



EFRAG

Europe's voice in corporate reporting

October 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 GOVERNANCE AND DUE PROCESS

ADMINISTRATIVE BOARD

Webcast meeting on 31 October 2023

The EFRAG Administrative Board held a webcast meeting on 31 October 2023 and discussed the key elements of due process procedures for the elaboration of non-binding guidance documents or other material to support the implementation of ESRS.

The EFRAG Administrative Board unanimously approved the Due Process for ESRS Implementation Guidance and Educational material which will be included in the Sustainability Reporting Due Process Procedures. The EFRAG Administrative Board Due Process Committee will continue to monitor EFRAG's activities on implementation and improve the due process procedures if deemed necessary.

NEW APPOINTMENTS

EFRAG is pleased to announce that new members have joined its governance bodies:

- Robert Ophèle: appointed as EFRAG Administrative Board member (ANC-France);
- Sebastien Godinot: appointed as EFRAG Administrative Board member (Civil Society Organisations);
- Simone Scettri: appointed as EFRAG FRB member (OIC- Italy); and
- Signe Lysgaard: appointed as EFRAG SR TEG member.

EFRAG welcomes these appointments as the knowledge and experience of Robert Ophèle, Sebastien Godinot, Simone Scettri and Signe Lysgaard will contribute and bring added value from their fields of expertise to EFRAG's financial and sustainability reporting as well as governance activities.

EFFRAG thanks for their valuable contributions the members that stepped down: Michel Barbet-Massin (EFRAG Administrative Board), Marilyn Waite (EFRAG Administrative Board), Angelo Caso (EFRAG FRB) and Joanne Houston (EFRAG SR TEG).

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

EFRAG PTF-RNFRO WINS A PRIZE AT THE ISAR HONOURS 2023

EFRAG is pleased to announce that the report "[Towards Sustainable Businesses: Good Practices in Business Model, Risks and Opportunities in the EU](#)", was selected among others for this year's session of [ISAR Honours from about 70 global initiatives](#). The report developed by the European Lab initiative, the PTF-RNFRO which was co-chaired by Dawn Slevin and Mario Abela.

Watch Dawn Slevin's message delivered at this occasion [here](#).

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

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

EFRAG will hold 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.

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

Register [here](#) to participate in-person or virtually.

Download the [Save the date](#).

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

EFRAG JOINT FINANCIAL AND SUSTAINABILITY REPORTING TECHNICAL EXPERT GROUP (FR AND SR TEG)

Hybrid meeting 18 October 2023

EFRAG FR TEG and EFRAG SR TEG held a hybrid meeting on [18 October 2023](#), co-chaired by the Chair of EFRAG FR TEG and the Chair of EFRAG SR TEG, and discussed the following topics:

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

EFRAG FR TEG and EFRAG SR TEG were provided with an overview of the IASB project, including its decision on project direction and the key findings from EFRAG's outreaches on the IASB project, as further detailed in the EFRAG's [Briefing Summary](#) issued in September 2023. Many members agreed with the project direction. However, a few members from the SR TEG aired their expectations of a more ambitious approach that could go beyond the constraints of current financial reporting requirements.

No decisions were taken during the meeting.

EFRAG Research Project *Connectivity between Financial and Sustainability Reporting*

To support reporting practice and help operationalise connectivity, the deliverables of the ongoing EFRAG research on connectivity will include both real-world and mock-up examples. EFRAG FR TEG and EFRAG SR TEG discussed the proposed approach to develop examples to be included in an EFRAG Discussion Paper on connectivity. Members considered how to develop examples for direct connectivity, indirect connectivity, consistency in relating forecasts to present/past, consistency related to the use of the same assumptions and other relationships between financial reporting and the sustainability statement. EFRAG CAP members will share actual examples of connectivity drawing on their areas of functional focus.

In addition, the deliverables resulting from the project were discussed. Members of the two EFRAG Reporting TEGs provided their input on the content and structure of a comprehensive Discussion Paper presented by the EFRAG Secretariat, as well as

on any other possible interim deliverables. On the latter, it was assessed that the focus should be on finalising a Discussion Paper, which would be issued for public comments, and, if possible, explore means to communicate the progress on the project.

