Beyond the GAAP

Mazars' monthly newsletter on financial and sustainability reporting

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Editorial

With the first requirements of the Corporate Sustainability Reporting Directive (CSRD) coming into effect from 1 January 2024, some questions have arisen in the short term regarding the content of the European Sustainability Reporting Standards (ESRS) that companies must apply in this context. The European Commission (EC) has recently stated that it plans to reduce the reporting burden on companies by 25% by the autumn. This covers all reporting, not solely sustainability information, but no further details have been provided as yet on how this will be achieved.

The EC followed up this announcement by asking its technical adviser, EFRAG, to focus on implementation of ESRS Set 1, i.e. the 12 sector-agnostic standards which were published in draft form last November, with the final version scheduled for June. In this context, EFRAG has confirmed that it is ready to revise its timetable for development of subsequent Sets (sector-specific standards and standards applicable by SMEs) and to rapidly put in place a support framework for implementation of the first set of ESRS.

IFRS Highlights

Redeliberations on the Primary Financial Statements project

At its meeting of March 2023, the IASB continued its redeliberations on the proposals set out in the General Presentation and Disclosures Exposure Draft.

Four issues were discussed:

- disclosure of operating expenses by nature;
- management performance measures;
- categories in the statement of profit or loss; and
- entities with specified main business activities.

Disclosure of operating expenses by nature

The IASB again discussed the disclosure requirement for operating expenses by nature, where these are presented by function in the statement of profit or loss.

It should be recalled that the Exposure Draft required full disclosure of the breakdown of operating expenses by nature. In order to achieve a better balance in terms of costs for preparers and benefits for users, the Board had tentatively decided in July 2022 to require an entity to disclose only the amounts of depreciation, amortisation and employee benefits in each function line item in the statement of profit or loss. This month, the IASB tentatively decided:

- that entities should disclose, in addition to the amounts of depreciation and amortisation and employee benefit expenses, the amount of impairment losses (under IAS 36) and inventory write-downs (under IAS 2) included in each function line in the statement of profit or loss;
- to confirm that an entity would disclose this information in a single note; and
- to clarify that these amounts (e.g. depreciation) are not necessarily expenses of the period, but may have been included in the cost of assets. If this is the case, the entity will be required to disclose qualitative information if part of these costs has

been capitalised; it should also disclose the nature of the assets that included these costs.

The Board also returned to the proposed exemption from the general requirement to disaggregate material information tentatively decided on in January 2023, deciding to expand its scope to exempt an entity from disclosing:

- a disaggregation by nature of operating expenses for each function line item in the statement of profit or loss (beyond those specifically required); and
- for nature expenses that are required to be disclosed by another IFRS, the amounts included in each function line item in the statement of profit or loss.

Management performance measures

Management performance measures are defined in the Exposure Draft as subtotals of income and expenses that are used in public communications outside financial statements and reflect management's view of an aspect of an entity's performance. Specific disclosures on these management performance measures should be presented in a separate note.

During earlier discussions, the IASB had introduced a rebuttable presumption that a subtotal of income and expenses included in public communications outside financial statements represents management's view of an aspect of the entity's financial performance (and is therefore a management performance measure).

This month, the IASB tentatively decided to develop the application guidance on the information that would rebut this presumption in a reasonable and supportable way. The IASB will present some examples to illustrate these situations.

The Board also returned to those cases where an entity changes the calculation of its management performance measure, introduces a new management performance measure or removes a previously disclosed management performance measure. The IASB confirmed the provisions of paragraph 108 (a) and (b) of the exposure draft requiring an entity to:

- disclose sufficient explanations for users of financial statements to understand the change, addition or removal;
- disclose the reasons for the change, addition or removal.

However, the IASB intends to amend the requirements in paragraph 108(c) of the Exposure Draft to say that an entity needs not provide comparative information when the entity changes a management performance measure or introduces a new one, if it is impracticable to do so. In such cases, the entity shall disclose that fact.

The IASB also clarified that the choice of a management performance measure, including how the measure is calculated, is not an accounting policy as defined in IAS 8.

The Board also proposes to amend IAS 34 to require entities to disclose the following information in interim financial reports:

- the disclosure requirements in paragraph 106 of the Exposure Draft (description of the management performance measures, how they reflect management's view of an aspect of the entity's performance, how they are calculated, reconciliation, etc.);
- the disclosure requirements in paragraph 108 of the Exposure Draft, as described above, concerning the change, addition or removal of a management performance measure.

