



EFRAG UPDATE

October 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.

The EFRAG General Assembly in January 2022 has approved the [revised EFRAG Statutes](#) and [EFRAG Internal Rules](#), integrating the new Sustainability Reporting Pillar in EFRAG's organisational structure. From now on EFRAG Financial Reporting Board and EFRAG Financial Reporting Technical Expert Group are indicated as 'EFRAG FRB' and 'EFRAG FR TEG' and EFRAG Sustainability Reporting Board and EFRAG Sustainability Reporting Technical Expert Group as 'EFRAG SRB' and 'EFRAG SR TEG'.

WEBINARS AND ON-LINE OUTREACHES

Save the date: EFRAG Conference "*Where is Corporate Reporting heading?*"

On 7 December 2022, EFRAG will hold its conference "*Where is Corporate Reporting heading?*" in Brussels to celebrate its 21-year anniversary and discuss EFRAG's major accomplishments, past and future. It will be an occasion to debate the new trends in corporate reporting following the Environmental, Social and Governance (ESG) revolution and the connectivity with financial reporting.

Mairead McGuinness, European Commissioner for Financial Stability, Financial Services and the Capital Markets Union, will be the keynote speaker. Pascal Durand, MEP (FR, Renew) and CSRD rapporteur, and Andreas Barckow, IASB Chair, will also deliver a talk.

The conference will take place on Wednesday **7 December 2022** from 9:30 to 17:30 CET at the Thon EU Hotel in Brussels and will be followed by drinks.

You can register [here](#).

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

EFRAG educational session on the IASB's *Primary Financial Statements* project

On 18 October 2022, the EFRAG Secretariat released an educational session on the *Primary Financial Statements* project presenting an overview of EFRAG's work on the project, and useful educational material for the forthcoming roundtables and webinars. The purpose is to help participants to the targeted outreach with their preparations.

Watch the educational session [here](#).

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

Save the date: EFRAG ASCG IASB roundtable on *Primary Financial Statements*

The Accounting Standards Committee of Germany (ASCG), jointly with EFRAG and in cooperation with the IASB Staff invite stakeholders to a roundtable discussion on the IASB's



ED General Presentation and Disclosures. The targeted outreach event will focus on selected tentative decisions taken by the IASB after reviewing stakeholders' feedback.

The online event will take place on **Friday 11 November 2022**, from 10:00 to 12:30 CET. It will be held in German. Register [here](#).

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

Save the date: EFRAG - IASB online roundtable - What are the implications of the recent IASB decisions on *Primary Financial Statements*?

On Tuesday **15 November 2022**, from 10:00 to 12:45 (CET), EFRAG will hold an online [roundtable](#) in cooperation with the IASB to discuss with preparers, users and auditors the implications of the IASB's latest tentative decisions on *Primary Financial Statements*.

Do not miss the chance to share your views, [register now](#).

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

CALL FOR CANDIDATES

REMINDER: Join the EFRAG FR TEG for the 2023 Rotation

Experts in financial reporting, interested in joining the EFRAG FR TEG for the 2023 rotation, have until **7 November 2022** to submit their application. A user or preparer background would be an advantage.

EFRAG is looking for candidates from a wide range of backgrounds and geographical origins and welcomes all applications. EFRAG strives for geographical and gender balance in the composition of EFRAG FR TEG. Read the complete [call for candidates](#).

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 Discussion Paper <i>Accounting for Variable Consideration from a Purchaser Perspective</i>	31 May 2023

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



EFRAG FINANCIAL REPORTING BOARD

Webcast meeting

EFRAG FRB held a webcast meeting on [18 October 2022](#) and discussed the following topics:

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

EFRAG FRB considered whether EFRAG should comment on the proposed clarifications to the definition of 'public accountability' included in Question 1 of the IASB Exposure Draft *Third edition of the IFRS for SMEs Accounting Standard*. EFRAG FRB members expressed different views whether to comment. Considering that the notion of public accountability is different from the notion of Public Interest Entities, a similar term used in the European Union accounting law it was decided not to comment on the Question 1 of the IASB ED.

IASB Project *Primary Financial Statements*

EFRAG FRB members received an update on the IASB's latest tentative decisions and discussed the materials for targeted outreach activities on a selection of tentative decisions made by the IASB.

No decisions were taken at the meeting.

Lease Liability in a Sale and Leaseback

EFRAG FRB members received an overview of the published Amendments and discussed and decided the approval process for the EFRAG's Draft and Final Endorsement Advice.

IASB Project *Dynamic Risk Management*

EFRAG FRB members received an update on the IASB's tentative decisions in May and July 2022. No decisions were taken at the meeting.

Update of work plan and any other matters

EFRAG FRB discussed and approved the technical workplan until March 2023. Members approved the project *Amendments to the Classification and Measurement of Financial Instruments (former Contractual Cash Flow Characteristics)* covering financial instruments with ESG-linked features and contractually linked instruments as being significant. This fast-track project is of importance for the European banks.

