



EFRAG

Europe's voice in corporate reporting

JULY 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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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.

CALL FOR CANDIDATES

EFRAG is currently recruiting technical staff for both its Financial and Sustainability Reporting Pillars. Check our [vacancies webpage](#) and apply now.



FR - Senior Technical Manager

Are you an expert in Financial Reporting, with robust knowledge of IFRS Standards?

Join EFRAG as Senior Technical Manager and be at the forefront of shaping financial reporting developments!

Read the complete [job description](#) and submit your application at Rh@efrag.org.

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



FR - Senior Technical Manager - Financial Instruments Specialist

Experts in Financial Reporting, with in-depth experience are invited to read the [job description](#) and send their application now.

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



SR - Environmental specialist

Join the EFRAG sustainability reporting pillar: a multicultural, fast-evolving environment. Applications are welcome for professionals with over 5 years' experience.

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

Editor



The role, to be based at EFRAG's office in Brussels, is critical in ensuring that EFRAG's English-published documents, accessed by a global audience, are of the highest quality.

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



FR - Assistant Technical Manager

Interested in Financial Reporting? Join EFRAG as assistant technical manager, a unique opportunity to develop your career.

Read the complete [job description](#) and how to apply [here](#).

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

EFRAG GOVERNANCE AND DUE PROCESS

Sébastien Harushimana appointed as the new Chair of EFRAG Financial Reporting Technical Expert Group (EFRAG FR TEG)

The EFRAG Administrative Board has appointed Sébastien Harushimana as Chair of EFRAG FR TEG. He will assume his role on a full-time basis from 1 September 2023. During his three-year term, he will be responsible for leading EFRAG's financial reporting technical activities.

Sébastien is an experienced financial reporting and IFRS expert with over 25 years of experience across roles in international accounting consulting, internal and external audit, and finance transformation and conversion and with technical expertise in IFRS, local GAAP (i.e., Belgian, UK/Irish and US GAAP), and IPSAS. In his experience, he has advised government institutions and CFOs of various entities including multi-national industrial, manufacturing and financial institutions.

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

EFRAG Connectivity Advisory Panel

The EFRAG Connectivity Advisory Panel ('EFRAG CAP') held its inaugural meeting on 19 July 2023. The EFRAG CAP advises EFRAG FR TEG on the proactive research project on the connectivity between financial reporting and sustainability reporting information.

ANNUAL REPORT 2022

On 28 July 2023, EFRAG published its [Annual Report 2022](#) that highlights the main achievements of the organisation in the past year and the important developments that took place in the first half of 2023.

For Financial Reporting activities, the Annual Report provides information on EFRAG's activities with a focus on the EFRAG's work regarding the work on:

- Primary Financial Statements;
- The Post Implementation Reviews of IFRS 9 and IFRS 15;
- The Pillar II Tax Reform (Amendments to IAS 12); and
- EFRAG's proactive research projects on Intangibles and on Accounting for Variable Considerations.

For EFRAG Sustainability Reporting Activities, the Annual Report provides insights on the EFRAG's activities related to:

- The First set of draft the European Sustainability Reporting Standards (ESRS) and related implementation guidance;
- The Standards for SMEs (listed SMEs and a voluntary standard);
- Sector Specific ESRS;
- The XBRL Taxonomy for the first set of ESRS; and
- The interoperability and cooperation with global initiatives.

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

EFRAG'S FINANCIAL REPORTING ACTIVITIES

PUBLICATIONS

Draft Endorsement Advice

On 18 July 2023, EFRAG issued a [draft endorsement advice letter](#) and a separate [invitation to comment](#) relating to the endorsement for use in the EU of the Amendments to IAS 7 and IFRS 7 on *Supplier Finance Arrangements* ('the Amendments').

EFRAG is consulting on its assessment of the Amendments against the technical criteria for endorsement in the EU and on its assessment of whether the Amendments are conducive to the European public good.

EFRAG's overall preliminary assessment is that the Amendments satisfy the criteria for endorsement for use in the EU and therefore recommends its endorsement. EFRAG is seeking comments on all aspects of its analysis supporting its preliminary conclusions.

