



EFRAG

Europe's voice in corporate reporting

January 2024



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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CALL FOR CANDIDATES

EFRAG Financial reporting and Sustainability reporting internship opportunities

EFRAG is offering internships in its financial reporting and sustainability reporting activities. Interested candidates can apply to be our new intern [here](#). Limited open positions still available from March 2024.

- Location: EFRAG offices, Brussels, Belgium
- Period: Recruitment on continuous basis, 6 months term (renewal possible for one term of 6 months). Limited open positions still available from February 2024.
- Hours: Full-time (38 hrs/week)
- Allowance: Contribution to living costs, meal tickets + transport allowance
- Nationality: EEA

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

EFRAG GOVERNANCE AND DUE PROCESS

NEW APPOINTMENTS

New composition of EFRAG Administrative Board and appointment of new EFRAG FRB and EFRAG SRB members

EFRAG announces:

- The new composition of its Administrative Board effective from 22 January 2024 and in particular welcomes the new Austrian representative, Helmut Maukner;
- Martin Thygesen, appointed as EFRAG FRB member (Danish Funding Mechanism);
- Alexander Bassen, appointed as EFRAG SRB member (EFFAS and Eurosif, user sector).

EFRAG thanks for their valuable contributions the members that stepped down:

- Andrea Sternisko (EFRAG Administrative Board);
- Soren Kok Olsen (EFRAG FRB); and
- Aleksandra Palinska (EFRAG SRB).

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

EFRAG'S FINANCIAL REPORTING ACTIVITIES

PUBLICATIONS

Final Endorsement Advice

On 7 January 2024, EFRAG completed its due process regarding the amendments to IAS 21 *The Effect of Changes in Foreign Exchange Rates: Lack of Exchangeability*, 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 are conducive to the European public good. EFRAG, therefore, recommends their endorsement.

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

Draft Comment Letter

On 15 January 2024, EFRAG published its [Draft Comment Letter](#) (the 'DCL') on the IASB's ED/2023/5 *Financial Instruments with Characteristics of Equity (Proposed amendments to IAS 32, IFRS 7 and IAS 1)* and seeks constituents' views on the IASB proposals.

Comments to the EFRAG DCL can be submitted by **20 March 2024**.

In coordination with European National Standard Setters, EFRAG is also conducting field-testing of the IASB's proposals included in the ED. More details are provided EFRAG's field testing: IASB Exposure Draft *Financial Instruments with Characteristics of Equity* (FICE)

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

Feedback Statement

On 30 January 2024, EFRAG published its [Feedback Statement](#) on the IASB Request for Information for the Post-implementation review of IFRS 15 *Revenue from Contracts with Customers*, explaining how this feedback was considered in developing EFRAG's [Final Comment Letter](#).

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

OPEN CONSULTATIONS

Title and description	Closing date
EFRAG's Draft Comment Letter on the IASB's ED <i>Financial Instruments with Characteristics of Equity (proposed amendments to IAS 32, IFRS 7 and IAS 1)</i>	20 March 2024

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

WEBINARS AND ONLINE OUTREACHES

EFRAG's field testing: IASB Exposure Draft *Financial Instruments with Characteristics of Equity (FICE)*

EFRAG was initially planning to conduct an extensive field-test and an online survey. At the 19 January 2024 EFRAG FR TEG meeting, it was decided to combine these two field tests into one survey which focuses on the qualitative impact of the IASB's proposals and participants may provide quantitative information if they are able to. The online survey was published on 2 February 2024.

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

NEW APPOINTMENTS

EFRAG Rate-regulated Activities Working Group

EFRAG welcomes Tommaso Fabi, EFRAG FR TEG country liaison member for Italy, as the new Chair of the [EFRAG Rate-Regulated Activities Working Group](#) (RRAWG), effective 1 January 2024.

EFRAG also welcomes Aissata Toure as a new member of the EFRAG RRAWG, effective 20 December 2023.

EFRAG thanks Ralph Welter, who stepped down, for his valuable contributions to EFRAG and the EFRAG RRAWG.

