



EFRAG UPDATE

December 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



Draft Endorsement Advice

On 22 December 2022, EFRAG issued a draft endorsement advice letter and a separate invitation to comment relating to its assessment of the Amendments to IAS 1 *Presentation of Financial Statements* against the technical criteria for use in the EU and its assessment of whether the Amendments are conducive to the European public good. Comments are requested by **1 March 2023**.

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

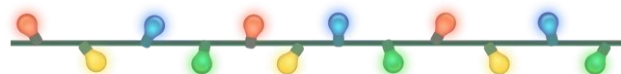


Summary Report and Recommendations

In order to receive input from preparers and to stimulate the discussion on the key tentative changes to the IASB's proposals in the Exposure Draft *General Presentation and Disclosures*, from September to November 2022, EFRAG and the IASB organised joint outreach roundtables with European Stakeholders. On 23 December 2022, EFRAG issued a [Summary Report and Recommendations](#) that summarises the feedback received during those events and provides a number of recommendations to the IASB. The report has been sent to the IASB Chair.

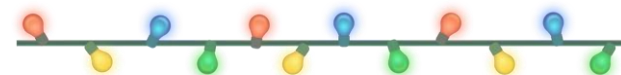
For more details, please see the [EFRAG website](#).

EFRAG FRB – NEW APPOINTMENTS



In December 2022 EFRAG welcomes Serge Pattyn as EFRAG Financial Reporting Board (EFRAG FRB) Vice-Chair and Sadi Podevijn as new EFRAG FRB member following the nomination by the Belgian standard setter CNC-CBN.

OPEN CONSULTATIONS

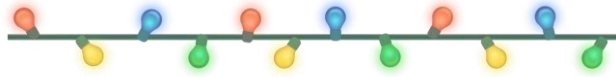


Title and description	Closing date
Academic study on the effects of IFRS 15 <i>Revenue from Contracts with Customers</i>	TBD
EFRAG's Draft Endorsement Advice on the IASB's publication <i>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</i>	9 January 2023
EFRAG's Draft Endorsement Advice on amendments to IAS 1 <i>Presentation of Financial Statements</i>	1 March 2023
EFRAG Discussion Paper <i>Accounting for Variable Consideration from a Purchaser Perspective</i>	31 May 2023

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



EFRAG FINANCIAL REPORTING BOARD (FRB)



[Webcast meeting](#)

The EFRAG FRB held a webcast meeting on [21 December 2022](#) and discussed the following topics:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

EFRAG FRB members discussed and approved the EFRAG's Draft Endorsement Advice to the European Commission for the endorsement of Amendments to IAS 1 *Presentation of Financial Statements: Non-current Liabilities with Covenants*, Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current*, and Amendments to IAS 1 *Classification of Liabilities as Current or Non-Current - Deferral of Effective Date*. Deadline for comments is 1 March 2023.

IASB Project Primary Financial Statements

EFRAG FRB members received an update on the feedback from the outreach activities on a selection of tentative decisions that represent a change to the IASB's initial proposals.

EFRAG FRB members also discussed the content of the EFRAG Summary Report and Recommendations as recommended by EFRAG FR TEG and the accompanying letter to be submitted to the IASB.

Members generally agreed with the Summary Report and Recommendations and the direction taken by the IASB on the selected topics. They also made a number of suggestions on how to improve the Summary Report, including a request to give more emphasis to the issues that arise from having income and expenses from equity-accounted associates and joint ventures being always presented outside operating profit.

IASB Project Rate Regulated Activities

EFRAG FRB members received an education-session presentation on the features of different regulatory schemes for rate-regulated activities in light of the IASB needing to further develop requirements that cater for incentive-based schemes. The EFRAG FRB also received an update on the IASB tentative decisions taken from May to September 2022 during its redeliberations following the public consultation on the *Accounting for Regulatory Assets and Regulatory Liabilities* Exposure Draft. These tentative decisions were on the scope of a new Standard and the determination of total allowed compensation. It was agreed that there will be further updates in 2023 as the IASB progresses with its redeliberations.



IASB Project *International Tax Reform—Pillar Two Model Rules*

EFRAG FRB received an update on the project and on the first reactions of EFRAG FR TEG members. Members generally supported the introduction of the temporary exception from accounting for deferred taxes arising from legislation enacted to implement the OECD's Pillar Two model rules as well as some targeted disclosures requirements for affected entities. Members raised some initial concerns in relation to the proposed disclosures.

