



EFRAG UPDATE

March 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.

PUBLICATIONS

Final Comment Letters

Non-current liabilities with Covenants (Amendments to IAS 1)

On 29 March 2022, EFRAG published its comment letter in response to the IASB's Exposure Draft *ED/2021/9 Non-Current Liabilities with Covenants* ('the ED'). In the ED, the IASB proposes to clarify the classification of liabilities with covenants as non-current versus current. Please find the comment letter on *ED/2021/09 Non-Current Liabilities with Covenants* [here](#).

Supplier Finance Arrangements

On 29 March 2022, EFRAG published its comment letter in response to the IASB's Exposure Draft *ED/2021/10 Supplier Finance Arrangements* ('the ED'). In the ED, the IASB proposes to enhance the transparency of reporting for supplier finance arrangements and their effects on an entity's liabilities and cash flows. Please find the comment letter on *ED/2021/10 Supplier Finance Arrangements* [here](#).

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

Feedback Statement

On 4 March 2022, EFRAG published the [Feedback Statement](#) that summarises constituents' feedback on EFRAG's Draft Comment Letter relating to the IASB's Exposure Draft *ED/2021/3 Disclosure Requirements in IFRS Standards – A Pilot Approach* and explains how EFRAG considered this feedback in developing its [Final Comment Letter](#).

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

WEBINARS AND ON-LINE OUTREACHES

EFRAG seeks input from users and preparers on the effects of IFRS 15 on revenue recognition

Users and preparers are requested to provide input to an academic study on the effects of IFRS 15 *Revenue from Contracts with Customers*. The study will be important for EFRAG's work related to the IASB's Post-implementation Review of IFRS 15. Input can be provided by completing this [survey](#).

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



Joint EFRAG and EFFAS webinar on users' guidelines for better information on intangibles

On 29 March 2022, EFRAG and EFFAS hosted an online webinar to discuss users' directions for better information on intangibles outlined in EFRAG's Discussion Paper [Better Information on Intangibles – Which is the best way to go?](#)

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

CHANGES AT EFRAG BODIES AND THE SECRETARIAT

EFRAG welcomes two new members in its Financial Reporting Board

EFRAG welcomes two new members in its Financial Reporting Board. For Sweden, **Fredrik Walmeus** is replacing **Anders Ullberg** who has taken up his new role as EFRAG Administrative Board member and for France, **Marie Seiller** is replacing **Patrick de Cambourg** who was appointed as EFRAG Sustainability Reporting Board member.

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

Come to work in Brussels: EFRAG seeks a financial reporting technical manager

EFRAG is looking for a technical manager with IFRS experience on a full time basis to join our financial reporting team in Brussels.

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

OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Discussion Paper <i>Better Information on Intangibles – Which Is the Best Way to Go?</i>	30 June 2022

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

EFRAG FINANCIAL REPORTING BOARD (FR BOARD)

Webcast meeting

The EFRAG FR Board held a webcast meeting on [2 March 2022](#) and discussed the following topics:



EFRAG Research Project *Crypto-Assets*

The EFRAG FR Board held a webcast meeting on 2 March 2022. The EFRAG FR Board proposed revisions to the Recommendations and Feedback Statement after discussions with EFRAG FR TEG to give equal emphasis on standard setting for accounting for issuance and holders of crypto-assets through a two-step approach and to provide conceptual justification for FVTPL measurement for crypto-assets that may be manually scoped into either IFRS 9 *Financial Instruments* or IAS 40 *Investment Property*.

Update on work plan and any other matters

The EFRAG Board reviewed and approved the workplan.

The EFRAG FR Board held a webcast meeting on [28 March 2022](#) and discussed the following topics:

IASB Project *Non-current liabilities with Covenants (Amendments to IAS 1)*

The EFRAG FR Board approved a Final Comment Letter for issuance, subject to drafting changes agreed during the meeting. In its comment letter EFRAG supports that classification as current or non-current should be based on the situation as at the end of the reporting period. However, EFRAG disagrees with the proposal to require a separate presentation of the liabilities that is subject to conditions within twelve months after the reporting period. EFRAG supports the proposed disclosure requirements but recommends that disclosures should only be required in cases of significant uncertainty on whether conditions will be met in the next twelve-month period.