Comments are requested **by 11 September 2023**.

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

Final Comment Letter

On 19 July 2023, EFRAG published its [Final Comment Letter](#) on the IASB ED *Amendments to Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*.

In its letter, EFRAG welcomes the IASB's efforts to address the concerns of stakeholders and, in general, agrees with the proposed amendments.

EFRAG considers that the proposed clarifications to the general SPPI requirements provide a good basis for evaluating whether contractual cash flows of financial assets with ESG-linked or similar features meet SPPI requirements. EFRAG points out that the solution is expeditiously needed and encourages the IASB to prioritise the publication for these proposed clarifications over the rest of the proposals included in the ED, allowing entities to apply them as early as possible.

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

Draft Comment Letters

[Post-implementation Review of IFRS 9 - Impairment](#)

On 18 July 2023, EFRAG published its [Draft Comment Letter](#) ('DCL') in response to the IASB request for information as a part of the Post-implementation Review ('PIR') of the impairment requirements of IFRS 9 *Financial Instruments* and seeks constituents' views on how the requirements are working in practice.

In its DCL, EFRAG notes that the impairment requirements in IFRS 9 generally work as intended and the use of a forward-looking expected credit loss model results in more timely recognition of credit losses than applying IAS 39 *Financial Instruments: Recognition and Measurement*. EFRAG, however, suggests the IASB provide some additional clarifications.

Comments are requested **by 13 September 2023**.

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

[Post-implementation Review of IFRS 15 Revenue from Contracts with Customers](#)

On 24 July 2023, EFRAG published [its Draft Comment Letter](#) ('DCL') in response to the IASB Request for Information ('RFI') on the Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*.

In the DCL response, EFRAG notes that the Standard is generally working well in practice and its requirements are suitable for contracts with customers of varying complexity. However, there are some potential areas for targeted improvements of the Standard including principal-agent considerations, accounting for contracts involving licences, and applying the Standards with other IFRS Standards (e.g., IFRS 3 and IFRS 16). Views and comments are sought on the Standard's overall suitability, its understandability, the cost-benefit of its implementation, the identified application challenges, the required disclosures, transition methods, and convergence with US GAAP.

Comments letters are requested **by 11 October 2023**.

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

Online survey to provide input to EFRAG

[EFRAG's Discussion Paper Accounting for variable consideration - from a purchaser's perspective](#)

On 24 July, to stimulate the debate and facilitate responses to EFRAG's Discussion Paper *Accounting for variable consideration - from a purchaser's perspective*, EFRAG has made it possible to provide comments through an **electronic survey**. Comments to the Discussion Paper remain due **by 30 November 2023**.

EFRAG originally published its Discussion Paper Accounting for variable consideration - from a purchaser's perspective in September 2022.

The Discussion Paper primarily focuses on and proposes alternatives for accounting requirements on:

- When to recognise a liability covered by IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments for variable consideration that depends on the purchaser's future actions.
- Whether/when subsequent changes in the estimate of variable consideration should be reflected in the cost of the acquired asset.

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

OPEN CONSULTATIONS

Title and description	Closing date
Academic study on the effects of IFRS 15 <i>Revenue from Contracts with Customers</i>	1 September 2023
EFRAG Draft Comment Letter on PIR of IFRS 9 - <i>Impairment</i>	8 September 2023
EFRAG Draft Endorsement Advice on Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	11 September 2023
EFRAG Draft Comment Letter on PIR of IFRS 15 - <i>Revenue from Contracts with Customers</i>	11 October 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 13 July 2023

The EFRAG FRB held a webcast meeting on [13 July 2023](#) and discussed the following topics:

IASB Project *Financial Instruments with Characteristics of Equity*

The EFRAG FRB received an update on the project, considered the feedback received from EFRAG Technical Groups and the interaction with the project Subsidiaries Without Public Accountability: Disclosures.

In general, there was support for the project direction, which seemed to address known practice issues that arise when applying IAS 32 *Financial Instruments: Presentation* to classify financial instruments as financial liabilities or equity.

