



EFRAG

Europe's voice in corporate reporting

APRIL 2023



EFRAG UPDATE

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.

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CALL FOR CANDIDATES

EFRAG is recruiting environmental reporting specialists to enhance EFRAG's sustainability reporting team. We are hiring for a permanent or seconded Brussels based function with proven environmental knowledge and expertise.

Send your application Saskia Slomp, EFRAG CEO, using Rh@efrag.org by **15 May 2023**.

Read the complete job description [here](#).

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

EFRAG is also advertising on a continuous basis for staff joining [the financial reporting team](#) and for staff joining the [sustainability reporting team](#).

EFRAG GOVERNANCE AND DUE PROCESS

EFRAG Connectivity Advisory Panel (EFRAG CAP)

The call for candidates to participate in EFRAG CAP closed on 10 April 2023. EFRAG received applications from about 150 candidates with a broad range of backgrounds and countries. EFRAG is in the process of reviewing and assessing the applications with a view to having the panel appointed in the month of May 2023.

The objective of the EFRAG CAP is to advise the EFRAG Financial Reporting Technical Expert Group (EFRAG FR TEG) on the EFRAG's proactive research project on the connectivity between financial reporting and sustainability reporting information. EFRAG CAP members will share their perspectives and practical experience regarding connectivity matters, and help EFRAG identify, assess and prioritise connectivity themes, identify related good reporting practices and develop possible approaches to enhance connectivity.

EFRAG ADMINISTRATIVE BOARD

Webcast meeting 25 April 2023

The EFRAG Administrative Board held a public session at its webcast meeting on [25 April 2023](#) to discuss due process matters.

Members reconsidered previously made decisions on the due process for Set 2 in the light of EC request for EFRAG to re-prioritise its activities on implementation support for Set 1.

Members decided to withdraw the decisions made at the 21 December 2022 meeting regarding the consultation periods for the first batches of Set 2.

Members also called upon the EFRAG SRB and EFRAG SR TEG that the future work plan is structured in such a way that consultations can meet the objectives of the DPP (120 days, combined with basis for conclusions issued at the same date).

Lastly members agreed that the EFRAG Administrative Board and its Due Process Committee should address in priority in the forthcoming months:

- (a) The review of the due process for EFRAG to develop implementation guidance in line with the decisions to be taken on the organisational and governance aspects (including interaction with stakeholders); together with
- (b) The performance of the one-year review of the functioning of the due process as stipulated in the footnote to article 1.8 of the Due Process Procedures for Sustainability Reporting.

EFRAG'S FINANCIAL REPORTING ACTIVITIES

PUBLICATIONS

Draft Endorsement Advice

In the beginning of April 2023, EFRAG completed its due process regarding three Amendments to IAS 1 *Presentation of Financial Statements* (*Classification of Liabilities as Current or Non-current* (January 2020); *Classification of Liabilities as Current or Non-current - Deferral of Effective Date* (July 2020); and *Presentation of Financial Statements: Non-current Liabilities with Covenants* (October 2022)), and submitted its Endorsement Advice Letter to the European Commission.

The Endorsement Advice Letter to the European Commission can be found [here](#).

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

Preparatory Draft Endorsement Advice

On 24 April 2023, EFRAG issued a [preparatory draft of its Endorsement Advice letter](#) relating to the endorsement for use in the EU of *International Tax Reform–Pillar Two Model Rules (Amendments to IAS 12)* ('the Amendments'). Considering the tight timeline for the forthcoming due process and provided that the final content of the Amendments is not substantially different from the contents of the ED and the decisions taken by the IASB in April 2023, EFRAG is issuing this document instead of the usual draft endorsement advice. EFRAG is consulting on its assessment against the technical criteria in the EU and whether the Amendments are conducive to the European public good. Comments are requested **by 24 May 2023**.

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

Recommendations and Feedback Statement

On 27 April 2023, EFRAG issued its [Recommendations and Feedback Statement](#) summarising the main comments received on its [Discussion Paper Better Information on Intangibles - Which is the best way to go?](#)

The document includes EFRAG's tentative recommendations for developing IFRS requirements on intangibles used in the entity's operations. These recommendations are based on the input EFRAG has received from comment letters, electronic surveys, outreach activities and supported academic studies.

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

OPEN CONSULTATIONS

| Title and description | Closing date |
|--|------------------|
| Academic study on the effects of IFRS 15 Revenue from Contracts with Customers | TBD |
| Preparatory Draft Endorsement Advice Letter on <i>International Tax Reform–Pillar Two Model Rules (Amendments to IAS 12)</i> | 24 May 2023 |
| EFRAG Discussion Paper <i>Accounting for Variable Consideration from a Purchaser Perspective</i> | 30 November 2023 |

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

EFRAG FINANCIAL REPORTING BOARD (FRB)

Webcast meeting 24 April 2023

The EFRAG FRB held a webcast meeting on [24 April 2023](#) and discussed the following topic:

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

The EFRAG FRB members received a summary of the feedback received by the IASB in response to the ED *International Tax Reform - Pillar Two Model Rules (Proposed amendments to IAS 12)* ('the ED') as well as of the IASB's tentative decisions. Members approved the preparatory draft of the endorsement advice letter. As the publication is expected in the week commencing 22 May, the initial comment period of the preparatory draft of the endorsement advice letter ends on 24 May 2023.