EFRAG recommends several further amendments to the ED but welcomes the issue of a narrow amendment to IAS 1 *Presentation of Financial Statements*. EFRAG notes that the proposed amendments will not solve the root cause of the underlying difficulty of current or non-current classification and asks the IASB to work on a conceptual solution that addresses the inconsistency of measurement and disclosures.

IASB Project *Supplier Finance Arrangements*

The EFRAG FR Board approved a Final Comment Letter for issuance, subject to drafting changes agreed during the meeting. In its comment letter EFRAG supports the IASB's ED on supplier finance arrangements as it will timely enhance the transparency of reporting for these arrangements and increase conformity with existing disclosure requirements in IFRS Standards. However, EFRAG considers that the project does not completely address the wider issue of providing necessary transparency on entities' liquidity risk and working capital leverage and encourages the IASB to consider possible improvements related to supplier finance arrangements in the future. EFRAG makes further recommendations how to strengthen the description of these arrangements and suggests improvements to the proposed disclosure requirements to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to better address users' information needs.



Next meeting

The EFRAG FR Board will hold a next webcast meeting on [4 April 2022](#).

March 2022 written procedures

The EFRAG FR Board has not approved any documents using written procedures in March.

Expected April 2022 written procedures

The EFRAG FR Board is expected to approve the following document using written procedures in April:

- The Recommendations and Feedback Statement on the EFRAG Discussion Paper *Accounting for Crypto-Assets (Liabilities)*.

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting

EFRAG FR TEG held a webcast meeting on [22-23 March 2022](#) and discussed the following topics:

IASB Project *Non-current liabilities with Covenants (Amendments to IAS 1)*

EFRAG FR TEG discussed EFRAG Final Comment Letter ('FCL') on the IASB's Exposure Draft *Non-current Liabilities with Covenants*. In its FCL EFRAG generally supports IASB efforts to address the concerns raised by constituents but disagrees with some aspects of the proposal and makes some suggestions to improve it.

EFRAG FR TEG agreed to recommend the FCL for approval to the EFRAG Board subject to comments and drafting suggestions.

IASB Project *Supplier Finance Arrangements*

EFRAG FR TEG discussed based on the feedback from outreach and the comment letters received on the EFRAG Final Comment Letter ('FCL') on the IASB's Exposure Draft *ED/2021/10 Supplier Finance Arrangements*. In its FCL, EFRAG generally supports the IASB's proposed narrow scope amendments to IAS 7 and IFRS 7 to address concerns raised by users about reporting for supplier finance arrangements. EFRAG makes further suggestions how to improve the Exposure Draft's proposals.

EFRAG FR TEG agreed to recommend the EFRAG FCL for approval to the EFRAG FR Board subject to drafting changes.

IASB Research Project *Dynamic Risk Management*

EFRAG FR TEG members were provided with feedback regarding the IASB's February 2022 meeting: there was, in general, agreement with the direction of the IASB project. EFRAG FR



TEG also discussed the feedback on outreach with auditors, users, regulators and preparers conducted by the EFRAG Secretariat in the past months on the perception and use of the IAS 39 EU carve out. Participants to the outreach suggested some improvements to the disclosure and did not report major concerns.

No decisions were taken at the meeting.

EFRAG Research Project *Variable and Contingent Consideration*

EFRAG FR TEG discussed the suitability of different approaches included in the EFRAG Discussion Paper on when to recognise a liability for variable consideration and on whether/when to reflect changes in estimates of variable consideration in the cost of the acquired asset.

No decisions were taken at the meeting.

Next meeting

EFRAG FR TEG will hold a next webcast meeting on [12-13 April 2022](#).

