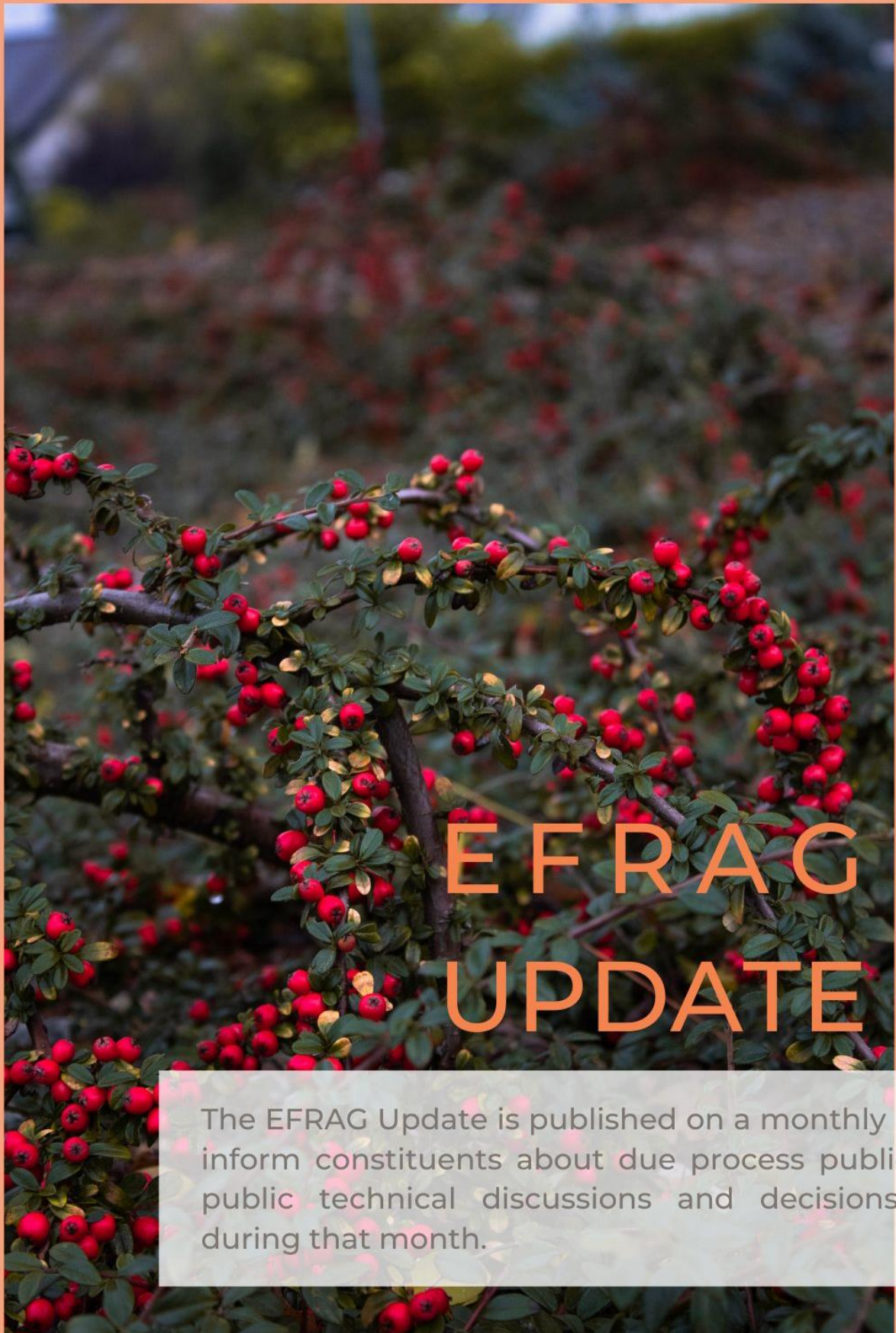




EFRAG

Europe's voice in corporate reporting

NOVEMBER 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.