Nonetheless, there were some questions and concerns related to this project that needed to be further considered such as the effect of law on the classification of financial instruments, the wording on the fixed-for-fixed principles and financial

liabilities containing contractual obligations to pay amounts based on an entity's performance or changes in its net assets.

In addition, the disclosures seem to be quite comprehensive and demanding. Therefore, the IASB should clearly explain why there is a need to introduce a new set of additional disclosures as often this information is not readily available. There was also a need to have additional guidance on specific disclosures such as the meaning of liquidation (e.g., events that qualify as a liquidation event).

IASB Project Rate-regulated Activities

The EFRAG FRB received an update on the IASB redeliberations and tentative decisions following constituents' feedback to the 2021 Exposure Draft *Accounting for Regulatory Assets and Regulatory Liabilities*. The update focused on IASB's decisions on the following elements of the total allowed compensation: allowable expenses; regulatory assets and regulatory liabilities arising from difference between regulatory recovery pace and assets' useful lives; accounting mismatch due to the capitalisation of borrowing costs; inflation adjustment on the regulatory capital base. These elements have implications on whether reporting entities recognise regulatory assets and regulatory liabilities. The EFRAG FRB also discussed expectations from one of the jurisdictions on the timeline of completion of the final Standard.

IASB Project *Supplier Finance Arrangements*

The EFRAG FRB discussed the assessment of Supplier Finance Arrangements ('SFAs') (*Amendments to IAS 7 and IFRS 7*) against the technical criteria for endorsement in the EU and the assessment of whether the Amendments are conducive to the European public good. Members approved the DEA with a comment period until 11 September 2023.

The result of limited outreach activities in parallel to this consultation due to the concern from some constituents about the challenges for an entity to disclose the carrying amount of financial liabilities that are part of SFAs for which suppliers have already received payment will be considered for the FEA.

IASB Research Project *Business Combinations under Common Control*

The EFRAG FRB discussed the project direction options as proposed by the IASB at its April 2023 meeting based on the input from the EFRAG User Panel and the EFRAG FR TEG CFSS meeting. Members generally supported to continue developing recognition, measurement and disclosure requirements. Members confirmed that diversity in practice exists around the application of the book-value method. By the majority of EFRAG FRB members the priority of the project was not

considered to be the highest among the various IASB projects. Some other projects were considered to be of higher priority. Nevertheless, due to the lack of accounting guidance in the IFRS standards and the advanced stage of discussions, the project should be completed.

Update of work plan and any other matters

The EFRAG FRB discussed and approved the technical workplan until December 2023.

Webcast meeting 18 July 2023

The EFRAG FRB held a webcast meeting on [18 July 2023](#) and discussed the following topic:

IASB Project Amendments to Classification and Measurement of Financial Instruments

The EFRAG FRB discussed the Final Comment Letter ('FCL') on the proposals in the IASB's Exposure Draft *Amendments to the Classification and Measurement of Financial Instruments (Proposed amendments to IFRS 9 and IFRS 7)* as recommended by EFRAG FR TEG and approved it, subject to drafting changes agreed during the meeting.

In its FCL, EFRAG welcomes the IASB's efforts to address the concerns of stakeholders and, in general, agrees with the proposed amendments to the classification and measurement of financial instruments.

Next meeting

The EFRAG FRB will hold a joint public session with the EFRAG SRB on [28 August 2023](#).

EFRAG FRB July 2023 written procedures

The EFRAG FRB did not approve any documents using written procedures in July.

EFRAG FRB expected August 2023 written procedures

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

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

Physical meeting 4 July 2023

EFRAG FR TEG and CFSS held a physical meeting on 4 July 2023 and discussed the following topics:

IASB Project *Primary Financial Statements*

EFRAG FR TEG and CFSS received an update on the status of the project and discussed the Illustrative Examples prepared by the IASB staff to support preparers in the understanding of the requirements.