EFRAG CFSS AND EFRAG FR TEG

Webcast meeting

EFRAG FR TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) held a webcast meeting on [22 March 2022](#) and discussed the following topics:

IASB Project *Rate-regulated Activities*

EFRAG FR TEG-CFSS members were asked for views on the IASB redeliberation plan on its project on *Rate-regulated Activities* and IASB tentative decisions made so far regarding the scope of the project and the role of the regulator.

EFRAG FR TEG-CFSS members generally agreed with the IASB redeliberation plan and the focus on the main issues identified by the IASB. However, some EFRAG FR TEG-CFSS members highlighted other important matters either raised or acknowledged by EFRAG in its response to the IASB, including the need for a higher recognition threshold, the concern of a too detailed disclosure, and the complexity of the proposed retrospective transition requirements. These matters should also be considered significant and need careful consideration when discussed by the IASB.

Some EFRAG FR TEG-CFSS members questioned whether the proposed clarifications on scope tentatively agreed by the IASB would solve the issues raised on self-regulation, such as agreements between a parent entity and a subsidiary. A member questioned whether re-exposure of the ED may be needed.



IASB Project *Non-current liabilities with Covenants (Amendments to IAS 1)*

EFRAG FR TEG-CFSS members received an update on the feedback from outreach on EFRAG's Draft Comment Letter to the IASB's Exposure Draft *ED/2021/09 Non-Current Liabilities with Covenants*. Members had no comments to the update.

IASB Project *Supplier Finance Arrangements*

EFRAG FR TEG-CFSS members received an update on the feedback from outreach on EFRAG's Draft Comment Letter to the IASB's Exposure Draft *ED/2021/10 Supplier Finance Arrangements*. Members had no comments to the update.

IASB Project *Primary Financial Statements*

EFRAG FR TEG-CFSS members received an update on the IASB's re-deliberations on the proposals included in the Exposure Draft *General Presentation and Disclosures* and discussed possible alternatives of disclosure of operating expenses by nature when an entity provides analysis of operating expenses by function in the statement of profit or loss.

EFRAG FR TEG-CFSS members highlighted the importance of at least allowing entities to disclose management performance measures ('MPMs') related to the statement of financial position and ratios (net debt-to-EBITDA). Members also acknowledged the challenges of reaching a consensus on 'analysis of operating expenses,' 'unusual items' and reconciling adjustments on income tax and non-controlling interest to MPMs.

Finally, EFRAG FR TEG-CFSS members highlighted the challenges and costs associated with a partial matrix approach presented by the IASB Staff and suggested target outreach on this topic to better assess the costs and benefits of such an approach.

IASB Project *Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)*

EFRAG FR TEG-CFSS members received an update on the tentative decisions made by the IASB on the proposed amendments and considered possible implications for the EFRAG's forthcoming endorsement advice. Members considered essential to further assess the prevalence of the type transactions addressed by the proposed amendments (both in terms of frequency and volume) across EU jurisdictions. Reaching out to users to foster participation in the future consultation on the proposals was considered important.

IFRS IC discussions

EFRAG FR TEG-CFSS members received an update on the open issues of the IFRS IC. Members mostly commented on the issue regarding profit recognition for annuity contracts applying IFRS 17 *Insurance Contracts*.

Next meeting

EFRAG CFSS-TEG will hold a next webcast meeting on [28 June 2022](#).



SUSTAINABILITY REPORTING ACTIVITIES

The European Commission adopted in April 2021, a [legislative proposal for a Corporate Sustainability Reporting Directive \(CSRD\)](#) which would require companies within its scope to report in compliance with European Sustainability Reporting Standards ('ESRS') adopted by the European Commission as delegated acts. Under the proposed CSRD, EFRAG would be the technical advisor to the European Commission developing draft *EU Sustainability Reporting Standards* accompanies with their basis for conclusion and Cost-benefit Analysis and guidance for Digital Reporting.