Finally, the IASB continued a discussion begun at its May 2022 meeting on a sensitive issue related to the mandatory reconciliation of a management performance measure to the most directly comparable subtotal or total in the statement of profit or loss, namely the requirement to determine the tax effect of each reconciling item.

Readers will remember that the Exposure Draft required an entity determine the income tax effect on the basis of a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned or by another method that achieves a more appropriate allocation.

The Board confirmed the decision taken in May 2022 to allow the calculation of the tax effect by reference to the tax effects of the underlying transaction, taking into account the tax rate applicable to that transaction in the relevant jurisdiction, but also proposed an alternative approach based on a pro-rata allocation of the entity's current and deferred tax (as determined in the relevant tax jurisdiction) or any other method that achieves a more appropriate allocation in the circumstances.

Categories in the statement of profit or loss

This month, the IASB discussed the classification of certain income and expenses in different categories in the statement of profit or loss (Operating, Investing and Financing).

Tentative decisions were reached for:

- foreign exchange differences on a liability that arises from a transaction that involves operating activities in addition to the raising of finance. In this very particular case, the IASB requires an entity to use its judgement to determine the category in which to classify these foreign exchange differences. Readers will remember that in July 2021, the IASB had tentatively decided that foreign exchange differences should be classified in the same category of the profit or loss statement as the income and expenses relating to the items that gave rise to the foreign exchange differences. If this would require undue cost or effort, the entity may classify the foreign exchange differences in the “Operating” category. These provisions have so far been retained;
- the classification of all income and expenses arising after initial recognition from hybrid contracts with host liabilities that arise from transactions that do not involve only the raising of finance and that are measured entirely at amortised cost: in this particular case, the Board requires the classification of such income and expenses in the "Financing” category.

Entities with specified main business activities

For entities with specified main business activities, the Board tentatively decided to:

- confirm the accounting policy choice in paragraph 51 of the Exposure Draft allowing an entity whose main activity is providing financing to customers to classify expenses and income related to cash and cash equivalents (i) entirely in the Operating category or (ii) in the Operating and Investing categories, depending on whether the cash and cash equivalents are related or not to the main activity of providing financing to customers;
- clarify the requirements in paragraph 52(a) of the Exposure Draft by stating that an entity whose main activity is investing in financial assets should

classify income and expenses related to cash and cash equivalents in the Operating category, regardless of whether the entity has any other specified main business activity.

Based on the working documents prepared by the IASB Staff, we understand that:

- entities whose specified main business activity is not the provision of finance or investment in financial assets should present income and expenses related to cash and cash equivalents in the Investing category;
- entities whose specified main business activity is the provision of finance or investment in financial assets could present income and expenses related to cash and cash equivalents in the Operating category, even if their other main activity is the provision of finance. In these circumstances, the accounting policy choice in paragraph 51 would not apply;
- entities whose specified main activity is the provision of finance (but not investment in financial assets) could benefit from the accounting policy choice in paragraph 51, i.e. present in the Operating category either all income and expenses related to cash and cash equivalents or only the part related to the activity of providing financing to customers.

Exposure Draft of proposed amendments to IFRS 9 and IFRS 7 on the classification and measurement of financial instruments

On 21 March 2023, the IASB published an exposure draft of proposed amendments to IFRS 9 and IFRS 7 on the classification and measurement of financial instruments.

These proposed amendments reflect the comments received from participants to the post-implementation review of IFRS 9– Classification and Measurement (see the study published in Beyond the GAAP no. 172 of December 2022).

This review identified some specific areas of the standard that need to be improved or clarified, and which this exposure draft seeks to address.

The IASB's proposed amendments aim to:

- clarify how to analyse the contractual cash flow characteristics of financial assets, in particular those:
  - with features linked to Environmental, Social or Governance (ESG) or similar concerns;
  - with non-recourse features;
  - that are contractually linked instruments;
- clarify that an entity is required to apply settlement date accounting when recognising or derecognising a financial asset or a financial liability, while permitting an entity using an electronic payment system to derecognise financial liabilities before the settlement date if specified criteria are met;
- make additions to the disclosure requirements of IFRS 7 on:
  - equity instruments designated at fair value through other comprehensive income; and
  - financial instruments with contractual terms that could change the timing or amount of contractual cash flows depending on the occurrence (or non-occurrence) of contingent events.