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

EFRAG FINANCIAL REPORTING BOARD (FRB)

Webcast meeting 30 January 2024

The EFRAG FRB held a webcast meeting on [30 January 2024](#) and discussed the following topics:

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

The EFRAG FRB members provided their views on the IASB's tentative decisions on how to reduce costs and improve the effectiveness of the goodwill impairment test, on the proposed transition requirements and on due process for the forthcoming IASB exposure draft.

Some members expressed concerns that shielding effect was not sufficiently addressed by the IASB and questioned how the requirement to assess cash flows from an asset or CGU in its current condition would fit with including future restructurings, improvements or enhancements when assessing value in use.

No decisions were taken at the meeting.

IASB Project *Provisions–Targeted Improvements*

The EFRAG FRB was provided with an update on the project and the project plan.

The EFRAG FRB noted that the proposed amendments to discount the estimated future expenditure at a rate that reflects the time value of money - represented by a risk-free rate - with no adjustment for non-performance risk could have a significant impact, however, for a limited number of entities. Changes to the requirements on when an entity has a present obligation as a result of a past event could impact the timing of recognition of a provision for levies by financial institutions.

No decisions were taken at the meeting.

Update of workplan and any other matters

The EFRAG FRB discussed and approved the technical workplan until July 2024. Members classified the IASB projects *Power Purchase Agreements* and *Updating the Subsidiaries without Public Accountability: Disclosures Standard* as being significant. Both projects will be discussed in the future EFRAG FRB meetings.

Next meeting

The next EFRAG FRB meeting will be held on [29 February 2024](#).

A joint EFRAG FRB-SRB meeting will be held on [28 February 2024](#).

EFRAG FRB January 2024 written procedures

The EFRAG FRB has approved the following document using written procedures in January:

- EFRAG's Final Endorsement Advice on Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*.

EFRAG FRB expected February 2024 written procedures

The EFRAG FRB is not expected to approve any documents using written procedures in February 2024.

EFRAG FINANCIAL REPORTING BOARD (FRB) & EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting 8 January 2024

The EFRAG FRB and EFRAG FR TEG held a joint webcast meeting on [8 January 2024](#) and discussed the following topic:

IASB Project *Financial Instruments with Characteristics of Equity*

The EFRAG FRB and EFRAG FR TEG were provided with an overview of the updated Draft Comment Letter (the 'DCL') on the IASB's Exposure Draft *Financial Instruments with Characteristics of Equity* (IASB/ED/2023/5). EFRAG FR TEG recommended the DCL for approval to the EFRAG FRB and at the same meeting, the EFRAG FRB approved the DCL for publication, subject to drafting changes.

Next meeting

The EFRAG FRB and EFRAG FR TEG will hold the next joint meeting on [15 May 2024](#).

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG) – CONSULTATIVE FORUM OF STANDARD SETTERS (CFSS)

Webcast meeting 26 January 2024

EFRAG FR TEG and EFRAG CFSS held a webcast meeting on [26 January 2024](#) and discussed the following topic:

IASB Project Power Purchase Agreements (PPA)

EFRAG FR TEG and CFSS were provided with an overview of the potential narrow-scope amendments to IFRS 9. The potential amendments cover both the application requirements for the 'own-use' relating to the physical PPAs and the application requirements for the hedge accounting relating to the virtual PPAs ('vPPAs').

Overall, EFRAG FR TEG and EFRAG CFSS were supportive of the IASB's staff efforts to propose a principle-based solution to both PPAs and vPPAs. However, there were some concerns that the application guidance proposed by the IASB staff might not sufficiently capture characteristics of PPAs intended to be scoped in the amendments. Those concerns were shared by EFRAG at the ASAF webcast meeting held on 29 January 2024.

No decisions were taken at the meeting.

Next meeting

EFRAG FR TEG and EFRAG CFSS will hold the next meeting on [13 March 2024](#).

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Webcast meeting 18 January 2024

EFRAG FR TEG held a webcast meeting on [18 January 2024](#) and discussed the following topics:

IASB Project Rate-Regulated Activities

EFRAG FR TEG was provided with a presentation that highlighted the findings and implications of the feedback to the IASB staff survey on the direct (no direct) relationship concept with a specific focus on the responses by EU companies that were shared with EFRAG.

No decisions were taken at the meeting.