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EFRAG ANNUAL CONFERENCE 2023 "EUROPEAN CORPORATE REPORTING: TWO PILLARS FOR SUCCESS"

EFRAG held its annual Conference 2023 "European corporate reporting: two pillars for success" in cooperation with the European Commission and with in-person participation of Commissioner Mairead McGuinness on 28 November 2023 in Brussels.



In addition to the main speech provided by Commissioner McGuinness, keynote speeches were provided by Pascal Durand, Rapporteur CSRD, MEP, Jean-Paul Servais, IOSCO Chair, Emmanuel Faber, ISSB Chair, Patrick de Cambourg, EFRAG SRB Chair, John Turner, XBRL International CEO, Eelco van der Enden, CEO GRI, Wolf Klinz, EFRAG FRB Chair, Linda Mezon Hutter, IASB Vice-Chair, and Verena Ross, ESMA Chair. Christine Lagarde, ECB President addressed the conference in a video message.

The conference paid tribute to Jean-Paul Gauzes, former EFRAG Board President who passed away in September 2023.

High-level panellists shared their views on accomplishments and challenges ahead in the field of sustainability reporting, debated the new developments in financial reporting and addressed the latest trends to connect both areas in the fast-evolving environment of corporate reporting.

The conference was attended by over 300 participants in person and more than 1700 on-line.

The recording of the conference is available on the [EFRAG Youtube channel](#). A summary report and pictures will be issued in due course.

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

IFASS

On 29 November 2023, EFRAG published, a report with the key messages and points of discussion from the financial and sustainability reporting topics covered at the September 2023 IFASS (International Forum of Accounting Standard Setters) meeting.

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

EFRAG'S FINANCIAL REPORTING ACTIVITIES

PUBLICATIONS

Draft Comment Letter

On 3 November 2023, EFRAG published its Draft Comment Letter in response to the IASB's Exposure Draft IASB/AI/ED/2023/1 *Annual Improvements-Volume 11*.

In its draft comment letter, EFRAG welcomes the package of the annual improvements included in the ED and agrees with the majority of the proposed amendments. In EFRAG's view, they would improve consistent application and understandability of the IFRS Accounting Standards.

However, for some of the proposed amendments, EFRAG recommends the IASB to provide clarifications as part of a narrow-scope standard-setting project, and consider alternative approaches, respectively.

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

EFRAG-supported academic study on IFRS 15

On 27 November 2023, EFRAG published an EFRAG-supported academic study on the effects of the adoption of IFRS 15 *Revenue from Contracts with Customers* on preparers and users of financial statements. The study's findings shed light on the related costs and benefits and these findings were incorporated into EFRAG's comment letter on the post-implement review of IFRS 15.

The study is available [here](#).

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

OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Draft Endorsement Advice on Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability</i>	7 December 2023

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

WEBINARS AND ONLINE OUTREACHES

EFRAG Roundtable on the Statement of Cash Flows - Is there a need for change?

EFRAG organised three types of closed online roundtables to address different stakeholders' interests

Financial institutions: 17 November 2023

EFRAG's **financial institutions and auditors of financial institutions** roundtable took place on 17 November 2023, and participants provided their views on the objectives/uses of and the issues with how the statements of cash flows are currently prepared, with a focus on financial institutions. Participants also expressed their views on what could be alternative reporting requirements. The input received will help EFRAG in developing its discussion paper on the statement of cash flows.

EFRAG's discussion paper will provide input to the IASB's project on the *Statement of Cash Flows and Related Matters*.

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

Corporates: 27 November and 4 December 2023

EFRAG's first **preparers and auditors of corporates** roundtable took place on 27 November 2023, and participants provided their views on the objectives/uses of and the issues with how the statements of cash flows are currently prepared. Participants also expressed their views on what could be alternative reporting requirements. The input received will help EFRAG in developing its discussion paper on the statement of cash flows.

EFRAG has organised an additional roundtable for **preparers and auditors of corporates**. The event took place on 4 December 2023.

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

Users and Academics: 1 December 2023

EFRAG has organised a roundtable for **users and academics** on its proactive research project on the statement of cash flows. The event will take place on 1 December 2023. The targeted outreach event will focus on identifying the objectives/uses of and the issues with how the statements of cash flows are currently prepared.