EFRAG Governance Reform

At the [request of the European Commission](#) and in parallel to the adoption of the final legislative proposal, EFRAG has already carried out extensive work on key changes to its governance and funding.

In March 2022, EFRAG further progressed on its governance reform by:

- Announcing the composition of its EFRAG Sustainability Reporting Board and the next steps to complete its governance reform by the target date of the end of March. The full press release can be accessed [here](#).
- Approving (by the General Assembly on 15 March 2022) the Due Process Procedures ('DPP') for Sustainability Reporting Standard-Setting. The DPP was published on 30 March 2022 together a Feedback Statement explaining how the feedback received from the 2021 DPP public consultation had been addressed (read the news item [here](#)).
- Welcoming General Electric as member of the Friends of EFRAG - Sustainability Reporting.

On 22 March 2022, the EFRAG Administrative Board Due Process Committee ('DPC') met to discuss:

- The Feedback Statement on the DPP consultation (see above);
- The communication actions to undertake around due process activities; and
- The formalisation of the due process procedures for the Financial reporting pillar.

On 30 March 2022, the EFRAG Administrative Board met to receive an update on progress in the governance reform, the DPC activities and the recommendations made by the EFRAG Administrative Board Nomination Committee about the composition of the EFRAG SR TEG.

On 30 March 2022, EFRAG issued a news item to report on [three key achievements to be completed by the end of April 2022](#):

- The organisation of its Sustainability reporting pillar;
- The finalisation of a first set of exposure drafts; and
- The launch of the public consultation on the exposure drafts.



EFRAG Sustainability Reporting Board ('EFRAG SRB')

[Webcast meeting](#)

The EFRAG SRB held its first webcast meeting on 31 March 2022 and received induction presentations on the following topics:

- a) Proposal for a CSRD context and EC messages for EFRAG's work;
- b) EFRAG and governance reform;
- c) EFRAG Due process procedures EU sustainability reporting standard setting;
- d) PTF-ESRS work – initial presentation; and
- e) Planning and next meetings.

No decisions were taken at the meeting.

Development of EU sustainability reporting standards

The EFRAG Project Task Force on European sustainability reporting standards ('PTF-ESRS') had a plenary meeting on 3 March 2022 where the PTF-ESRS received a presentation of six working papers (detailed below) to facilitate the review and the completion of the corresponding consensus building questionnaires that were launched on the same day.

A second plenary meeting took place on 10 March 2022 during which four more working papers were presented. The PTF-ESRS also discussed an overview of changes made to two draft standards after the triple review process.

A third plenary meeting took place on 16 March 2022 where the PTF-ESRS discussed the changes to a draft standard, the changes to another and the results of the consensus building questionnaire of a third.

A fourth plenary meeting was held on 21 March 2022 and the PTF-ESRS discussed the consensus building questionnaire results of four standards and the changes to another standard following the triple review process.

The fifth plenary meeting was held on 25 March 2022 and the PTF-ESRS discussed a working paper, and an updated working. Representatives from DG JUST and DG GROW at the European Commission presented the proposal on the Corporate Sustainability Due Diligence Directive.

The final plenary meeting for the month was held on 30 March 2022 and the results from the consensus building questionnaires for four standards were discussed. The PTF also discussed a comparative analysis of the SEC climate paper and ESRS E1 *Climate*.

For transparency purposes during March 2022 EFRAG released the working papers presented in the plenary meetings covering the following topics (in order of release):

- a) [ESRS P1 on Sustainability Statements](#),
- b) [ESRS S1 on Own workforce – General](#),
- c) [ESRS S4 on Own workforce – Other work-related rights](#),

- d) [ESRS S5 on Workers in the value chain](#),
- e) [ESRS S6 on Affected communities](#),
- f) [ESRS S7 on End-users / consumers](#),
- g) [ESRS E4 on biodiversity and ecosystems](#)
- h) [ESRS S2 Own Workforce-Working Conditions](#),
- i) [ESRS S3 Own Workforce-Equal opportunities](#),
- j) [ESRS G1 Governance, risk management and internal control](#),
- k) [ESRS G3 Business conduct](#),
- l) [ESRS 1 Cover Note](#), [ESRS 1 General Provisions](#)
- m) [ESRS G2 Products and services, management and quality of relationships with business partners](#)

All working papers released so far can be accessed through plenary meeting agenda paper links on the EFRAG website [here](#).