The two EFRAG Reporting TEGs agreed on the proposed outline of the future Discussion Paper.

Update on the ESRS Q&A platform

The EFRAG Secretariat updated EFRAG SR TEG and EFRAG FR TEG on the Q&A platform's purpose and process. The discussion focused on clarifying the use of resources, the deadlines, the languages available, how questions would be classified and the resulting outcomes.

No decisions were taken during the meeting.

Discussion on the financial materiality in the MAIG FAQs

EFRAG SR TEG and EFRAG FR TEG discussed the specific FAQs dealing with financial materiality in the Materiality Assessment Implementation Guidance. Specifically, the EFRAG FR TEG discussed the fact that materiality in the financial statements and management commentary, on one hand, and materiality in the sustainability statement, on the other hand, is the same concept, as it responds to the same objective. However, its application as well as the resulting information that is likely to be material, differ.

No decisions were taken during the meeting.

EFRAG'S FINANCIAL REPORTING ACTIVITIES

CALL FOR CANDIDATES

[EFRAG groups](#)

Reminder: Join EFRAG Financial Reporting TEG for the 2024 rotation

EFRAG is [calling for candidates](#) for its Financial Reporting Technical Expert Group (EFRAG FR TEG) and is looking for candidates from a wide range of backgrounds and geographical origins and welcomes all applications. EFRAG in particular seeks candidates with general preparer, user and academic backgrounds. The deadline for applications has been extended to 20 November 2023.

Please send the applications at nominations@efrag.org by **20 November 2023**.

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

PUBLICATIONS

Final Endorsement Advice

On 4 October 2023, EFRAG completed its due process regarding *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)* and submitted its [Endorsement Advice Letter](#) to the European Commission. EFRAG assesses that the Amendments meet the technical endorsement criteria of the IAS Regulation and is conducive to the European public good. EFRAG, therefore, recommends its endorsement.

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

Final Comment Letter

On 31 October 2023, EFRAG published its Final Comment Letter in response to the IASB Request for Information on the *Post-implementation Review of IFRS 15 Revenue from Contracts with Customers* ('FCL').

In its FCL, EFRAG notes that the Standard is generally working well in practice, the five-step revenue recognition model and accompanying application guidance are robust and principles-based requirements - suitable for contracts with customers of varying complexity and the intended objectives of adopting the Standard were achieved. EFRAG also suggests some areas for targeted improvements of the Standard.

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

OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Draft Comment Letter on the IASB's <i>ED Annual Improvement to IFRS Accounting Standards-Volume 11</i>	28 November 2023
EFRAG Discussion Paper <i>Accounting for Variable Consideration - From a Purchaser's Perspective</i>	30 November 2023
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's survey: IASB Project *Business Combinations - Disclosures, Goodwill and Impairment* - 22 November 2023

EFRAG is launching a survey to seek preparers' views on the IASB tentative decisions on its project *Business Combinations-Disclosures, Goodwill and Impairment* regarding the disclosure requirements for business combinations.

You can submit your answers by using the [link](#) to the survey **by 22 November 2023**.

An overview of the survey in PDF could be consulted [here](#).

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

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

Three different of roundtables were organised addressing different stakeholders' interests:

Financial institutions: 17 November 2023

EFRAG invites **financial institutions and auditors of financial institutions** to a roundtable discussion on its proactive research project *Statement of Cash Flows and Related Matters*. 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, focusing more specifically on financial institutions. Prior research confirmed that the statement of cash flows has limited relevance for financial institutions. Therefore, this exchange of views will be specific for banks, insurance companies and conglomerates.

Please register [here](#).

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

Corporates: 27 November and 4 December 2023

EFRAG invites **preparers and auditors of corporates** to a roundtable discussion on its proactive research project on the statement of cash flows. The targeted outreach event will focus on identifying the objectives/uses of the statement of cash flows and the issues concerning how the statements of cash flows are currently prepared under the requirements of IAS 7 *Statement of Cash Flows*. Participants may choose their preferred date and time. The topics of discussions will be identical for both events.

Please register [here](#).

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

Users and Academics: 1 December 2023

EFRAG invites **users and academics** to a roundtable discussion on its proactive research project on the statement of cash flows. 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.

Please register [here](#).