EFRAG FRB agreed for the fast-track project for an approval process for the comment letter on the ED to be sent to the IASB and for the endorsement advice to be sent to the EC. Assuming the ED is published the second week of January 2023, EFRAG plans to publish the draft comment letter on 31 January 2023 with a comment period of four weeks which would end 27 February 2023. In March or April 2023 - before the final amendments will be published - EFRAG will publish a pre-consultation document on the endorsement advice and provide endorsement advice to the EC within a very short time frame after the publication of the Amendments by the IASB.

IASB Project *Business Combinations—Disclosures, Goodwill and Impairment*

EFRAG FRB members received an update on the tentative decisions made by IASB on disclosures, on not pursuing an amortisation model and on moving the project to the standard setting agenda.

Members noted the tentative decision to continue with the impairment only model. Members expressed mixed views on the suitability of the tentative decisions on disclosures related to business acquisitions. They expressed in particular a number of concerns related to their cost-benefit profile.

IASB Project *Amendments to the Classification and Measurement of Financial Instruments*

EFRAG FRB members received an update on the forthcoming Exposure Draft. They noted the decision of the IASB to combine a number of different topics while addressing the urgent issue of the SPPI classification of ESG linked features. Questions were raised about the application of the derecognition exception on the asset side and the possibility to achieve a symmetrical solution for the asset and liability side.

IASB Research Project *Post-implementation Review of IFRS 15 Revenue from Contracts with Customers*

EFRAG FRB received an update on the overall messages and application challenges identified so far from EFRAG's preparatory work performed in anticipation of the IASB Request for Information in 1H 2023. Members agreed with the findings and highlighted specific issues faced by their constituents. They emphasised the need to prioritise and narrow down the application challenges that EFRAG will raise in its comment letter. In Q1 2023, there will be further meetings with EFRAG FR TEG and EFRAG FRB to prioritise the identified issues.



Update of work plan and any other matters

EFRAG FRB discussed and approved the technical workplan until June 2023. Members approved the IASB project International Tax Reform - *Pillar Two Model Rules (Amendments to IAS 12)* as being significant. This fast-track project is of importance for the European Stakeholders.

Next meeting

The EFRAG FRB will hold a next webcast meeting end of January to approve the DCL on the ED for the IASB Project International Tax Reform - *Pillar Two Model Rules* and a next physical meeting jointly with EFRAG FR TEG on [8 February 2023](#).

December 2022 written procedures

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

Expected January 2023 written procedures

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

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)



Webcast meeting

EFRAG FR TEG held a webcast meeting on [1 December 2022](#) and discussed the following topics:

IASB Project *International Tax Reform—Pillar Two Model Rules (IAS 12)*

EFRAG FR TEG members discussed a temporary exception from accounting for deferred taxes arising from legislation enacted to implement the OECD's Pillar Two model rules as well as some targeted disclosures requirements for affected entities.

The IASB's staff presented an overview of the project and EFRAG FR TEG members provided some initial reactions. Members generally supported the introduction of the temporary exception.

No decisions were taken at the meeting.



IASB Project *Primary Financial Statements*

EFRAG FR TEG members discussed the content of the document *EFRAG Summary Report and Recommendations* that summarised the feedback received on IASB's selected tentative decisions during the targeted outreach events conducted from September to December 2022.

EFRAG FR TEG members agreed, subject to drafting improvements, with the Summary Report and the recommendations for the IASB on different topics discussed.

IASB Project *Rate-Regulated Activities*

EFRAG FR TEG received an IASB staff presentation on the main features of different regulatory regimes - namely cost-based and incentive-based regimes. The IASB tentative decisions made during its redeliberations in October 2022 following the feedback to the ED were not discussed due to lack of time and will be discussed at a future meeting.

No decisions were taken at the meeting.

IASB Project *Amendments to the Classification and Measurement of Financial Instruments*

EFRAG FR TEG members received an update on the recent IASB's tentative decisions on various aspects of the IASB project *Amendments to the Classification and Measurement of Financial Instruments*.

Members generally agreed with the proposed clarification for the scope of the contractually linked instruments. However, some members expressed some concerns about the implementation of the proposed amendments.

EFRAG FR TEG members generally welcomed the proposed accounting policy choice for derecognition of financial liabilities between settlement date and the refinements to the criteria suggested by the IASB. Members considered that criteria were helpful but questioned how the proposed accounting policy choice should be defined: by settlement market, by payment system or by some other ways. Members also questioned the usefulness of modified retrospective approach in this case.

On the IASB decision to combine the three topics in a single Exposure Draft, EFRAG FR TEG expressed their preference to separate the proposed amendments to the SPPI requirements from the rest of the amendments covering three relatively controversial topics which may attract many diverse comments and compromise the timing of the whole package.

No decisions were taken at the meeting.