Members generally welcomed the examples indicating that they were helpful for both preparers and users. Nonetheless, members suggested some improvements to address the needs of specific industries (e.g., financial institutions and insurance companies) and to avoid misleading or boilerplate information.

IASB Project *Provisions–Targeted Improvements*

EFRAG FR TEG and CFSS discussed the amendments to IAS 37 suggested by the IASB Staff with regards to the definition of a provision, and the issues related to the recognition thresholds for provisions, and the concept of no practical ability to avoid.

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

EFRAG FR TEG and CFSS were provided with an update about the July 2023 ASAF meeting, where the IASB staff will present an educational session on the IASB's proposals to require an entity to disclose better information about business combinations. Members did not provide significant comments.

IASB Project *Climate-related Risks in the Financial Statements*

EFRAG FR TEG and CFSS were provided with an overview of the IASB project and of the preliminary results of the EFRAG Secretariat's survey on this topic. Particularly, the members provided their views about the nature, prevalence and causes of identified concerns about climate-related risks in financial statements, suggested how the IASB could address them and discussed whether to extend the scope of the project to other risks and opportunities.

IASB Project *Equity Method*

EFRAG FR TEG and CFSS discussed whether the IASB should issue an exposure draft of amendments to *IAS 28 Investments in Associates and Joint Ventures* or an exposure draft of *IAS 28 revised*.

A majority of members supported the issuance of an exposure draft of amendments to *IAS 28* as this would better reflect the project objective to answer identified application questions applying core principles that already exist in the IFRS Standards, but not to change those principles. Issuing amendments to *IAS 28* would also be less disruptive for stakeholders and imply less cost and efforts from the IASB.

Some members also emphasised that, whatever the form the exposure draft will take, the consequential amendments to other IFRS Standards should be carefully considered, in particular regarding *IAS 27 Separate Financial Statements*.

IASB Project *Supplier Finance Arrangements*

EFRAG FR TEG and CFSS were consulted on the comment period related to EFRAG's Draft Endorsement Advice on *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*. It was considered that a comment period ending on 10 September 2023 would be feasible.

IASB Research Project *Business Combinations under Common Control*

EFRAG FR TEG and CFSS discussed the project direction options as proposed by the IASB at its April 2023 meeting. Members generally supported Option I (to continue developing recognition, measurement and disclosure requirements) with some exceptions (e.g., "Non-controlling Shareholder choice") or variations (e.g., focusing on situations where it is prohibited to apply the acquisition method). Members did not support either the Option II (to continue developing only disclosure requirements), or Option III (discontinuing the project). Finally, members highlighted that diversity in practice exists around the application of the book-value method and suggested further consultations with users.

IFRS IC discussions

EFRAG FR TEG and CFSS were provided with a summary of the main open issues discussed by the IFRS Interpretations Committee.

ISSB Agenda consultation

EFRAG FR TEG and CFSS received a presentation relating to the EFRAG's draft comment letter responses to the ISSB consultation on its planned Agenda Priorities.

EFRAG CFSS members noted that interoperability - with other sustainability frameworks or frameworks under development - was the key element in developing

the ISSB framework. Also, the structure of current ESRS standards is to be considered for the same reason. Finally, standard setters were expecting practical examples – as application guidance – to the recently published ISSB standard on Climate.

SASB methodology

EFRAG FR TEG and CFSS received a presentation relating to EFRAG's draft comment letter responses to the ISSB consultation on the methodology used to internationalise the SASB standards.

EFRAG CFSS members discussed how the materiality assessment was being considered under ESRS standards versus the SASB standards. Also, clarification was sought on how the SASB 77 industries were mapped with the 39 ESRS sectors. It was clarified that while NACE codes (the basis for building sectors under ESRS) were designed for economic data, SICs (the basis for building SASB industries) takes a different approach, relying on identifying industries that use similar business models to interact with various forms of capital.

Next meeting

EFRAG FR TEG and CFSS will hold their next joint meeting on [14 September 2023](#).