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

EFRAG FINANCIAL REPORTING BOARD (FRB)

Webcast meeting 3 October 2023

The EFRAG FRB held a webcast meeting on 3 October 2023 and discussed the following topic:

IASB Project *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*

EFRAG FRB approved the endorsement advice to the European Commission for *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*.

Next meeting

EFRAG FRB will hold a next meeting on [7 November 2023](#).

October 2023 written procedures

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

Expected November 2023 written procedures

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

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Hybrid meeting 19 October 2023

EFRAG FR TEG held a hybrid meeting on [19 October 2023](#) and discussed the following topics:

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

The EFRAG FR TEG discussed a summary of feedback received by the IASB on its Exposure Draft Amendments to the Classification and Measurement of Financial Instruments. Members reiterated the importance of having a solution for the financial instruments with ESG-linked features as soon as possible.

No decisions were taken at the meeting.

IASB Project Business Combinations–Disclosures, Goodwill and Impairment

EFRAG FR TEG discussed the IASB's tentative decisions taken in July and September 2023 on improvements to the goodwill impairment test, transition requirements and due process of the upcoming exposure draft expected in H1 2024.

EFRAG FR TEG members generally agreed with the IASB's tentative decisions and noted that it would be important to see the final wording in the exposure draft to assess whether the proposed changes and additional guidance would change/improve current practice.

No decisions were taken at the meeting.

IASB Project Disclosure Initiative–Subsidiaries without Public Accountability: Disclosures

EFRAG FR TEG discussed the IASB's discussions and tentative decisions taken on the project since March 2023.

EFRAG FR TEG members generally agreed with the IASB's tentative decisions. Members questioned, however, why several disclosures proposed by EFRAG and aligned with the Accounting Directive were not included and suggested the IASB to clearly communicate its approach.

Members also discussed the challenges that arise on the interaction of the forthcoming reduced disclosures IFRS Accounting Standard with the forthcoming new IFRS Accounting Standard on *Primary Financial Statements*, particularly those that arise in case of early adoption of any of the new standards.

Members suggested including the full disclosure requirements from recently issued IFRS Accounting Standards, directly in the reduced disclosure standard as such approach would be easier for preparers and would simplify the endorsement process.

No decisions were taken at the meeting.

Webcast meeting 24 October 2023

EFRAG FR TEG held a webcast meeting on [24 October 2023](#) and discussed the following topics:

IASB Research Project PIR of IFRS 15 Revenue from Contracts with Customers

EFRAG FR TEG discussed and approved the EFRAG Final Comment Letter ('FCL') in response to the IASB's Request for Information: *Post-implementation Review IFRS 15 - Revenue from Contracts with Customers*.

In its FCL, EFRAG indicates that IFRS 15 is generally working well in practice and the intended objectives of adopting the Standard were achieved but proposes some targeted improvements.

Webcast meeting 30 October 2023

EFRAG FR TEG held a webcast meeting on 30 October 2023 and discussed the following topics:

EFRAG Research Project Statement of Cash Flows and Related Matters

EFRAG FR TEG discussed the direction of the EFRAG's proactive research project on the statement of cash flows and discussed the outreach approach for the first phase of the project. EFRAG FR TEG generally agreed on the direction of the project but highlighted the need to produce a comprehensive list of issues with the statement of cash flows, rather than focusing on the fundamental issues only. Additional inputs on the objectives/uses of and issues with the statement of cash flows have been collected.

No decisions were taken at the meeting.

Next meeting

EFRAG FR TEG will hold a next meeting on [29 - 30 November 2023](#).

EFRAG'S SUSTAINABILITY REPORTING ACTIVITIES

Key developments in October 2023 covered in this Update

- On 11 October 2023, the EFRAG SRB approved the EFRAG Sustainability Reporting Work Programme for 2024 (available [here](#))
- On 17 October 2023, the EFRAG SR TEG approved to recommend to the EFRAG SRB for issuance the LSME ESRS Exposure Draft
- On 21 October 2023, the co-legislators' scrutiny period ended: the first twelve ESRS issued as a Delegated Act in July 2023 are integrated into the European legal framework
- On 24 October 2023, EFRAG opened its ESRS implementation Q&A platform, accessible [here](#)
- EFRAG made available the draft Implementation Guidance List of ESRS data points in Excel that will be approved by the EFRAG SR TEG (as advice to the EFRAG SRB for approval) on 6 November 2023 (accompanied by the explanatory document available on the EFRAG website in the documents for the [EFRAG SR TEG meeting on 6 November](#))

