



EFRAG UPDATE

May 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 Letter

On 23 May 2022, EFRAG published its [Final Letter](#) on the IFRS Interpretations Committee's Tentative Agenda Decision in the final phase of implementing IFRS 17 *Insurance Contracts*.

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

Feedback Statement

On 2 May 2022, EFRAG published its [Feedback Statement](#) related to its [Comment Letter](#) on the IASB Exposure Draft *ED/2021/10 Supplier Finance Arrangements*.

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

WEBINARS AND ON-LINE OUTREACHES

German outreach event on *Better Information on Intangibles*

On 4 May 2022, DRSC and EFRAG hosted an outreach event *Öffentliche Diskussion zur künftigen Berichterstattung über immaterielle Werte*. At the event, which was held in German, EFRAG's Discussion Paper *Better Information on Intangibles – Which is the best way to go?* was presented. The presentation was followed by a panel discussion.

More information about the German event is available on the [DRSC website](#).

EFRAG Symposium at EAA Congress on *Digital Corporate Reporting - What Does It Mean for Standard Setting?*

On 13 May 2022, EFRAG held a symposium on *Digital Corporate Reporting - What Does It Mean for Standard Setting?* at the 44th Annual Congress of the European Accounting Association (EAA) in Bergen, Norway. Speakers with a broad range of background exchanged their views on the challenges and opportunities that arise from digital reporting in standard setting.

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



Norwegian outreach event on *Better Information on Intangibles*

On 24 May 2022, EFRAG and the Norwegian Accounting Standards Board organised a public outreach event on EFRAG's Discussion Paper [*Better Information on Intangibles – Which is the best way to go?*](#)

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

EFRAG outreach event *Better Information on Intangibles – What's next?*

On 30 May 2022, EFRAG hosted another outreach event on *Better Information on Intangibles* to discuss the next steps on intangibles from a broader perspective. Approaching the end of the consultation (end of June) this event tried to look forward at the next steps to solve the existing issues.

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

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

Summary Report: EFRAG and EFFAS joint webinar on users' perspectives on better information on intangibles

On 16 May 2022, EFRAG published a [summary report](#) of the EFRAG and EFFAS joint webinar on users' perspective on how to achieve better information on intangibles held on 29 March 2022. At the event, users and a few preparers of financial statements provided their views on the possible approaches included in the discussion paper to provide better information on intangibles.

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
Academic study on the effects of IFRS 15 <i>Revenue from Contracts with Customers</i>	30 June 2022

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



EFRAG FINANCIAL REPORTING BOARD (FRB)

Webcast meeting

The EFRAG FR Board held a webcast meeting on [20 May 2022](#) and discussed the following topics:

IFRS 17 IFRS IC issue

EFRAG FRB approved a Final Letter on the IFRS Interpretations Committee's (IFRS IC's) Tentative Agenda Decision in the final phase of implementing IFRS 17 *Insurance Contracts*. EFRAG is appreciative and supports the IFRS IC's work and efforts to bring consistency in applying IFRS Standards. Nonetheless, EFRAG reports concerns heard from its constituents that the Tentative Agenda Decision, and other interpretation issues that may arise less than one year before the date of first application of IFRS 17, would unduly disrupt the implementation of the Standard. Given the significant efforts to implement IFRS 17 by insurance entities, EFRAG kindly reminds the IFRS IC that an Agenda Decision may have a potential impact on implementation at this stage. EFRAG also emphasises the importance of the IFRS IC undertaking outreach before any Tentative Agenda Decisions, in particular considering that common practices are still emerging with the implementation at this stage.

Next meeting

The EFRAG FRB will hold a next webcast meeting on [1 June 2022](#).

May 2022 written procedures

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

Expected June 2022 written procedures

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

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting

EFRAG FR TEG held a webcast meeting on [18-19 May 2022](#) and discussed the following topics:

IASB Project *Financial Instruments with Characteristics of Equity*

The EFRAG TEG members received an update on the IASB's discussions on the project *Financial Instruments with Characteristics of Equity* (FICE).

On contingent settlement provisions, members in general supported the direction of the IASB discussions on compound instruments. Members also welcomed the IASB's discussions on



the meaning of ‘liquidation’ and ‘non-genuine’ and suggested that the IASB considers them together with other related terms such as ‘going concern’ and ‘not substantive’.