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

EFRAG FINANCIAL REPORTING BOARD (FRB)

Webcast meeting 7 November 2023

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

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

EFRAG FRB members received an update on the status of the project by the IASB. Members reiterated the support for the project. They requested the EFRAG Secretariat to update the interaction with the EU Accounting Directive to understand the impact. The project could support the objective to reduce the disclosure burden and might have a cost reduction effect. In addition, it might have a positive effect on the quality of information provided on a subsidiary level.

No decisions were taken at the meeting.

EFRAG Research Project *Statement of Cash flows and Related Matters*

Several EFRAG FRB members underlined the importance of the proactive project and appreciated the organisation of the roundtable discussions with different stakeholders. EFRAG FRB members confirmed to include in the Discussion Paper a comprehensive list of the issues identified, and not only fundamental issues. The description of issues should focus on the fundamental issues.

No decisions were taken at the meeting.

Next meeting

EFRAG FRB will hold its next meeting on [7 December 2023](#).

November 2023 written procedures

The EFRAG FRB has not approved any documents using written procedure in November.

December 2023 written procedures

The EFRAG FRB is not expected to approve any documents using written procedures in December 2023.

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG) – CFSS

Physical meeting 29 November 2023

EFRAG FR TEG - CFSS held a physical meeting on [29 November 2023](#) and discussed the following topics:

IASB Project *Primary Financial Statements*

EFRAG FR TEG and CFSS provided their input on steps after publication to support implementation and consistent application of the forthcoming IFRS 18 *Presentation and Disclosure in Financial Statements* in preparation for the December ASAF meeting. Members generally supported and encouraged the IASB to provide educational material. They proposed among others to focus on the classification of income and expenses in the financing category (including derivatives and hybrid contracts) and on the definition of MPMs, especially to support high-regulated entities. To support the implementation process, the educational material should be published close to the publication of the standard. The establishment of a Transition

Resource Group was discussed, but the IASB has not made a decision to establish one.

IASB Project *Climate-related and Other Uncertainties in the Financial Statements*

EFRAG FR TEG and CFSS members provided comments on the IASB development of examples as part of multi-step measures to address the reporting of climate risk in the financial statements. The comments related to: a) repurposing the two examples in the IASB *Materiality Practice Statement*, b) suggested examples from other areas besides materiality (e.g., impairment test requirements under IAS 36 and expect credit loss under IFRS 9); and c) the best vehicle for presenting these examples. Furthermore, members provided comments on the overall project objective and direction.

EFRAG Research Project *Statement of Cash Flows and Related Matters*

EFRAG FR TEG and CFSS provided their input on the objectives/uses and the issues with the statement of cash flows. For example, members discussed the usefulness of the statement of cash flows for different types of financial institutions and practical issues with preparing the statement of cash flows (e.g., intercompany transactions, foreign exchange differences and difference in classifications).

IFRS IC topics

EFRAG FR TEG and CFSS were provided with a summary of the main open issues that were discussed by the IFRS Interpretations Committee. On Power Purchase Agreements, members were informed of the IASB Staff's three possible approaches and the EFRAG Secretariat alternative approach.

Forthcoming IASB survey on pollutant pricing mechanisms

In the first half of 2024, the IASB's plan to conduct a survey with national standard setters on pollutant pricing mechanisms in different jurisdictions was announced. The importance of the project was underscored, and members expressed willingness to participate in the survey.

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting 2 November 2023

EFRAG FR TEG held a webcast meeting on [2 November 2023](#) and discussed the following topic:

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

EFRAG FR TEG discussed and approved the Draft Comment Letter (the “DCL”) on the IASB’s Exposure Draft *Annual Improvements to IFRS Accounting Standards–Volume 11* (the “ED”) with a comment period by 28 November 2023.

In its DCL 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 disagreed with the IASB's proposed amendment to IFRS 9 on derecognition of lease liabilities and recommended the IASB to clarify the interaction between IFRS 9 and IFRS 16 as part of a narrow-scope standard-setting project.