EFRAG FINANCIAL REPORTING TECHNICAL EXPERT GROUP (FR TEG)

Physical meeting 5 July 2023

EFRAG FR TEG held a physical meeting on [5 July 2023](#) and discussed the following topics:

IASB Project *Supplier Finance Arrangements*

EFRAG FR TEG discussed and recommended to the EFRAG FRB the Draft Endorsement Advice letter to the European Commission (EC) on *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) and the Invitation to comment subject to some drafting comments.

IASB Project *Primary Financial Statements*

EFRAG FR TEG discussed the potential implications arising from the expected IASB's proposal related to the effective date and transition requirements applicable to the new IFRS Standard. Members generally noted that a transition period of 18-24 months could be too short, especially for the most impacted industries, and

highlighted that preparers would need the final standard (with more details) to be able to start the transition process.

No decisions were taken at the meeting.

IASB Research Project *PIR IFRS 9 - Impairment*

EFRAG FR TEG received a presentation of academic research on how the ECL model works, with a focus on timeliness of credit loss recognition, forward-looking scenarios, post-model adjustments, and significant increase in credit risk. Members thanked Zoltán Novotny-Farkas for the meaningful and useful presentation.

EFRAG FR TEG also discussed the EFRAG's Draft Comment Letter ('DCL') in response to the IASB's *Request for Information: Post-implementation Review IFRS 9 Financial Instruments - Impairment*. The DCL was approved by written approval subsequent to the meeting.

In its DCL, EFRAG noted that the impairment requirements in IFRS 9 generally work as intended. In general, the use of a forward-looking expected credit loss model results in more timely recognition of credit losses than applying IAS 39 *Financial Instruments: Recognition and Measurement*.

Nevertheless, EFRAG identified some issues of application or diversity in practice with different levels of priority that should be further considered by the IASB in the context of this PIR project.

Webcast meeting 12 July 2023

EFRAG FR TEG held a webcast meeting on [12 July 2023](#) and discussed the following topics:

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

EFRAG FR TEG received an update on the feedback from constituents and discussed the EFRAG Final Comment Letter ('FCL') on the proposals in the IASB's Exposure Draft *Amendments to the Classification and Measurement of Financial Instruments (Proposed amendments to IFRS 9 and IFRS 7)*.

EFRAG FR TEG agreed to recommend the FCL for approval to the EFRAG FRB, subject to drafting changes agreed in the meeting.

Webcast meeting 17 July 2023

EFRAG FR TEG held a webcast meeting on [17 July 2023](#) and discussed the following topics:

IASB Research Project PIR of IFRS 15 *Revenue from Contracts with Customers*

EFRAG FR TEG discussed and approved the EFRAG Draft Comment Letter ('DCL') in response to the IASB's Request for Information: *Post-implementation Review IFRS 15 – Revenue from Contracts with Customers*.

In its DCL, EFRAG indicates that IFRS 15 is generally working well in practice, but proposes some targeted improvements. The DCL will be subject to public consultation until 11 October 2023.

Next meeting

EFRAG FR TEG will hold a joint session with EFRAG SR TEG on [21 August 2023](#).

EFRAG FR TEG July 2023 written procedures

EFRAG FR TEG approved the following document using written procedures in July:

- EFRAG Draft Comment Letter in response to the IASB's *Request for Information: Post-implementation Review IFRS 9 Financial Instruments – Impairment*.

EFRAG FR TEG expected August 2023 written procedures

EFRAG FR TEG is not expected to approve any documents using written procedures in August.

EFRAG'S SUSTAINABILITY REPORTING ACTIVITIES

DELEGATED ACT ADOPTING THE FIRST SET OF EUROPEAN SUSTAINABILITY REPORTING STANDARDS (ESRS).

On 31 July 2023, the European Commission published the final Delegated Act adopting the first set of twelve ESRS. Adoption of ESRS by Delegated Act is mandated by the co-legislators in the Corporate Sustainability Reporting Directive (CSRD - Directive (EU) 2022/2464) adopted in December 2022.

The first set of ESRS provide a proportionate but comprehensive coverage of sector-agnostic, environmental, social and governance matters. The adoption by the European Commission of this first set of ESRS constitutes a milestone for relevant and comparable sustainability reporting on companies' impacts on people and environment, and on sustainability-related financial risks and opportunities for companies.