Next meeting

EFRAG FRB will hold its next meeting on [21 December 2022](#). This meeting is a physical meeting and takes place in the EFRAG offices.

October 2022 written procedures

EFRAG FRB has not approved any documents using written procedures in October 2022.



Expected November 2022 written procedures

EFRAG FRB is expecting to approve the following document using written procedures in November 2022:

- Draft Endorsement Advice on *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*.

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP

Webcast meeting

EFRAG FR TEG held a webcast meeting on [6 October 2022](#) and discussed the following topics:

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

EFRAG FR TEG discussed the proposed clarifications to the definition of 'public accountability' published in the IASB Exposure Draft *Third edition of the IFRS for SMEs Accounting Standard* and considered whether EFRAG should comment on these proposals included in Question 1 of the IASB ED. EFRAG FR TEG members recommended that EFRAG should comment on the IASB proposals despite the fact that IFRS for SMEs is not endorsed in Europe. Given that the changes made were based on comments received on the ED *Subsidiaries without Public Accountability: Disclosures* and scopes of the two standards use the same definitions of 'public accountability' and 'fiduciary capacity' members considered it useful to comment. However, EFRAG FR TEG members were critical of the fact that in Europe public accountability is defined similarly but differently by the term Public Interest Entities.

EFRAG FR TEG suggested to consider first whether the insurance entities should be permitted to apply the reduced disclosure standard. If they were permitted the best solution would be to decouple the two scopes; applying a scope different from the IFRS for SME scope; or providing further clarifications to the definitions of public accountability and fiduciary capacity in the IFRS for SMEs. Members referred this matter for further discussion by the EFRAG FRB.

No decisions were taken at the meeting.

IASB Project *Primary Financial Statements*

EFRAG FR TEG members received an update on the IASB's latest tentative decisions up to September 2022 and discussed the materials for targeted outreach activities, which will be held in October and November, on a selection of tentative decisions made by the IASB that represent a change to the proposals in the Exposure Draft *General Presentation and Disclosures*.

No decisions were taken at the meeting.



IASB Project *Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9)*

EFRAG FR TEG members received an update on the IASB's latest tentative decisions and EFRAG discussions up to September 2022 and discussed the clarifications proposed by the IASB on the concept of basic lending arrangement and whether and how a contingent event is relevant to determine whether the cash flows from a financial instrument meet the SPPI requirements. EFRAG FR TEG members also discussed the proposed guidelines on financial assets with non-recourse features and contractually linked instruments (CLIs).

No decisions were taken at the meeting.

Next meeting

EFRAG FR TEG will hold a next webcast meeting [3 November 2022](#).

EFRAG ADMINISTRATIVE BOARD

The EFRAG Administrative Board held a public session on [17 October 2022](#) to discuss:

- The feedback received from the public consultation on Set 1 of draft ESRS in relation to EFRAG's due process;
- The consultation periods for Set 2 of draft ESRS; and
- The consultation period for the draft XBRL Taxonomy on, Set 1 of draft ESRS.

The EFRAG Administrative Board tentatively supported the proposed actions to address the feedback received from stakeholders in the public consultation on Set 1. In particular EFRAG will communicate how it has considered the feedback received in the consultation on the draft ESRS EDs and addressed the main concerns expressed by respondents despite the relatively short timeline to finalise the draft ESRS after the public consultation.

It was noted that the overall timeline for the issuance of the standards imposed by the CSRD is extremely challenging. The timeline for the subsequent steps will depend on the resources that EFRAG can mobilise to prepare Sets 3 and 4 during the consultation/finalisation of Sets 2 and 3. With the current resources available the tasks have to be planned in sequence and there is limited ability to advance Sets 3 and 4 before the completion respectively of Sets 2 and 3.

Members tentatively supported the proposed staggered approach for the consultation period of Set 2. However, before making final decisions, members suggested to look more closely at the lessons learnt from the first public consultation, to explain more clearly the resources constraints of EFRAG in order to be able to reflect on the improvements to be brought in the context of Set 2. A new discussion on the matter is scheduled to take place in November 2022 before a final decision is taken.

Members also supported a two-months consultation period for the draft XBRL Taxonomy of Set 1.



EFRAG'S SUSTAINABILITY REPORTING AND RELATED ACTIVITIES

EFRAG Governance Reform

In 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. EFRAG will provide its technical advice to the European Commission in the form of fully prepared draft standards and/or draft amendments to ESRS accompanied with a cost-benefit analysis of the impacts of the technical advice on sustainability matters. The advice will also include an explanation of how EFRAG has taken into account other existing relevant EU regulations and the work of other global reporting initiatives

The agreed text of the CSRD, which is still subject to legal review, is available on the [Council website](#).