Next meeting

The EFRAG FRB will hold a next physical meeting on [3 May 2023](#) and [jointly with EFRAG SRB](#) on the same day.

EFRAG FRB written procedures

The EFRAG FRB has not approved any documents using written procedures in April and is not expected to do so in May 2023.

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting 13 April 2023

EFRAG FR TEG held a webcast meeting on [13 April 2023](#) and discussed the following topics:

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

EFRAG FR TEG discussed a summary of the feedback received by the IASB in response to the proposed amendments to IAS 12 *Income Taxes*, the IASB's decisions made on 11 April 2023 and how the IASB addressed the main proposals of EFRAG's [Comment Letter](#).

EFRAG FR TEG generally welcomed the project direction both in terms of the temporary exception and related disclosures. EFRAG FR TEG member expressed views to inform the forthcoming preparatory draft endorsement advice.

No decisions were taken at the meeting.

IASB Project *Rate-regulated Activities*

EFRAG FR TEG further discussed the IASB's tentative decisions relating to capitalised borrowing costs and inflation adjustments to the regulatory capital base.

Members, in general, considered that, subject to the findings of the IASB outreach to preparers, outreach by EFRAG may be needed on aspects of the model as preparatory work to provide an endorsement advice on the future Standard.

No decisions were taken at the meeting.

EFRAG Research Project *Connectivity*

EFRAG FR TEG discussed issues related to the objective and scope of the project, including the specific research objectives and elements of 'connectivity'. It was agreed management commentary information should be in scope.

Webcast meeting 24 April 2023

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

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

EFRAG FR TEG discussed and agreed to recommend for the approval of EFRAG FRB the EFRAG draft comment letter to the IASB ED/2023/2 *Amendments to the Classification and Measurement of Financial Instruments*.

EFRAG FR TEG suggested to explicitly welcome the IASB's decision to address this issue of electronic cash transfer through a standard-setting process rather than a IFRS Interpretation Committee agenda decision. This would allow entities to apply the amendments with transition requirements, without the need for restatements of prior periods.

EFRAG FR TEG underlined the urgency of the amendments to the SPPI requirements and suggested to decouple the finalisation of these proposals from the other elements of the ED, if the redeliberations/finalisation of the other parts of the ED would delay the publication of the amendments.

Next meeting

EFRAG FR TEG will hold a next physical meeting joint with EFRAG User Panel on [10 May 2023](#) and separately on [11 May 2023](#).

EFRAG FR TEG written procedures

The EFRAG FR TEG has approved the following document using written procedures in April:

- Preparatory draft of EFRAG Endorsement Advice letter relating to the endorsement for use in the EU of *International Tax Reform–Pillar Two Model Rules (Amendments to IAS 12)*.

IFASS MEETING

The International Forum of Accounting Standard Setters (IFASS) met on 19-21 April 2023 at the FASB offices in Norwalk, USA to discuss topics related to financial and sustainability reporting. The meeting was chaired by Chiara Del Prete, IFASS & EFRAG SR TEG Chairwoman, and EFRAG staff provided the IFASS Secretariat support. There was 70+ in-person and 110+ virtual attendees from 20+ jurisdictions. The topics covered included: connectivity between financial and sustainability information, IASB and ISSB updates, jurisdictional priority updates, Global Reporting Initiative and ESRS updates, public sector and non-profit accounting, jurisdictional perspectives on the ISSB global baseline, digital assets, IFRS 9 Amendments, Primary Financial Statements, and Intangibles. Representatives from 20 different jurisdictions participated as presenters or panellists.

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

EFRAG'S SUSTAINABILITY REPORTING ACTIVITIES

EFRAG SUSTAINABILITY REPORTING BOARD (SRB)

| Meeting date | Topics covered |
|-------------------------------|--|
| 3 April 2023 | EFRAG SRB held a closed meeting concerning the content and organisation of the planned ESRS implementation activities. |
| 4 April 2023 | EFRAG SRB met in a closed session with the EFRAG SR TEG to exchange views on the respective positions with respect to Sector ESRS materiality assessment and continued discussions about its workplan separately. |
| 12 April 2023 | EFRAG SRB discussed the planned ESRS implementation support deliverables and the structure of working groups concerning implementation guidance. Part of the discussion was held in public. |
| 25 April 2023 | EFRAG SRB continued its discussions on the workplan as well as evaluated the joint meeting with EFRAG SR TEG on 4 April 2023 in a closed session. |
| 26 April 2023 | EFRAG SRB discussed in a closed meeting the collection and organisation of incoming implementation questions on ESRS. In the same day, EFRAG SRB had a public meeting to discuss the draft methodology and architecture of ESRS XBRL Taxonomy. |

The next EFRAG SRB meeting will be held on [4 May 2023](#) after a joint meeting with EFRAG FRB on [3 May 2023](#).