SELECTED NEWS ITEMS

Final adoption of the ESRS by the European Institutions

With the end, on 21 October 2023, of the co-legislators' scrutiny period, the first set of twelve sector-agnostic ESRS providing for a proportionate but comprehensive reporting of environmental, social and governance matters is now integrated in the European legal framework. This is a further milestone in the implementation of a robust sustainability reporting framework in the European Union.

Launch of the ESRS implementation Q&A platform

On 24 October 2023, EFRAG launched its ESRS Q&A Platform to collect and answer technical implementation questions to support preparers and other stakeholders with the implementation of the ESRS. Stakeholders can complete the [online form](#) to ask their questions, with further information on the process [here](#).

In its role as technical advisor to the European Commission, EFRAG will provide non-authoritative responses to the questions asked through the Platform. Answers will be provided by EFRAG following its due process.

This supports the European Commission's request to EFRAG to prioritise capacity building for ESRS implementation, in particular related to the sector-agnostic standards adopted on 31 July 2023.

CALL FOR CANDIDATES

[EFRAG groups](#)

Join EFRAG Sustainability Reporting 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 in particular in standards referenced in the CSRD, from a wide range of 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).

Candidatures should be submitted by completing the [online candidate form](#) by **8 January 2024**.

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

EFRAG SUSTAINABILITY REPORTING BOARD (SRB)

Meeting date	Topics covered
11 October 2023	<ul style="list-style-type: none"> • Procedural discussion (closed) • Update of EFRAG SRB good practices (closed) • Approval of the ESRS implementation Q&A Process • Approval of the 2024 Work Programme
24 October 2023	<ul style="list-style-type: none"> • Final discussion of VSME ED prior to its approval • Final discussion of LSME ESRS ED prior to its approval • Approval of cooperation agreement with TNFD (closed)
25 October 2023	<ul style="list-style-type: none"> • Updates of the Materiality Assessment Implementation Guidance based on received feedback • Updates of the Value Chain Implementation Guidance based on received feedback • Update on Implementation Guidance List of ESRS data points in Excel

The next EFRAG SRB meetings will be held [15 and 29 November 2023](#). On 15 November 2023 the EFRAG Secretariat will seek approval of the draft implementation Guidance on Materiality Assessment, Value Chain and Detailed requirements (Excel) to be released for public feedback. On 29 November 2023, the EFRAG Secretariat will seek approval of the LSME and VSME Exposure Drafts, subject to further editorial changes.

Process for ESRS Implementation Q&A Platform

On 11 October 2023, the EFRAG SRB discussed and approved the process for the ESRS implementation Q&A platform, focusing in particular on how questions will be addressed and categorised. The specific roles and responsibilities of the EFRAG Secretariat, the EFRAG SR TEG and the EFRAG SRB were reviewed as well as other organisational issues. External contributions from, for example, national standard setters will also be considered to further support the process.

Following the adoption of both the LSME ESRS and the VSME standards, the Q&A implementation process will also be extended to address relevant questions of SMEs.

Approval of the EFRAG Sustainability Work Programme for 2024

The work programme for 2024 was approved on 11 October 2023.

The priorities for 2024 are: implementation support and standards for SMEs.

Starting from the 24 October 2023, EFRAG has launched the ESRS implementation Q&A platform. Clarifications, Rejections and Implementation Guidance will be issued in 2024 by EFRAG to address the questions received and they will have non-authoritative value. Questions may also trigger possible amendments to issued ESRS; EFRAG does not expect to issue proposed Amendments to ESRS in 2024, except if very urgent matters arise.

EFRAG expects to issue in November 2023 for thirty-days public feedback its first three Implementation Guidance (Materiality Assessment, Value Chain, List of ESRS data points in Excel) and to finalise them at the beginning of 2024.