Physical meeting 29 November 2023

EFRAG FR TEG held a physical meeting on [29 November 2023](#) and discussed the following topic:

IASB Project *Primary Financial Statements*

EFRAG FR TEG members discussed several of the sweep issues identified by the IASB and discussed at the IASB October and November meetings. Members generally supported the proposed changes but highlighted that, although the new concept of “useful structured summary” (rather than “understandable overview”) would encompass all the roles of the primary financial statements but without changing other requirements in IFRS 18, the IASB should clarify this new concept to avoid misinterpretations. Furthermore, some members expressed concerns about the IASB tentative decision to not provide for a transitional relief to additional comparative periods. These members highlighted that this approach would significantly reduce the transition period for impacted entities.

No decisions were taken during the meeting.

Next meeting

EFRAG FR TEG will hold a next meeting on [5 December 2023](#).

EFRAG'S SUSTAINABILITY REPORTING ACTIVITIES

SELECTED NEWS ITEMS

EFRAG AND CDP Cooperation Agreement

On 8 November 2023, EFRAG and CDP announced their cooperation to accelerate the European Sustainability Reporting Standards (ESRS) market uptake, as adopted by the European Commission on 31 July 2023. This collaboration aims to align CDP's global environmental disclosure platform with ESRS, empowering companies worldwide to meet regulatory obligations. CDP will align its system with ESRS using EFRAG's expertise, access, and guidance. Furthermore, the partnership will expedite the implementation of ESRS, enhancing environmental reporting quality. With over 23,000 users, including two-thirds of global stock market value and nearly 90% of European market value, CDP, supported by EFRAG, plans to offer webinars and technical materials for companies to report ESRS data through its platform.

For more information, read the press release [here](#).

EFRAG and GRI new cooperation agreement

A new cooperation agreement was reached between EFRAG and GRI on 30 November 2023, following a successful three-year partnership. The agreement substantiates the benefits of the alignment achieved between the ESRS and the GRI Standards and commits the two organisations to continue working together to deliver technical support for reporting companies. As part of the agreement, the GRI-ESRS Interoperability Index (draft to be approved by EFRAG SR TEG and EFRAG SRB) was released demonstrating how the standards correlate. The tool GRI-ESRS Interoperability Index sets out how the disclosure requirements and datapoints in each set of standards relate to each other, emphasizing the high degree of commonality already achieved and laying down solid foundations to build a reciprocal digital taxonomy. Interoperability prevents the need for double reporting: entities reporting under ESRS will be deemed reporting 'with reference' to the GRI standards without the need to adjust their ESRS disclosure. In addition, existing GRI reporters will be able to leverage their current reporting efforts to prepare their ESRS "Sustainability statement", focusing on the differences illustrated in this Index.

For more information, read the press release [here](#).

CALL FOR CANDIDATES

Join EFRAG SR TEG for the 2024 rotation

EFRAG is [calling for candidates](#) for its Sustainability Reporting Technical Expert Group (EFRAG SR TEG) with a wide range of expertise and specialisations in the ESG domains and standards referenced in the CSRD from various backgrounds, geographical origins and diversity.

Appointments will start on 1 May 2024 and will be for one or two years (i.e., expiring on 30 April 2025 or 30 April 2026).

Candidates should complete the [online candidature form](#) **by 8 January 2024**.

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

EFRAG SUSTAINABILITY REPORTING BOARD (SRB)

Meeting date	Topics covered
15 November 2023	<ul style="list-style-type: none"> Final session before approval of the Materiality Assessment Implementation Guidance (MA IG) (open) Consideration of the first batch of categorisations from the Q&A Platform (open)
23 November 2023	<ul style="list-style-type: none"> Value Chain Implementation Guidance (VC IG) approval (open) IG list of ESRS data points - approval (open) First batch of categorisation from the Q&A Platform - approval (open)
29 November 2023	<ul style="list-style-type: none"> Memorandum of Understanding with GRI - approval (closed) Voluntary Standard for non-listed Small and medium-sized enterprises (VSME) ED approval (open) Standard for Listed Small and medium-sized enterprises (LSME ED) last discussion before approval (open)

The next EFRAG SRB meeting will be held on [13 December 2023](#).

