 on 12 December 2023. The meeting included presentations of the subgroups and ESMA presented on ESAs amending SFDR RTS. In addition an exchange of views with Nathan Fabian, Chair of the first Platform, took place.

The [Platform's response to the SFDR](#) and [Draft report on EU taxonomy-aligning benchmarks \(TABs\)](#) have been published on the Platform's website in the week of 4 December.

The next meeting of the Platform will take place on 24 January 2024.