As per the CSRD, EFRAG is working to a simplified ESRS (LSME) to be used by listed SMEs, small and non-complex banks and captive insurances and reinsurances. In addition, in its recent SME Relief Package the European Commission indicates that it will ensure that SMEs have a voluntary, simple and standardised methodology to report on ESG issues (VSME). EFRAG expects to issue ESRS LSME and VSME Exposure Drafts for four months of public consultation in January 2024 and to issue its technical advice the EC for both documents in November 2024. LSME will be issued as a delegated act, but VSME will not.

In Q1 2024 EFRAG will issue for consultation for sixty days the draft XBRL taxonomy of the ESRS issued in July 2023 as delegated act and in the second half of 2024 plans to issue its final advice. This deliverable constitutes a technical recommendation to the European Commission on the digitalisation rules of ESRS. The European Securities and Markets Authority (ESMA) will subsequently consult on the final digitalisation rules and effective date.

Furthermore, EFRAG has started a multi-annual standard-setting program that will lead to the issuance of approximately 40 sectoral standards. The primary focus will be addressing high-impact sectors first, however given the importance of financial institutions and their role in sustainable finance, it will be nonetheless important to develop these sectors in parallel. EFRAG will put in consultation in 2024 the general approach to sector ESRS, the ESRS Sector classification approach and, depending on available resources, a first batch of high-impact sectors.

Following article 40a of the CSRD, the EU branches or subsidiaries of non-EU companies that generate turnover over €150 million in the EU shall publish sustainability-related information by 1 January 2028. The CSRD foresees the adoption of separate standards especially for the case of such non-EU companies. The consultation on an Exposure Draft will start in Q4 2024 or Q1 2025 at the latest. Going forward, the European Commission will consult with the Member States and the European Parliament on EFRAG's 2024 work programme.

Final discussions of the LSME and VSME draft ESRS prior to their approval

Final amendments to the draft LSME and VSME ESRS were discussed by the EFRAG SRB on 24 October 2023.

The EFRAG Secretariat clarified that the VSME ESRS aims at replacing the multitude of questionnaires that SMEs are currently receiving from their suppliers or corporate customers. The EFRAG SRB discussed each module, considering necessary simplifications based on the relevance of indicators. Furthermore, the EFRAG SRB emphasised distinguishing between 'what' and 'how' to report. The EFRAG SRB decided to prioritise the 'what to report' with the issuance of the Exposure Draft for consultation. The 'how to report' may be a future workstream. The EFRAG SRB also requested the EFRAG Secretariat to broaden outreaches to NGOs, CSOs and rating agencies and service providers, during the consultation phase.

The draft LSME ESRS was discussed following EFRAG SR TEG approval on 17 October 2023. Regarding further simplifications, the EFRAG SRB considered important to maintain alignment with the ESRS for large undertakings. This will maintain comparability and allow for the easy adoption of the ESRS Standard for large undertakings if the SME expands to such a degree. Specific amendments were suggested based on their overall importance for reporting and the expected burden on SMEs.

Implementation Guidance

The updated versions of the Draft Materiality Assessment Implementation Guidance and the Draft Value Chain Implementation Guidance were discussed in a final session on 25 October 2023. The papers discussed in the meeting were still in draft and are not EFRAG guidance, until approved by the EFRAG SRB and as such they are subject to changes.

The third Implementation Deliverable, the list of ESRS data points in Excel, was also discussed in a session of 25 October 2023. This consists of an Excel with the detailed requirements to allow undertakings to perform a gap analysis of disclosures to be completed based on their materiality assessment. The EFRAG SRB suggested further modifications to enhance consistency with the ESRS text. The EFRAG SRB also proposed distinguishing between the voluntary and mandatory data points.

The discussion of the Draft Materiality Assessment Implementation Guidance focused on enhancing readability and accessibility through simplifying language or including further examples. The EFRAG SRB also discussed specific graphics or examples that may be misleading to preparers unfamiliar with the double materiality assessment. References and relevance of other reporting mechanisms to provide

input for the materiality assessment, in particular the EU Taxonomy, were also considered.

Additionally, the EFRAG SRB highlighted the importance of maintaining consistency between the Materiality Assessment Implementation Guidance and the Value Chain Implementation Guidance. Going forward, further editorial and stylistic changes will be prioritised following agreement on the content of the Guidance.