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

EFRAG FR TEG members received an update on the recent IASB's tentative decisions on various aspects of the PIR of IFRS 9 *Classification and Measurement*.

Members agreed with the IASB's tentative decisions not to take further action on financial liabilities and own credit and that adequate work had been completed to conclude the PIR.

No decisions were taken at the meeting.



Next meeting

EFRAG FR TEG will hold a next meeting jointly with EFRAG SR TEG [17 January 2023](#). After this joint meeting EFRAG FR TEG will continue to meet on [18](#) and [19 January 2023](#).

EFRAG'S SUSTAINABILITY REPORTING AND RELATED ACTIVITIES



On 16 December 2022, the final text [Corporate Sustainability Reporting Directive](#) (CSRD) was published in the Official Journal of the EU.

The final CSRD confirmed EFRAG's role as the technical advisor to the European Commission developing draft European Sustainability Reporting Standards (ESRS) accompanied with their basis for conclusion, cost-benefit analysis and guidance for Digital Reporting.

The CSRD will then enter into force 20 days later and Member States will have 18 months to integrate the CSRD in their respective national law.

[EFRAG Governance for Sustainability Reporting](#)

On 12 December 2022, the EFRAG General Assembly:

- Approved the appointment of Kerstin Lopatta as Vice-Chair of the EFRAG SRB; and
- Welcomed the European Investment Bank (EIB) as official observer in the EFRAG SRB and EFRAG SR TEG.

On 12 December 2022 EFRAG issued two calls for experts. EFRAG wishes to create a community of stakeholders that have a direct experience in relation to SMEs and that have an interest to participate in the development of respectively:

- a) [the draft European Sustainability Reporting Standard for listed SMEs](#); and
- b) [the draft Voluntary Sustainability Reporting Standard for non-listed SMEs \(VSRS\)](#).

The communities will operate next to the already existing dedicated expert working group which will continue to be in operation. The call for applications is open until **2 January 2023**.

On 22 December, EFRAG launched [a call for applications](#) to its ESRS Digital Reporting Consultative Forum (ESRS DRCF). The ESRS DRCF will contribute to the development of the ESRS Taxonomy by providing regular input and advice on taxonomy-related issues to the EFRAG Sustainability Reporting Technical Expert Group (EFRAG SR TEG) and Sustainability Reporting Board (EFRAG SRB). The call for application is open until **23 January 2023**.



EFRAG Sustainability Reporting Board (EFRAG SRB)

On [14 December 2022](#), the EFRAG SRB discussed the approach and methodology for the development of the SME standards (a voluntary standard for non-listed SMEs and an ESRS for listed SMEs) and of the sector specific ESRS standards.

Next meeting

EFRAG SRB will hold its next webcast meeting on [20 January 2023](#).

EFRAG Sustainability Reporting Technical Expert Group (EFRAG SR TEG)

At its meeting on [5 December 2022](#), EFRAG SR TEG discussed the approach to development of ESRS for listed SMEs. This discussion was continued at its meeting on [12 December 2022](#). Members received as well an update on the EFRAG SR TEG members' comments on the working paper prepared by the EFRAG PTF-ESRS of a voluntary standard for non-listed SMEs.

On [13 December 2022](#), EFRAG SR TEG discussed the approach to drafting sector-specific ESRS standards.

Next meeting

EFRAG SR TEG will hold its next webcast meeting jointly with EFRAG FR TEG on [17 January 2023](#).

Other involvement in sustainability reporting

Platform on Sustainable Finance (PSF)

The PSF held its last plenary meeting in mid-October 2022 and has ceased its activities since then. A call for application to the next PSF was launched by the European Commission in October 2022 with a view to have the next PSF mandate will run from Q1 2023 to Q4 2024.

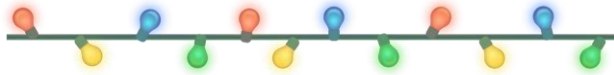
The next PSF is expected to address the following identified priorities:

- The usability of the taxonomy and the wider EU sustainable finance framework;
- The development of additional taxonomy technical screening criteria across all six environmental objectives and possible revisions and/or updates of the criteria where appropriate; and
- The implementation of specific policy measures of the strategy on financing the transition to a sustainable economy.

EFRAG's role as observer to the next PSF has not been confirmed yet.



CALLS FOR EXPERTS



Title and description	Closing date
Call to join the community to support development of draft ESRS for listed SMEs	2 January 2023
Call to join the community to support the development of a draft Voluntary Sustainability Reporting Standard for non-listed SMEs (VSRS)	2 January 2023
Call to join the to join the ESRS Digital Reporting Consultative Forum (ESRS DRCF)	23 January 2023