The comment period runs until 19 July 2023.

This exposure draft will be the subject of a detailed study in a future issue.

Redeliberations continue on Goodwill and Impairment project

At its March 2023 meeting, the IASB continued its discussions on the Goodwill and Impairment project. In particular, the IASB examined:

- potential changes to IAS 36 – *Impairment of Assets* to reduce the cost and complexity of impairment testing of cash generating units (CGUs) containing goodwill; and
- the potential removal of certain disclosure requirements from IFRS 3 – *Business Combinations.*

Estimating the value in use

The IASB reached the following tentative decisions on IAS 36:

- to no longer prohibit entities, when they are estimating the value in use, from including cash flows that arise from:
  - a future restructuring to which the entity is not yet committed; or
  - improving or enhancing an asset's performance;
- to retain the requirement to assess assets or CGUs in their current condition;
- not to add any additional constraints on the inclusion of cash flows beyond those already included in IAS 36.

Still on the topic of estimating the value in use, the Board also tentatively decided:

- to remove the requirement to use pre-tax cash flows and pre-tax discount rates;
- to require entities to use internally consistent assumptions for cash flows and discount rates, regardless of whether the value in use is estimated on a pre-tax or post-tax basis;
- to retain the requirement to disclose the discount rates used;
- to remove the requirement to disclose a pre-tax discount rate;
- to require entities to disclose whether a pre-tax or a post-tax discount rate was used in estimating value in use.

Other suggestions to reduce the costs and complexity of impairment testing

With a view to reducing the cost and complexity of IAS 36 impairment testing, the IASB tentatively decided:

- not to add more guidance in IAS 36 about the difference between (a) the value in use and (b) the fair value less costs of disposal;
- not to mandate a single method for measuring the recoverable amount;
- not to provide additional guidance on performing the impairment test for entities in the financial services sector; and
- not to provide additional guidance on the interaction between IAS 36 and either IFRS 13 – *Fair Value Measurement* or IAS 21 – *The Effects of Changes in Foreign Exchange Rates.*

Deleting disclosure requirements on business combinations

The IASB tentatively decided to remove some of the disclosure requirements on business combinations from IFRS 3, notably:

- information about acquired receivables (IFRS 3 para. B64(h));
- the requirement to disclose adjustments resulting from the subsequent recognition of deferred tax assets in the

reconciliation between opening and closing goodwill balances (IFRS 3 para. B67(d)(iii)); and

- the requirement to disclose and explain any material gain or loss recognised in the current reporting period that relates to identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period (IFRS 3 para. B67(e)).

Following redeliberations, the IASB tentatively decided not to change the disclosure requirements relating to:

- amount of goodwill deductible for tax purposes (IFRS 3 para. B64(k));
- costs relating to acquisitions (IFRS 3 para. B64(m));
- business combinations completed after the end of the reporting period (IFRS 3 para. B66); and
- business combinations in the interim financial statements (IAS 34 para. 16A(i)).

Next steps

In future meetings, the IASB will continue redeliberations with a view to:

- reducing the costs and complexity of IAS 36 impairment testing;
- improving the effectiveness of impairment testing of CGUs containing goodwill; and
- clarifying the disclosure requirements on business combinations.

Only once it has reached tentative decisions on all these topics will the Board consider whether to publish an exposure draft.

IASB discussions of the Equity Method project

During its March 2023 meeting the IASB continued to discuss the equity method, focusing on the following issues:

- purchase of an additional interest in an associate while retaining significant influence;
- elimination of internal transactions with associates.

Purchase of an additional interest in an associate

The Board tentatively decided that an investor purchasing an additional interest in an associate while retaining significant influence would recognise any difference between the cost of the additional interest and its additional share in the net fair value of the associate’s identifiable assets and liabilities as goodwill (or as a gain from a bargain purchase).

Elimination of internal transactions with associates

During discussions on the perceived conflict between IFRS 10 – *Consolidated Financial Statements* and IAS 28, the IASB tentatively decided that an investor should recognise the full gain or loss on all transactions with the associate.

The Board is therefore proposing to abandon the principle of eliminating internal transactions with associates. If this decision were to be confirmed, the application of the equity method would no longer require the monitoring of transactions between the group and an associate in order to eliminate the portion of income classified as internal.