IASB Project *Post-implementation review of IFRS 16*

EFRAG FR TEG was provided with an overview of the EFRAG envisaged workplan, including on-line surveys to be addressed to different stakeholders, in preparation for the IASB's Request for Information. Members generally agreed with the proposed workplan and provided their input about the most impacted industries by the application of IFRS 16 and the content of the on-line survey to be addressed to preparers and its auditors. EFRAG intends to publish this on-line survey in February 2024, shortly after an on-line survey to users will be launched. EFRAG FR TEG highlighted the importance of the users' feedback for the project. In addition to obtaining feedback by survey, EFRAG seeks feedback from various stakeholders by interview within the next months.

No decisions were taken at the meeting.

Webcast meeting 19 January 2024

EFRAG FR TEG held a webcast meeting on [19 January 2024](#) and discussed the following topic:

IASB Project *Financial Instruments with Characteristics of Equity*

EFRAG FR TEG discussed the proposed extensive field test and the online survey. Members observed that the timing of the field tests is challenging, especially given the efforts required from participants to reply to the extensive field test which includes preparation of quantitative information and disclosures. Therefore, it was decided to combine the two field tests into one survey which focuses on the qualitative impact of the IASB's proposals and participants may provide quantitative information if they are able to. The deadline of the online survey was confirmed to be **8 March 2024**.

No decisions were taken at the meeting.

Next meeting

EFRAG FR TEG will hold a next meeting on [14 February 2024](#).

EFRAG'S SUSTAINABILITY REPORTING ACTIVITIES

CALL FOR CANDIDATES

EFRAG is looking for senior secondments in kind to support activities in 2024

EFRAG is looking for senior secondments in kind (without payment by EFRAG) to support its work on the sustainability reporting work plan for 2024 including sector ESRS, implementation support, non-EU ESRS and interoperability with other frameworks and standards.

These positions are available on a full-time and part-time basis (minimum 50%) at least for a six-months period.

Secondments in kind would support: (i) implementation support for the first set of ESRS, including on climate change transition plans, examples of emerging market practices under ESRS; (ii) Development of the draft ESRS for non-EU companies as required by the CSRD; (iii) Interoperability; and (iv) Sector-specific ESRS for high-impact sectors and financial institutions.

Application deadline: **14 February 2024**, an interview forms part of the selection process.

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

PUBLICATIONS

EFRAG's public consultation on two Exposure Drafts on Sustainability Reporting Standards for SMEs

EFRAG launched on 22 January 2024 the public consultation on the Exposure Draft ESRS for listed SMEs (ESRS LSME ED) and the Exposure Draft for voluntary reporting standards for listed SMEs (VSME ED). The consultation will be open until **21 May 2024**. EFRAG invited preparers and users to participate in a field test.

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

OTHER NEWS

European Parliament Committee on Legal Affairs (JURI) Hearing

On 24 January 2024, EFRAG presented its Sustainability Reporting working program for 2024 to the Committee on Legal Affairs of the European Parliament. In the same meeting, the European Commission proposed a delay of two years in adopting sector-specific sustainability reporting standards for certain sectors to the Members of the European Parliament (MEPs). The MEPs approved the two-year postponement in developing sector-specific sustainability reporting standards. However, they have clarified that the reporting standards for eight sectors should be made available before the deadline as soon as they are prepared. The MEPs also decided to defer the adoption of general sustainability reporting standards for third-country companies until 2026. This decision aims to enable companies to focus on implementing the first set of general ESRS adopted on 31 July 2023.

For more details, please see the [European Parliament's website](#).

WEBINARS AND OUTREACHES

OIC and EFRAG joint hybrid event 'Reporting di Sostenibilit  Standard e Linee Guida lo stato dell'arte' in italian

On 22 January 2024, EFRAG and Organismo Italiano di Contabilit  (OIC) held the event 'Sustainability Reporting Standards and Implementation Guidance: the state of the art.' The event was an opportunity to debate on the state of the art of the sustainability standardisation and to discuss the implementation guidance relating to the Materiality Assessment and the Value Chain recently published for feedback by EFRAG.

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

EFRAG launches workshops on its draft Sector Classification

On 24 January 2024, EFRAG announced that it will hold a series of online workshops in February 2024 to collect feedback on the current version of the draft ESRS - SEC1 Sector Classification, which is expected to be shared for consultation in the coming months.