Implementation Guidance

On 15 November 2023, the EFRAG SRB discussed the MA IG in a final session prior to written approval. This session mainly focused on final editorial changes, considering how to ensure a user-friendly approach consistent in language with the

ESRS. Specifically, the graphical representations were discussed, given their importance to simplify and visualise the materiality assessment process for readers. Further suggestions on how to streamline and finalise the MA IG included, for example, how to address the approach and purpose of stakeholder engagement and to consider the contexts and experience of specific stakeholders.

On 23 November 2023, the EFRAG SRB approved the VC IG. The discussion during this final session focused mainly on editorial issues. For instance, the EFRAG SRB suggested clarifying the status of unconsolidated subsidiaries or further specifying the link between business relationships and value chain. The implementation guidance with the list of ESRS data points was approved by the EFRAG SRB on 23 November 2023. The EFRAG SRB also reviewed the accompanying methodology paper and cover note and requested clarifications such as which datapoints are to be considered irrespective of the materiality assessment. The rationale on the determination of a datapoint, especially considering the Application Requirements, will also be included.

Following final editorial changes and further alignment between MA IG and VC IG, the three Guidance documents are to be published for public feedback for 30 days, excluding the holiday period.

Q&A Platform

On 15 November 2023, the EFRAG SRB received an update on the Q&A process including the submission form for questions, the weekly updated question log (that is publicly available on EFRAG website) and the overall workflow process.

The EFRAG SRB noted the varying complexities in the received questions, depending on the submitter's level of familiarity with ESRS. The change of terminology of the categorisation category "clarification" to "application" was discussed, which was introduced to avoid confusion with the IFRS Accounting Standards, however, this change was not universally accepted within the EFRAG SRB, due to the presence of Application Requirements in ESRS. The EFRAG Secretariat thus considered the alternative of "explanation" for questions, for which answers are based on the ESRS standards and require a less complex approach than an implementation guidance document. In the following session on 23 November 2023, the EFRAG SRB reviewed and approved the first batch of 38 Q&A categorisations. Next, the categorisations approved by the EFRAG SRB and the corresponding draft Explanations prepared by the EFRAG Secretariat, will be shared with the EFRAG SR TEG for approval.

Approval of the VSME and last discussion on LSME ESRS exposure drafts

On 29 November 2023, the EFRAG SRB discussed the VSME and LSME ESRS exposure drafts (EDs). The VSME ESRS ED was approved on a consensus basis. In particular, the EFRAG SRB member representing the banking sector expressed willingness to approve the initiation of the consultation process, as a necessary step to address remaining reservations regarding the current proposed standard.

On the LSME ESRS ED, the EFRAG SRB addressed the changes suggested in previous meetings, as well as from comments from the respective members head of this meeting. The final approval of the LSME ED will be at the next EFRAG SRB meeting.

December 2023 written procedure

The EFRAG SRB is expected to approve the explanations on the first batch of questions asked via the ESRS Q&A platform, and the MA IG for public feedback by written procedure in December 2023.

EFRAG SUSTAINABILITY REPORTING TECHNICAL EXPERT GROUP (SR TEG)

Meeting date	Topics covered
06 November 2023	<ul style="list-style-type: none"> MA IG approval (open) VC IG update (open) Digital tagging (closed - educational session): Demonstration from a data provider on how digital disclosures are used.
08 November 2023	<ul style="list-style-type: none"> Approval of VSME ED (open) Approval of the MA IG (open)
13 November 2023	<ul style="list-style-type: none"> Approval of the Implementation guidance of the ESRS datapoints (open)
20 November 2023	<ul style="list-style-type: none"> Educational session: draft ESRS XBRL Taxonomy (open) Discussion of selected comments of EFRAG Digital Committee on the Draft ESRS XBRL Taxonomy (open)
22 November 2023	<ul style="list-style-type: none"> Continued discussion of the ESRS XBRL Taxonomy (open)

The next EFRAG SR TEG meeting will be held on [5 December 2023](#).