In the same vein, the IASB is also likely to propose improvements to the disclosure requirements when an investor recognises the full gain or loss on transactions with the associate.

Next month, the Board will continue its discussions on the equity method and will decide on the direction of this project, which is currently only at the research stage.

Project on Climate-related Risks in the Financial Statements

The IASB announced that it will include in its work plan a project to examine whether and how to provide better disclosures about climate risks in financial statements.

This follows feedback received by the IASB in its Third Agenda Consultation, suggesting that climate-related risks may not be adequately captured in financial statements and that investors need better qualitative and quantitative disclosures about these risks.

The IASB will explore the nature and the causes of these concerns through research and outreach. The project, which is part of the maintenance workplan, is expected to remain limited in scope and should therefore not lead to fundamental changes to the IFRS framework. The IASB will consider the work of the International Sustainability Standards Board (ISSB) to ensure that any proposal is consistent with the IFRS issued by the ISSB in terms of sustainability disclosures and that any information required by the two Boards (IASB and ISSB) is complementary.

The IASB's press release is available here. We take this opportunity to remind readers of our **study on financial reporting of European entities on climate issues** (available here in French and English), which explores current practices in this area.

Conclusion of the Targeted Standards-level Review of Disclosures

At the beginning of March 2023, the IASB announced the conclusion of the Targeted Standards-level Review of Disclosures, its research project aimed at improving the IASB's approach to developing disclosure requirements.

This project, which was the subject of an Exposure Draft in March 2021 (see Beyond the GAAP no. 153 of March 2021), aimed to develop guidance that would be applicable to the drafting of future standards and to test this guidance by applying it to two existing standards (IAS 19 – *Employee benefits* and IFRS 13 – *Fair value measurement*).

Following feedback, the IASB decided in October 2022 to focus on developing this guidance.

The IASB has published a summary of this work on its website (available here) along with the final version of its guidance for developing and drafting disclosure requirements in IFRS (available here). According to these guidelines, before drafting disclosure requirements the IASB should:

- understand the information needs of users of financial statements and discuss these needs with preparers and other stakeholders;
- understand the disclosures that are required to support recognition and measurement requirements;
- understand and document the effects of disclosure proposals and requirements, not least through a cost–benefit analysis; and
- consider the digital reporting implications.

Publication of the IFRS Accounting Taxonomy 2023

On 23 March the IFRS Foundation published the IFRS Accounting Taxonomy 2023. It reflects the standards as published

at 1 January 2023, including those that have not yet come into effect.

Since 2022 the taxonomy has been modified to include:

- the amendments to IFRS 16 – *Leases* published by the IASB in September 2022, relating to lease liabilities in a sale and leaseback transaction (see Beyond the GAAP no. 69 of September 2022);
- the amendments to IAS 1 – *Presentation of Financial Statements* published by the IASB in October 2022, concerning the classification of debts subject to covenants (see Beyond the GAAP no.170 of October 2022).

The IFRS Accounting Taxonomy 2023 also includes changes to reflect the current disclosure practices of entities applying IFRS, and general improvements to the taxonomy.

The IFRS Accounting Taxonomy 2023 is available here.

ISSB publishes summary of the IFRS Sustainability Symposium

On 6 March 2023, the ISSB published a summary (available here) of the key points discussed at the IFRS Sustainability Symposium in Montreal on 17 February. This symposium focused on the draft ISSB Standards, and on sustainability reporting issues and outlook more generally.

The ISSB highlighted the following key takeaways from the discussions:

- the content of the draft standards IFRS S1 – *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 – *Climate-related Disclosures* are currently being finalised, with the ISSB integrating all the changes decided upon during redeliberations into the final version of the standards. A formal ballot on these will take place in the near future (cf. Beyond the GAAP no. 173, January 2023);
- IFRS S1 and IFRS S2 require entities to take account of the industry-based requirements set out by the Sustainability Accounting Standards Board (SASB). Even though SASB industry-specific standards will be ultimately incorporated into the ISSB's framework and will apply across all jurisdictions, they will continue to be supported independently for several years in the interim;
- global comparability of sustainability information is of paramount importance, hence the ISSB's goal of establishing a "global baseline";
- the ISSB has provided guidance, support and transition reliefs in order to encourage and facilitate the adoption of IFRS sustainability standards across different jurisdictions;
- the IFRS framework is evolving towards integrated reporting, via the IASB's ongoing Management Commentary project and the key concepts of the Integrated Reporting Framework. The ISSB's next consultation on its work plan will include a section on this topic (see below).