All interested stakeholders are invited to participate. To join the workshops, please subscribe to EFRAG's Sector-Specific Communities and select your sector(s) of interest using this link unless you are still part of the communities you registered to in the past.

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

OPEN CONSULTATIONS

Title and description	Closing date
Call for candidates - Senior secondments in kind	14 February 2024
Exposure Draft ESRS for listed SMEs	21 May 2024
Voluntary reporting standard for non-listed SMEs	21 May 2024

EFRAG SUSTAINABILITY REPORTING BOARD (SRB)

Meeting date	Topics covered
10 January 2024	<ul style="list-style-type: none"> Joint EFRAG SRB and EFRAG SR TEG update on the Cost Benefit Analysis project for LSME and VSME (closed) Approval of the (draft) ESRS XBRL taxonomy (open) Input on SME questionnaires for public consultation (open) SRB internal process (closed)
24 January 2024	<ul style="list-style-type: none"> Process update on the Q&A Platform (closed) Pipeline of Implementation Guidance (closed) Approval of batch of categorisations and approval of changes to explanations from the Q&A Platform (open) Sector classification - Update on new release of NACE and approach to reconciliation with EU Taxonomy (open) Update on ESRS-TNFD joint mapping (open)

The next EFRAG SRB meeting will be held on [7 February 2024](#).

Draft ESRS Set 1 XBRL Taxonomy

On 10 January 2024, the EFRAG SRB members approved the Draft ESRS Set 1 XBRL Taxonomy and the Draft Article 8 XBRL Taxonomy by consensus. Following approval, the EFRAG Secretariat will finalise the Explanatory Note and Basis for conclusions, with written input from the EFRAG SR TEG and EFRAG SRB. These two draft taxonomies, including all consultation materials, will be issued for public consultation as soon as possible.

SME Exposure drafts

On 10 January 2024, the EFRAG SRB discussed the VSME and LSME questionnaires to collect feedback on the exposure drafts. The EFRAG SRB suggested several

improvements to both questionnaires. Next, the EFRAG Secretariat will implement the requested changes, finalize the consultation package and issue the two Exposure Drafts for consultation.

Q&A Platform

On 25 January 2024, the EFRAG SRB approved a batch of categorisations and reviewed changes made to explanations following the comments received in the EFRAG SRB written approval procedure. The EFRAG Secretariat will amend the explanations following the EFRAG SRB requested editorial changes. As a next step, the EFRAG Secretariat will send the explanations approved by the EFRAG SR TEG on 18 January 2024, subject to changes, to the EFRAG SRB for approval. The upcoming EFRAG SRB session on the Q&A platform will be on 7 February 2024.

Sector classification

The EFRAG SRB received an update on the ongoing preparation of the draft ESRS SEC 1 Exposure Draft, a future standard that will set how to aggregate NACE codes into ESRS Sectors for the purposes of the future ESRS Sector standards. The EFRAG SRB received an update on the consequences of the new release of NACE on the SEC 1 classification, as well as on the approach to reconciliation with EU Taxonomy. Regarding the latter, the EFRAG Secretariat the EFRAG SRB acknowledged the EFRAG SR TEG tentative advice not to attempt a reconciliation between SEC 1 classification and the classification of activities in the EU Taxonomy, due to the different nature of the two regulations. The Basis for conclusions to SEC 1 will illustrate the interaction between them. The EFRAG SRB noted the plan to further analyse biofuels, leasing, and financial sector and the forthcoming workshops on sector classification in February 2024 organised by the EFRAG Secretariat.

ESRS and TNFD Mapping

On 24 January 2024, the EFRAG Secretariat provided an update on the activity performed jointly with the TNFD staff in preparation of a joint guidance document on ESRS-TNFD mapping. The EFRAG SRB was as well updated on the outcome of the EFRAG SR TEG discussion on the draft document. The EFRAG SRB agreed on the approach to map the correspondence between ESRS and TNFD requirements and, in a broad sense, on the steps for further collaboration with the TNFD. The EFRAG Secretariat will continue working on the correspondence table, in preparation of the approval at EFRAG SR TEG and EFRAG SRB.