On the effect of laws on contractual terms and shareholders discretion, members considered that field testing on the final wording would be needed as the IASB’s tentative decisions could impact the accounting treatment in some cases. They also highlighted the importance of addressing the issues that arise in practice with the accounting for mandatory tender offers.

Finally, they noted that field testing on the final wording would be needed as the IASB’s tentative decisions could impact the accounting treatment of some important instruments

No decisions were taken at the meeting.

IASB Research Project *Goodwill and Impairment*

EFRAG FR TEG received an update on the feedback received from the additional outreaches on the proposed disclosure requirements conducted by the IASB and the EFRAG Secretariat and on the possible ways forward on the proposed disclosures.

Members provided mixed views on how the IASB could proceed with the proposed disclosures, specifically with the information on subsequent performance and synergies. Members generally supported the idea to limit the population of business combinations and to provide an information based on a range of values. They also noted that the goal of disclosures was to justify the amount of goodwill on the balance sheet and how it is supported by the expected benefits. They did not support the “comply or explain” approach.

No decisions were taken at the meeting.

IASB Research Project *Post-implementation Review of IFRS 9 Classification and Measurement*

EFRAG FR TEG members provided their views on potential solutions for accounting for the financial instruments with ESG features and on the tentative decisions and orientations of the IASB Staff on contractually linked instruments. EFRAG FR TEG members generally agreed with the intention of the IASB to develop the application guidance for the financial instruments with ESG features without introducing specific exceptions to the existing principles of the SPPI guidance.

Members noted the intention of the IASB staff to propose guidance referenced to the ESG-linked feature not introducing compensation for ESG risks but only incentives and they observed that this approach could be too narrow, given that the expectations including from regulatory authorities go in the direction of treating ESG risks as financial risks and in the future ESG compliance is expected to be visible in credit risk.

No decisions were taken at the meeting.

EFRAG Research Project *Variable Consideration*

EFRAG FR TEG considered an updated version of EFRAG’s Discussion Paper. Members suggested that whilst developing alternatives for accounting requirements for when to recognise a liability for variable consideration depends on the purchaser’s future actions, only



the definition of a liability in *the Conceptual Framework for Financial Reporting* should be considered and not existing IFRS requirements. It was also agreed to consolidate the alternatives on whether and when to update the measurement of acquired assets for the remeasurement of liabilities for variable consideration.

Connectivity between financial and sustainability reporting

The EFRAG FR TEG members had an initial discussion on the possible scope of a potential EFRAG proactive research project on the connectivity between financial and sustainability reporting.

Members discussed a preliminary step of the research, before being able to further conceptualise possible approaches to connectivity. In this first step EFRAG would investigate the users' needs for connectivity, possibly starting from a few concrete examples and develop a definition of connectivity that would inform the subsequent steps of the project. Such definition would have to be agreed with the EFRAG Sustainability Reporting TEG and EFRAG Sustainability Reporting Board.

Agenda Consultation

The EFRAG FR TEG members discussed the projects to be added to the EFRAG's proactive research agenda taking into account the feedback from the EFRAG agenda consultation and the IASB's decision on the projects to include in its 2022-2026 workplan. Members agreed to recommend for approval to the EFRAG FRB two projects: connectivity between financial and sustainability reporting and cash flow reporting. In addition, members agreed to have a reserve list that will include projects on operating segments and pollutant pricing mechanisms and that a project definition on these two projects should be undertaken before deciding on the third project. EFRAG FR TEG's recommendations will be presented for approval at the EFRAG FRB June meeting.

Next meeting

EFRAG FR TEG will hold its next webcast meeting [28-29 June 2022](#).



EFRAG'S SUSTAINABILITY REPORTING AND RELATED ACTIVITIES

EFRAG Governance Reform

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* accompanied with their basis for conclusions and Cost-benefit Analysis and guidance for Digital Reporting.

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.