Regarding the Draft Value Chain Implementation Guidance, the discussion focused on addressing how to deal with joint arrangements (either joint operations or joint ventures) and associates. The EFRAG SRB discussed possible ways to clarify the distinction between own operations and value chain as well as the resulting implications to the reporting. The EFRAG SRB mentioned that adding further illustrative examples portraying certain scenarios may be helpful and enhance usability.

Furthermore, the EFRAG SRB highlighted that the ESRS implementation Q&A platform will provide an overview of relevant current issues and questions on aspects related to the materiality assessment and value chain considerations.

EFRAG SUSTAINABILITY REPORTING TECHNICAL EXPERT GROUP (SR TEG)

Meeting date	Topics covered
02 October 2023	<ul style="list-style-type: none"> Update on the XBRL taxonomy pre-approval process (closed) Session on VSME discussing approaches for simplified language (open)
17 October 2023	<ul style="list-style-type: none"> Final discussion on the Materiality Implementation Guidance prior to EFRAG SR TEG approval (open) Approval of LSME (open)
18 October 2023	<ul style="list-style-type: none"> Final discussion on the Value Chain Implementation Guidance prior to EFRAG SR TEG approval (open)
26 October 2023	<ul style="list-style-type: none"> Final discussion on VSME (open) prior to EFRAG SR TEG approval

The next EFRAG SR TEG meetings will be held on [6 and 8 November 2023](#). On 6 November 2023, the EFRAG Secretariat will seek approval of the first three EFRAG Implementation Guidance documents: Materiality Assessment, Value Chain and List of ESRS data points in Excel. On 8 November 2023, the EFRAG Secretariat will seek approval of VSME Exposure Draft, subject to further editorial changes.

Discussions of the LSME and VSME draft ESRS

On 2 October 2023, EFRAG SR TEG addressed key simplifications to the VSME standard, in particular adopting a simpler style of language for cross-cutting requirements.

Following this, the draft VSME Standard was discussed in more detail on 26 October 2023, in the last session prior to recommending the document to the EFRAG SRB on 8 November 2023. EFRAG SR TEG raised several key issues, for example allowing for a consistent and clear use of terminology by addressing 'due diligence' in the Standard. Furthermore, noting that the Business Partners module is dependent on SFDR indicators and that changes to these indicators are possible in the future, the EFRAG Secretariat will also closely monitor awaited amendments to the SFDR. EFRAG SR TEG agreed that despite these possible changes, the consultation on VSME should go ahead. In the consultation it will be clarified to stakeholders that such changes are possible.

The draft LSME ESRS Exposure Draft was recommended for public consultation by EFRAG SR TEG to the EFRAG SRB on 17 October 2023. The EFRAG Secretariat highlighted the overall reduction of datapoints, the emphasis on proportionality and additional phase-in requirements. Regarding transitional provisions related to future sector standards, it was clarified that the approach to sectors for SMEs (both for LSME and VSME) will be explored further in the public consultation. The majority of EFRAG SR TEG members participating to the meeting approved the LSME ED (17 members approved / 2 dissented). Luc Hendrickx and Eric Duvaud did not approve the LSME ED. Reasons for dissent are available in the cover note (Agenda Paper 05-01) of the EFRAG SRB meeting on 24 October 2023, accessible in the [EFRAG website](#).

Implementation Guidance

Final suggested amendments by EFRAG SR TEG prior to the approval of the draft Materiality Assessment Implementation Guidance were addressed on 17 October 2023. Key issues that were considered were: further simplifications of language, strengthening references to existing reporting frameworks for overall accessibility and providing more guidance, specifying the approach to stakeholder engagement. EFRAG SR TEG also discussed a specific FAQ on the EU Taxonomy and agreed to soften links between the two reporting instruments, given the distinct purpose of each.

On the 18 October 2023, EFRAG SR TEG discussed the draft Value Chain Implementation Guidance. Some of the discussions focused on selecting wording and language that would avoid misinterpretations. EFRAG SR TEG discussed the extrapolation of the use of proxies to the whole range of topics in sector agnostic

ESRS and its practical effectiveness. Moreover, the EFRAG SR TEG members highlighted some further editorial and drafting changes that will improve the readability of the guideline.

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 takes place on 8 November 2023 and is preceded by Subgroup meetings on 7 November 2023.