EFRAG SUSTAINABILITY REPORTING TECHNICAL EXPERT GROUP (SR TEG)

Meeting date	Topics covered
15 January 2024	<ul style="list-style-type: none"> • Update on SME (closed) • Input to the consultation questions and explanatory note for XBRL Set 1 Taxonomy (closed) • Session on SEC 1 and 2 to discuss NACE-2 update (open) • Discussion of the cost benefit analysis project for LSME and VSME (closed)
18 January 2024	<ul style="list-style-type: none"> • Discussion on the ESRS - TNFD mapping (open) • Approval of batch of explanations for the Q&A Platform (open) • SEC 1 and 2, Sector classification updated (open)
30 January 2024	<ul style="list-style-type: none"> • Joint educational session on the TNFD (closed) • Update on ISSB activities (open)

The next EFRAG SR TEG meeting will be held on [1 February 2024](#).

Sector Classification

On 15 January 2024, EFRAG SR TEG members agreed to use NACE 2-1 as the default version for SEC 1, leading to a reclassification of certain activities. The need to issue SEC 1 without delay was stressed, as it is needed to implement ESRS 2 SBM 1 and to provide certainty to the market about the ESRS sectors. It was noted that when EFRAG will define the content of the respective sector ESRS, evidence about commonalities between NACE codes may be higher than what is available today. However, future changes to SEC 1 would be disruptive for preparers and they will be kept to the minimum. Most members prefer a disconnect between ESRS Sectors and EU Taxonomy activities given the practical difficulties.

During the following session on 18 January 2024, proposed modifications to SEC 1 were discussed. The EFRAG SR TEG members disagreed with creating a separate "Metallurgical industry" standard and debated changes to sector definitions, including tobacco-related activities and realignments in the financial sector.

ESRS and TNFD mapping

The EFRAG Secretariat presented the draft interoperability guidance prepared jointly with the TNFD staff, that attended this SR TEG meeting as observer. During the meeting of 18 January 2024, several EFRAG SR TEG members emphasised the urgency for preparers and the market to comprehend the commonalities between the ESRS and TNFD frameworks. However, members were cautioned against overemphasizing alignment due to differences in definitions and disclosure

requirements. They suggested to rename the guidance to be “correspondence table” instead of “interoperability”.

Furthermore, discussions included the possibility of conducting a more detailed interoperability assessment beyond a correspondence analysis as a second step. EFRAG SR TEG members also wanted to understand the future collaboration steps between EFRAG and TNFD, especially concerning sector-related work.

Q&A Platform

In the voting session held on 18 January 2024, no objections were raised for batches 2 and 3 categorizations approved by the EFRAG SRB, pending clarification for one question. Fifteen out of sixteen explanations were approved, with the remaining one requiring further discussion at the next EFRAG SR TEG meeting. Next steps include editorial changes to approved explanations before submission to the EFRAG SRB.

Update on ISSB activities

During the meeting held on 30 January 2024, EFRAG SR TEG members received an update on the ISSB meetings and discussions from September till December 2023. No comments or questions were raised.

EFRAG – CONSULTATIVE FORUM OF STANDARD SETTERS (CFSS)

Webcast meeting 17 January 2024

EFRAG CFSS held a webcast meeting on [17 January 2024](#). Members received a presentation on the purpose, approach and content of the Exposure Drafts ESRS for listed SMEs and Voluntary Standard for non-listed SMEs and discussed how to get involved in EFRAG Sustainability Reporting consultation and other activities in 2024.

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 12th plenary meeting of the Platform took place on 24 January 2024 preceded by the three Subgroup meetings on 23 January 2024. The meeting included presentations of the subgroups, the adoption in principle of the draft intermediate report on the Monitoring of capital flows, the adoption in principle of the Annex to the Compendium report and EBA presented on its report on green loans and mortgages.

On 29 January the Platform published its [report on a compendium of market practices](#). The report focuses on seven stakeholder groups (corporates, credit institutions, investors, insurers, auditors and consultants, small- and medium-sized enterprises, and the public sector), showing that the EU taxonomy and the other sustainable finance tools (e.g. the European Green Bond Standard) is being used for setting transition strategies, structuring financial transactions and reporting on sustainability efforts.

The next meeting of the Platform will take place on 6 March 2024.