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

CALL FOR CANDIDATES

[Extension of the deadline to respond to its call for candidates for its SRFI Advisory Panels.](#)

On 19 June 2023, EFRAG published a [call for candidates](#) for its Sustainability Reporting Financial Institutions Advisory Panels. On 12 July, to allow more time for stakeholders to state their interest during the holiday period, the deadline was extended from 31 July 2023 to **15 September 2023**.

OPEN CONSULTATIONS

Title and description	Closing date
EFRAG's response to the ISSB's <i>Request for Information: Consultation on Agenda Priorities</i>	1 August 2023

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

OUTREACH ACTIVITIES

During June 2023 EFRAG published two draft comment letters. A draft comment letter to the ISSB ED Internationalisation of SASB Standards and to the ISSB RFI on Agenda consultation.

During the consultation period, EFRAG held several outreach activities on these consultations, including a joint event with the ISSB on 15 June 2023.

During July 2023 EFRAG organised or participated in the following outreach activities:

Date	Event
4 July 2023	EFRAG FR TEG and CFSS consultation (European standard setters) Please refer to page 9 above.
13 July 2023	EFRAG participates in EAA (European Accounting Association) event https://www.youtube.com/watch?v=mk4evRBchFg

EFRAG SUSTAINABILITY REPORTING BOARD (SRB)

Meeting date	Topics covered
6 July 2023	Meeting with Commissioner McGuinness (public) (link to 6 July meeting here and 10 July summary here)
12 July 2023	<ul style="list-style-type: none">• Cooperation agreements (internal governance - private)• Interoperability with ISSB (educational session - private)• Update on deliverables and workplan (internal governance - private)• Materiality assessment implementation guidance (drafting session - private)• Value chain implementation guidance (drafting session - private)• Strategy EFRAG SRB input (internal governance - private)• Update on workplan and ongoing activities

The next EFRAG SRB meeting will be held on [23 August 2023](#)

Commissioner McGuinness meets the EFRAG SRB

On 6 July 2023, Commissioner McGuinness addressed the EFRAG SRB on the draft Delegated Act for the first set of ESRS and the EFRAG sustainability reporting work. She emphasised the importance of EFRAG's implementation activities to assist undertakings adopting the first set of the ESRS as well as the work on standards for SMEs - both listed and voluntary. She clarified that the timeline for sectors will be established after adoption of the delegated act which is expected on 28 July 2023.

On 10 July 2023, EFRAG issued a news item summarising the main messages of Commissioner McGuinness ([here](#)).

To watch an on-demand recording of the meeting, please register [here](#).

Update on workplan and ongoing activities

The objective of this public session was to update all stakeholders on the workplan and ongoing activities of EFRAG's sustainability pillar. The EFRAG SRB Chair, assisted by the EFRAG SR TEG Chairwoman, addressed four points:

- The context of the sustainability reporting activities, during the present period where the European Commission is proceeding toward the issuance of the Delegated Act for the first set of ESRS. It was noted that ongoing exposure drafts and deliverables will be updated to reflect the final Delegated Act expected by the end of July 2023.
- The priorities set out in the current activities (such as implementation guidance, SME standards and digitisation for the first set) and preview of the future deliverables (such as sector specific standards). The implementation guidance will be subject to a period of public feedback whereas the SME exposure drafts and the XBRL digital taxonomy for the first set will be subject to a public consultation; the specific timeline is being finalised. With regards to sector-specific standards, the first set of exposure drafts would include SEC 1 sector classification, Oil and Gas and Mining, Quarrying and Coal. Work is ongoing on the Agriculture and Road transport sectors and the rest of the high-impact sectors are going through the final research phase.
- The state of play on the interoperability with ISSB (IFRS S1 and S2) and GRI.
- The various agreements under discussion (such as GRI, CEN/Cenelec/ISO and CDP).