EFRAG completed the major steps of its governance reform by the end of March 2022. The transition of the work from the PTF - ESRS to the permanent structure took place during April and May. In May 2022, the reform was further progressed through the following activities:

- The deadline of the public call for tenders to assist EFRAG in its cost-benefit analysis of the first set of draft ESRS issued on 31 March was extended till 27 May.
- On 3 May 2022, the EFRAG Administrative Board appointed Chiara Del Prete as Acting Chair of the EFRAG Sustainability Reporting TEG.
- On 20 May 2022, the EFRAG Sustainability Reporting Board approved the appointment of Sigurt Vitols as acting vice-chair of the EFRAG Sustainability Reporting TEG following the recommendations of the EFRAG Administrative Board supported by its Nominating Committee (extended with some EFRAG SRB members) (see below).
- On 23 May 2022, EFRAG launched a public [call for candidates](#) for two additional seats in the EFRAG Sustainability Reporting TEG focused on SME and social expertise. The call is open until **20 June 2022**.
- On 23 May 2022, EFRAG launched a public [call for tenders](#) for assistance in analysing the feedback to the public consultation on draft ESRS. The call is open until **27 June 2022** See below.

EFRAG Sustainability Reporting Board (EFRAG SRB)

The EFRAG SRB held a [public meeting on 20 May 2022](#) to:

- Discuss possible outreach and communication activities to be conducted during the consultation period; and
- Receive a presentation, together with EFRAG SR TEG, on ESRS E2 Pollution and ESRS 5 Resource use and circular economy (see below the complete list of Educational joint meetings on draft ESRS exposure drafts).



EFRAG Sustainability Reporting Technical Expert Group (EFRAG SR TEG)

The EFRAG SR TEG held a [public meeting on 5 May 2022](#) to:

- Receive an update on EFRAG's governance procedures;
- Discuss the work of the PTF-ESRS;
- Discuss the public consultation and outreach activities on the exposure drafts for the draft ESRS; and
- The planning of its activities and future meetings.

The EFRAG SR TEG held another meeting on 19 May 2022 to discuss the approach to analyse the feedback that will be received for the draft ESRS EDs public consultation with the assistance of a consultancy.

Educational sessions on draft ESRS exposure drafts

The following educational sessions were held for EFRAG SRB and SR TEG on the exposure drafts:

- ESRS 1 General principles on [16 May 2022](#);
- ESRS 2 General, strategy, governance and materiality assessment on [19 May 2022](#);
- ESRS E2 Pollution and ESRS 5 Resource use and circular economy on [20 May 2022](#) as part of the EFRAG SRB meeting;
- ESRS E3 Water and marine resources as well as ESRS E4 Biodiversity and ecosystems on [23 May 2022](#); and
- ESRS S2 Workers in the value chain, ESRS S3 Affected communities and ESRS S4 Consumers and end-users on [31 May 2022](#).

ESRS E1 Climate change was presented on [28 April 2022](#) as part of the EFRAG SRB meeting.

Further sessions will be held in June:

- ED draft ESRS S1 Own workforce on ED draft ESRS S1 Own workforce on Thursday 2 June (8.00 - 9.00 CEST). Join the educational session [here](#); and
- ED draft ESRS G1 Governance, risk management and internal control, on Tuesday 7 June (8.00-9.00 CEST). Join the educational session [here](#).

Other involvement in sustainability reporting

Platform on Sustainable Finance ('PSF')

On 10 and 11 May 2022, EFRAG attended the twentieth plenary meeting of the PSF in which:

- The rapporteurs of the different sub-groups provided an update on their activities; and
- Members discussed the task allocation and the activities of the PS until September 2022.



At the meeting, the subgroup on Data and Usability (SG5) also discussed derivatives, grandfathering and the recommendation on Do No Significant Harm (DNSH) for the platform's final report.

Lastly, EFRAG attended a workshop of the subgroup on Data and Usability (SG5) discussing verification (18 May 2022).

PUBLICATIONS

Publication of Basis of Conclusions of the Exposure Drafts of the draft ESRS

On 31 May 2022 EFRAG issued the set of Basis for conclusions that accompany the ESRS EDs developed by the EFRAG PTF-ESRS published on 29 April 2022. No comments are requested on the Basis for conclusions. The Basis for conclusions and the EDs are accessible [here](#). EFRAG takes this occasion to again thank all PTF-ESRS members and observers, the EFRAG Secretariat, including its members seconded from other organisations, as well as GRI, Shift and WICI acting in cooperation with the PTF-ESRS for their collaboration and valuable input to the development of the EDs and the Basis for conclusions.