ESRS XBRL taxonomy

On 28 September, EFRAG launched a call for tenders to outsource the development of the XBRL taxonomy of the first set of ESRS to XBRL specialised experts with responses requested by 24 October 2022. EFRAG is in the process of reviewing the tenders received. The draft ESRS XBRL Taxonomy, based on the final first set of ESRS as adopted by the EC, is expected to be delivered by the end of September 2023.

Cost-benefit analysis of the first set of ESRS

On 10 November 2023, EFRAG SRB and EFRAG SR TEG will hold a joint public meeting in which the contractors mandated by EFRAG to prepare a cost-benefit analysis of the first set of draft ESRS (CEPS and Milieu) will present their report. The report aims at assessing the costs and benefits of the first set of draft ESRS and presents evidence and data collected in the context of this costs-benefit analysis. The report will present an assessment of the impacts of the first set of draft ESRS across different stakeholder groups (undertaking under the scope of the CSRD or that form part of their value chain, investors, NGOs, trade unions and society at large).

First set of draft ESRS

EFRAG SRB, which is responsible for all technical positions of EFRAG on sustainability matters, expects to hand over its technical advice (consisting of a first set of 12 draft ESRS) to the European Commission by mid-November 2022 as initially scheduled. The draft ESRS will be subsequently considered for adoption by the European Commission (by way of delegated acts after proper review and consultations as stipulated in the CSRD). The final ESRS (Set 1) are expected to be issued no later than end of June 2023 as stipulated in the CSRD.

ESRS sector specific sustainability standards

The EFRAG Secretariat is currently developing sector specific sustainability standards for the following 10 sectors: Agriculture, Farming and Fishing; Food and Beverages; Coal Mining;



Mining; Oil and Gas Upstream; Oil and Gas Mid to Downstream; Energy Production and Utilities; Motor vehicles; Textiles, Accessories, Footwear and Jewellery and Road Transport.

During September and October 2022 EFRAG started building sector communities of stakeholders that have a particular interest in each of these specific sectors. These stakeholders consist of preparers and preparer organisations, NGOs, civil society members, social partners, investment partners, standard setters or regulators or any other type of organisation with a particular interest in a specific sector.

During October and November 2022 workshops are being organised to discuss i) the sustainability matters and applicable regulation or legislation and ii) potential disclosure requirements for each sector.

Each workshop consists of a private part where proposals are discussed with Sector Community members and a public part where a summary is provided of the discussion and comments received in the private part. During these public sessions also further comments and suggestions are sought from the wider public.

During October workshops were held to discuss sustainability matters and applicable regulation or legislation in relation to the following sectors: Coal mining; Mining; Oil and Gas Upstream; Oil and Mid to Downstream; Motor vehicles and Agriculture, Farming and Fishing.

[EFRAG Sustainability Reporting Board](#)

During October 2022, EFRAG SRB held the following meetings to progress with its approval of the draft standards for the first set of draft ESRS to be delivered to the European Commission in November:

Date	Topics covered
4 October 2022	<ul style="list-style-type: none"> Changes to ESRS 2 Rationalisation of disclosure requirements and phasing-in
5 October 2022	<ul style="list-style-type: none"> Continued discussion about rationalisation and phasing-in
11 October 2022	<ul style="list-style-type: none"> ESRS E1 Climate change – feedback from consultation Public consultation – reports and statistics
12 October 2022	<ul style="list-style-type: none"> ESRS E2 Pollution E3 Water and marine resources E4 Biodiversity and ecosystems
19 October 2022	<ul style="list-style-type: none"> ESRS S2 Workers in the value chain, S3 Affected communities and S4 Consumers and end users ISSB-EFRAG interoperability
20 October 2022	<ul style="list-style-type: none"> ESRS S1 Own workforce
21 October 2022	<ul style="list-style-type: none"> ESRS E5 Resource and circular economy ESRS G1 Business conduct
26 October 2022	Discussion and tentative agreement of the topical standards



Date	Topics covered
27 October 2022	ESRS 1 and 2

[EFRAG Sustainability Reporting Technical Expert Group](#)

On 7 October 2022, EFRAG SR TEG discussed Due diligence in ESRS and at its meeting on 25 October 2022 approved the 12 ESRS drafts, subject to editorial changes, for recommendation to EFRAG SRB.

[Other involvement in sustainability reporting](#)

Platform on Sustainable Finance (PSF)

EFRAG attended the 26th and final plenary meetings of the PSF held on 11 and 12 October 2022.

On 11 October 2022 two launch events were organised on the reports SG4 (Minimum Safeguards) and SG5 (Data Usability).

SG5 also held workshop on Taxonomy Compass extension tool and SME report presentation.

On 12 October 2022, members received an update from the European Commission on the future activities of the new platform. Members, observers and sherpas were thanked for their contributions to the first platform.