EFRAG SECRETARIAT WORK ON VALUE CHAIN AND MATERIALITY

Following the EC request to prioritise implementation support for the first set of ESRS (March 2023), the EFRAG Secretariat has started working on implementation guidance to support the double materiality assessment and value chain concept when applying the first set of ESRS. The objective of this implementation guidance will be to illustrate how the content of the Delegated Act may be implemented, avoiding thereby the creation of new provisions.

The value chain guidance will capture and illustrate that material impacts on sustainability reporting may arise from the undertaking's upstream and/or downstream value chain rather than its own operations and develops this concept further with a number of illustrations.

In the value chain assessment guidance, without being exhaustive, the following topics can be identified.

- a) Clarifications as to when the value chain information is required as ESRS do not require value chain information for all its disclosures.
- b) The role of value chain in the materiality assessment
- c) Considerations when estimating value chain data.

In the materiality assessment guidance, without being exhaustive, the following topics will be covered:

- a) The interaction between impact and financial materiality under double materiality;
- b) The role of stakeholders in the materiality assessment process; and
- c) Practical guidance, including steps of the materiality assessment process.

Clarifications as to when the value chain information is required as ESRS do not require value chain information for all its disclosures. Considerations when estimating value chain data.

The two guidance documents are currently being developed under the supervision of EFRAG SR TEG and EFRAG SRB. They will be discussed in public meetings from August.

EFRAG SUSTAINABILITY REPORTING TECHNICAL EXPERT GROUP (SR TEG)

Meeting date	Topics covered
3 July 2023	<ul style="list-style-type: none"> • Digitisation (drafting session - private) • Value chain implementation guidance (drafting session - private)
7 July 2023	<ul style="list-style-type: none"> • Materiality assessment implementation guidance (drafting session - private) • Financial effects for Mining, quarrying and coal mining as well as Oil and gas (educational session - private) • Digitisation (drafting session - private) • Workplan update (internal organisation - private)
13 July 2023	<ul style="list-style-type: none"> • Listed SMEs pre-approval • Voluntary SMEs pre-approval • Materiality assessment implementation guidance (drafting session - private)

The next EFRAG SR TEG meeting will be held on [21 August 2023](#) including a joint session with the EFRAG FR TEG with an agenda focussed on ISSB RFI agenda consultation letter.

Listed SME standard

On 13 July 2023, a discussion and pre-approval session was held on the (draft) LSME ESRS version 3, along with the building block approach and the key content of basis for conclusions. The discussion focused on: the approach of individual reporting,

adjustments made in section 2 of the draft LSME ESRS since last discussion, and the option of phase-in provisions. As a next step, EFRAG SR TEG and EFRAG SRB will be asked to provide written feedback, supported by two questionnaires, in preparation of the approval scheduled for Q4-23.

Voluntary SMEs

The EFRAG Secretariat presented the (draft) VSME ESRS version 1. Particular focus was placed on discussing the simplifications stemming from the changes in voluntary datapoints in the Delegated Act. Other editorial remarks were pointed out by some EFRAG SR TEG members and will be collected in the upcoming written feedback.

EFRAG SR TEG July 2023 written procedures

EFRAG SR TEG approved the following document using written procedures in July:

- EFRAG's FCL to the ISSB ED Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates.

EFRAG SR TEG expected August 2023 written procedures

EFRAG SR TEG is not expected to approve any documents using written procedures in August.

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 7th plenary meeting of the Platform on Sustainable Finance took place 12 July with Subgroup session held the day before. In the plenary meeting the Platform received updates of the work of the Subgroups and had a brainstorming on usability and transition finance.

The Platform [responded](#) to the Call for Feedback on the draft ESRS Delegated Act on 7 July. The Platform was not yet appointed when the EC consulted at the end of 2022 with the various European authorities as foreseen in the CSRD. The Platform's response is limited to the key areas of its mandate: the interaction of the

ESRS with the EU Taxonomy and the consistency with the other policies in the EU sustainable finance framework.

The next plenary meeting of the Platform on Sustainable Finance takes place on 13 September in Brussels and is preceded by Subgroup meetings on 12 September.