Implementation Guidance

In the November meetings, the EFRAG SR TEG dedicated substantial discussions to both the MA IG and the VC IG. Following discussions on 6 November and 8

November 2023, the MA IG was approved by the EFRAG SR TEG. Final amendments concerned further improving and simplifying wording, especially concerning alignment with the ESRS Standards, ensuring that the graphical representations are easy to understand and presented in a way that will simplify the materiality assessment process, especially considering first-time preparers. The EFRAG SR TEG highlighted the need for clarifications in various sections in the follow-up session on 8 November 2023, for example on the link between the materiality assessment and the EU taxonomy.

During the same meeting on 6 November 2023, the EFRAG SR TEG validated its previous approval of the VC IG. Discussions revolved around concepts such as own operations, joint arrangements, and proportional consolidation. While considering how to include associates or joint ventures in the Guidance, it was emphasized that the term "group" as per the Accounting Directive, includes both the parent company and its subsidiaries, excluding associates or joint ventures. Discussions included financial control boundaries and operational control presentation for GHG emissions Scope 1 and 2. The EFRAG SR TEG indicated that operational control is not applicable to the ESRS topical standards ESRS S3 and S4. Finally, further refinement and alignment with the MA IG were highlighted as next steps.

Approval of the VSME ESRS ED

On 8 November 2023, the EFRAG SR TEG approved the Voluntary Small and Medium-Enterprises (VSME) exposure draft. Changes to the exposure draft were discussed, including the deletion of the disclosure on BP 5, "Sector EU Paris Aligned Benchmarks", modifications related to the disclosure of Scope 3 GHG emissions, and several editorial changes. The next steps involve the EFRAG Secretariat implementing agreed changes and addressing editorial issues, before the EFRAG SRB meeting on 29 November 2023.

List of ESRS Datapoints and XBRL Taxonomy

The meetings on 13 and 20 November 2023 addressed the Draft ESRS XBRL taxonomy and associated datapoints. During the first meeting the EFRAG Secretariat explained that the list of datapoints is simplified compared to the Draft XBRL taxonomy. In this context, members suggested to include a legend of colours in the index along with a disclaimer that emphasises the reporting of all datapoints if a sustainability matter is material. Finally, the EFRAG SR TEG approved the list of ESRS datapoints.

The approval was followed by an educational session on the ESRS XBRL Taxonomy on 20 November 2023. The EFRAG Secretariat explained the structure and use of the ESRS XBRL Taxonomy as well as the process of tagging. The session on selected

comments by the Digital Committee focused on concerns about narrative tagging as well as specific types of datapoints such as conditional Booleans. The EFRAG SR TEG expressed broad support for advancing sustainability reporting standards through the digital taxonomy, with recommendations for reducing conditional Booleans and clarifying narrative tagging.

On 22 November 2023, discussion on the ESRS XBRL Taxonomy continued, focusing again on the conditional Booleans. Advantages and disadvantages of integrating conditional Booleans were considered, the EFRAG SR TEG also considered the need to precisely adhere to the requirements in the Delegated Acts in this context. The EFRAG SR TEG then requested a review of the Booleans, aiming to restrict them to what is strictly necessary. To provide more time to discuss individual conditional Booleans at length, the voting for approval was postponed until the next EFRAG SR TEG meeting on 5 December 2023.

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 9th plenary session took place on 8 November 2023 and was preceded by Subgroup meetings on 7 November 2023. The agenda for the main meeting of the PSF included the presentation of the Platform response to the SFDR consultations, a presentation on the Data Science Hub and reporting back of SG1 and SG3 (Monitoring of Capital Flows).

On 29 November 2023 an extraordinary plenary meeting of the Platform (10th meeting of the second Platform) took place with as subject the in principle adoption of Platform's response to the targeted consultation on the implementation of the SFDR.

The 11th plenary meeting of the Platform takes place on 13 December 2023 preceded by the three Subgroup meetings on 12 December 2023. The agenda of the plenary meetings includes 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, will take place. The meeting is expected to adopt in principle the summary report on "A Compendium of market practices".

The next meeting of the Platform is expected to take place on 24 January 2024.