Implementation activities

The EFRAG SRB planned and organised in private its implementation support activities before informing the public at its meeting on 12 April 2023. The following deliverables for the implementation support have been prioritised:

- Materiality assessment guidance;
- Guidance on the value chain including a map of the extent of value chain information required by the different disclosures in ESRS Set 1; and
- A list of the detailed requirements in Set 1, to be provided in Excel that would support the gap analysis activities that the preparers are now undertaking.

The EFRAG SRB tentatively plans to issue the deliverables in the Summer 2023.

The implementation deliverables will be supplemented by a process to receive and answer questions from preparers on the sector-agnostic standards.

ESRS Taxonomy

The EFRAG SRB discussed the key methodology and architecture concepts and were updated on the EFRAG SR TEG initial feedback. The EFRAG SRB supported the general approach adopted in the development of the [draft] XBRL Taxonomy and suggested to include certain points in the public consultation in order to receive feedback from the stakeholders.

EFRAG SUSTAINABILITY REPORTING TECHNICAL EXPERT GROUP (SR TEG)

| Meeting date | Topics covered |
|-------------------------------|---|
| 3 April 2023 | EFRAG SR TEG discussed version 2.1 of the draft LSME working paper and addressed remaining questions. |
| 11 April 2023 | EFRAG SR TEG held a closed drafting session addressing the implementation guidance on conducting materiality assessments and the value chain. It provided input on questions to be covered. |
| 17 April 2023 | EFRAG SR TEG provided feedback on the key contents of the structure and methodology of the ESRS XBRL taxonomy. |
| 24 April 2023 | EFRAG SR TEG discussed the XBRL taxonomy, received an update on forthcoming ISSB publications and provided input for the EFRAG Draft Comment Letter on the SASB consultations. |

The next EFRAG SR TEG meeting will be held on [9 May 2023](#).

Implementation activities

EFRAG SR TEG provided its views on the priorities for implementation activities as well as input as to the topics to be covered for both the materiality assessment and the value chain guidance documents.

Listed SME standard

Some of the discussions focused on EU datapoints (such as SFDR, Benchmark and Pillar 3, SFDR) and it was agreed to include specific questions in the consultation cover this aspect.

The EFRAG SR TEG also supported to propose a push down the exemption option for member states in the CSRD to LSMEs regarding intellectual property.

Furthermore, on science-based targets, it was agreed to maintain them as there are ad-hoc tools for SMEs in connection with GHG and partially for other targets. However, the application requirements will clarify that undertakings only have to report on these if they have such targets in place.

ESRS Taxonomy

Some questions related to the tagging were discussed and EFRAG SR TEG generally supported that tagging of intermediate levels of nested narrative tags (parents) are not required if the more granular tags cover the full disclosure. This will be also tested during the consultation.

Separability will also be covered in the public consultations as well as entity-specific additions to the ESRS data points.

ISSB consultations

EFRAG SR TEG were informed about the ISSB consultations in May 2023:

- Request for information on its agenda for the next two years; and
- Its methodology to internationalise the requirements in the SASB standards.

EFRAG is planning to respond to both consultations and EFRAG SR TEG focused on the second consultation in this meeting. EFRAG SR TEG supported the objective of the ISSB with its project on the SASB standards but considered that some important lessons were learned by EFRAG during Set 1, and this should be included in the comment letter.

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 Data and Usability (SG1) and in the Technical Working Group advising on the technical screening criteria (SG2).

On 5 April 2023 the call for feedback, was published on the "Have your say" portal of the EC with a four week consultation period of the draft Taxonomy Delegated Acts (Taxo4):

- the draft Taxonomy Environmental Delegated Act, including seven annexes on: i) water, ii) circular economy, iii) pollution, iv) biodiversity, v), vi) and vii) amendments to the Taxonomy Disclosures Delegated Act; and
- the draft amendments to the Taxonomy Climate Delegated Act, including two annexes on: i) climate change mitigation and ii) climate change adaptation.

In the second plenary meeting of the Platform on Sustainable Finance the three subgroups presented their workplan and the Platform received a presentation on taxo4. The Platform on Sustainable Finance develops a reaction on taxo4 and had the third plenary meeting to discuss its position on 27 April 2023.

The next plenary meeting of the Platform on Sustainable Finance takes place on 24 May 2023.