EFRAG Public Call for Tenders - Assisting EFRAG in Analysing the Feedback from its Public Consultation on Draft ESRS

On 23 May 2022 EFRAG issued a call for tenders for assistance in analysing the feedback that EFRAG will receive to its public consultation on the first set of draft European Sustainability Reporting Standards Exposure Drafts (ESRS EDs). The purpose of this call for tenders is to analyse and structure the feedback received to the public consultation in a way that will allow EFRAG to focus on addressing the issues raised. The work is to be completed following a timeline set out in the invitation with the final Report due by 9 September 2022.

The call for tenders can be downloaded [here](#). Tenders should be sent to EFRAG at the following email address: call.for.tender@EFRAG.ORG **no later than 27 June 2022**.

WEBINARS AND ON-LINE OUTREACHES

Use Test Focus Group

On 25 May 2022, EFRAG issued a public call for preparers to join its Use Test Focus Group to test the usability of the draft ESRS requirements through completion of a questionnaire and participating in a workshop. The results will be considered by EFRAG as part of the other feedback received on its exposure drafts on sustainability reporting.

The deadline for delivering the questionnaire to EFRAG is 30 June 2022. After analysis of responses, the focus group will be invited to participate in workshop(s) to discuss the results and outcomes from the use test. The workshop(s) will be organised in the first half of July 2022.



Preparers who would like to contribute to the focus group are invited to inform Fredré Ferreira (fredre.ferreira@efrag.org) by 13 June 2022.

More information available at this [link](#).

Sector workshops

On 24 May 2022, EFRAG issued a public call for experts to provide input on the preparation of draft ESRS sector-specific sustainability reporting standards. A second set of sector-specific draft standards is being prepared. As for the development of the sector agnostic draft standards, EFRAG is seeking additional expert advice on the development of these sector specific draft standards. EFRAG is thus seeking experts with particular industry experience for those sectors which are currently underrepresented in EFRAG’s existing sector-oriented Expert Working Group.

The application deadline for each workshop is 10 calendar days before the workshop takes place. Please check the list of workshops [here](#).

To apply and participate to the workshop, the link is accessible [here](#).

Croatian outreach event on EFRAG’s Exposure Drafts on draft ESRS

On 25 May 2022, EFRAG, IDOP, RRIF & UNGC Croatia jointly organized the first outreach event on EFRAG's Exposure Drafts (EDs) on Draft European Sustainability Reporting Standards. The event has been in Croatian except for the panel discussion that has been in English.

The recording of the event is available [here](#).

Other outreach events planned:

Date & time	Organisers	Language	Programme	Registration
Thursday 2 June 14:00-18:00 CEST	EFRAG & ANC	French	Programme	For physical attendance register here . For remote attendance register here .
Friday 10 June 2022, 10:00-16:00 CEST	EFRAG & DRSC	German	Save the date	Register here .
Wednesday 15 June 13.30 - 17.30 CEST	EFRAG and DASB (RJ)	English (mostly)	Save the date	Register here

Further outreach events will be announced on our website in due course.



OPEN CONSULTATIONS

Title and description	Closing date
<p>Exposure Drafts European Sustainability Reporting Standards</p> <p>Cross-cutting Exposure Drafts</p> <ul style="list-style-type: none"> • ESRS 1 General principles • ESRS 2 General, strategy, governance and materiality assessment <p>Topical standards - Environment</p> <ul style="list-style-type: none"> • ESRS E1 Climate change • ESRS E2 Pollution • ESRS E3 Water and marine resources • ESRS E4 Biodiversity • ESRS E5 Resource use and circular economy <p>Topical standards - Social</p> <ul style="list-style-type: none"> • ESRS S1 Own workforce • ESRS S2 Workers in the value chain • ESRS S3 Affected communities • ESRS S4 Consumers & end-users <p>Topical standards - Governance</p> <ul style="list-style-type: none"> • ESRS G1 Governance, risk management and internal control • ESRS G2 Business conduct 	8 August 2022
<p><i>EFRAG Public Call for Tenders - Assisting EFRAG in Analysing the Feedback from its Public Consultation on Draft ESRS</i></p>	27 June 2022

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