As a reminder, all documents released are technical working papers intended solely for the internal use of PTF-ESRS members, supporting debates in plenary meetings. They are not open to public consultation but serve as work-in progress documents leading to the exposure drafts to be submitted to a future public consultation. Significant changes to these working papers may arise from the subsequent steps of the due process (for more information on subsequent steps of the due process, see [here](#)).

The released working papers should therefore not be interpreted in any way whatsoever as representing the views of the PTF-ESRS as a whole at this stage, nor the position of relevant co-construction partners. Also, the content of these working papers is the sole responsibility of the PTF-ESRS and can under no circumstances be regarded as reflecting the position of the European Union or European Commission DG Financial Stability, Financial Services and Capital Markets Union ('DG FISMA').

For more information see the project page on the EFRAG website [here](#).

Next steps

Plenary meetings of the PTF-ESRS are scheduled for 8, 15, 21, 25 and 26 April 2022.

Call for tenders to assist EFRAG in its cost-benefit analysis of the first set of ESRS

On 31 March, EFRAG launched a [public call for tenders](#) to assist EFRAG in its cost-benefit analysis of the first set of draft European Sustainability Reporting Standards. The call is open until **Thursday 28 April 2022 18.00 hrs Brussels time**.

For more information see the project page on the [EFRAG website](#).

Other involvement in sustainability reporting – Platform on Sustainable Finance ('PSF')

On 2 March 2022, EFRAG attended a special plenary meeting of the PSF discussing:

- The update technical criteria developed by Subgroup (Technical Working Group); and
- The final report of Subgroup 3 (Negative and low impact activities).



On 23 March 2022, EFRAG attended the eighteenth plenary meeting of the PSF (which was held partly in a hybrid format) in which:

- Rapporteurs of the Technical Working Group presented their preparatory work for publication of their report;
- Rapporteur of Subgroup 3 presented their work for publication of their report on Extended Taxonomy;
- Rapporteur of Subgroup 4 (Social Taxonomy) presented overlaps and alignment of the CSRD with the Corporate Sustainability Due Diligence Directive (CSDD); and
- Rapporteurs of Subgroup 5 on Data & Usability Rapporteurs presented an update on their progress report.

EFRAG also attended a meeting of the subgroup on Data and Usability (SG5) on 25 March 2022 in which members discussed:

- The results and takeaways from the study done on data providers; and
- The way forward to address a number of issues and questions identified (including the consideration of derivatives, grandfathering...). These could be addressed in future dedicated workshops.

Coronavirus – Update on EFRAG’s meetings and events

EFRAG will continue to monitor the impact of COVID-19 pandemic on its activities recognising the circumstances and priorities of our stakeholders and adapt its activities accordingly:

- All EFRAG public meetings of the EFRAG FR Board, EFRAG FR TEG and EFRAG CFSS and the EFRAG Sustainability Reporting Board are turned into webcast meetings and plan to partly be physically held starting from May/June 2022;
- All EFRAG public events and outreaches take place into electronic format (see below) until further notice;
- EFRAG has adjusted the timelines of several of its projects taking into account the priorities of its stakeholders during the pandemic and is flexible in obtaining input through outreaches, field tests and other means, recognising the availability and individual circumstances of the stakeholders concerned. Input of stakeholders is an essential part of EFRAG’s due process as public interest organisation.

EFRAG staff is back to working in the offices at least two days a week and is contactable in the office or by email, Teams or phone.

The EFRAG offices are open for visitors.

You can find contact details [here](#).