ISSB's future work plan: potential project on integrated reporting

The ISSB's discussions in March focused on the content of the request for information (hereafter RFI) on the Board's two-year work plan. The RFI is scheduled to be launched in the second quarter of 2023.

Readers will remember that the ISSB had already (tentatively) identified connectivity in reporting as one of the topics for further consultation (cf. Beyond the GAAP no. 172,

December 2022), as a joint project with the IASB. At this month's meeting, the ISSB reached the following key decisions, which will be incorporated into the RFI:

- to expand the scope of the project to (i) cover "integration in reporting" and (ii) consider integrated disclosures beyond the requirements on connected information set out in IFRS S1 and IFRS S2;
- to include a discussion of the said requirements in IFRS S1 and IFRS S2 to provide context for this new approach;
- to present this as a potential ISSB's project, with the option of carrying it out jointly with the IASB (rather than presenting it as a formal joint project);
- to phrase the questions in such a way as to collect feedback on how the project on integration in reporting should be carried out.

Discussions will continue in April and will focus on the consultation due process, with a view to reaching an agreement on (i) the length of the comment period and (ii) the publication date of the RFI.

At its March meeting, the ISSB also discussed (but did not reach any decisions on) the process for maintaining, enhancing and improving the SASB standards, including the work related to their international applicability. An exposure draft on this topic is scheduled for publication in May 2023.

Readers will remember that the SASB is a US-based non-profit organisation that has now been consolidated into the IFRS Foundation. In the course of its redeliberations on the draft IFRS S1 and IFRS S2 standards, the ISSB tentatively decided to present the SASB standards as illustrative guidance, rather than a mandatory appendix, and to work on improving the applicability of the industry-specific requirements to all jurisdictions (cf. Beyond the GAAP no. 172 , December 2022).

For more information, see the 16 March ISSB Update, available here.

European Highlights

ESMA publishes 27th extract from IFRS enforcement decisions database

On 29 March, the European Securities and Markets Authority (ESMA) published the 27th extract from its confidential database, which records decisions taken by enforcers in the European Economic Area (EEA) relating to the implementation of IFRS. The publication is available here.

Readers will remember that ESMA's dual aim for these publications is to:

- strengthen supervisory convergence between the 38 national enforcers and supervisory authorities in the EEA that participate in the European Enforcers Coordination Sessions; and
- provide issuers and users of financial statements with relevant information on the appropriate application of IFRS from the perspective of the EECS.

However, ESMA reminds readers that the published decisions:

- are not interpretations of IFRS, which remain the prerogative of the IFRS IC;
- are based on the IFRS requirements valid at the date of publication of the financial statements, and may be superseded by subsequent changes to the IFRS framework.

The 12 decisions published in this extract were taken between December 2020 and

January 2023 and relate to the financial statements for 2019, 2020, 2021 and 2022. They address the following topics:

- decision EECS/0123-01: sale and leaseback of an asset in a single-asset entity (IFRS 10, IFRS 16 and IAS 1);
- decision EECS/0123-02: aggregation of several operating segments into one reporting segment (IFRS 8);
- decision EECS/0123-03: recognition of an internally generated intangible asset in a pharmaceutical project (IAS 38);
- decision EECS/0123-04: exchange of non-monetary assets (IAS 38);
- decision EECS/0123-05: lease payments disclosures (IFRS 16);
- decision EECS/0123-06: disaggregation of revenue (IFRS 15);
- decision EECS/0123-07: climate risk disclosures in impairment tests (IAS 36 and IAS 1);
- decision EECS/0123-08: climate risk disclosures in financial statements (IAS 1);
- decision EECS/0123-09: credit risk disclosures for financial instruments (IFRS 7);
- decision EECS/0123-10: reclassification of financial assets (IFRS 9);
- decision EECS/0123-11: reclassification of financial assets (IFRS 9);
- decision EECS/0123-12: classification of SPAC warrants (IAS 32 and IFRS 9);

Of the 12 decisions published by ESMA, readers will note that two relate to climate risk disclosures in financial statements – a current hot topic that regulators will doubtless continue to monitor carefully at future year-ends.

ESMA publishes report on European enforcers' regulatory and enforcement activities for 2022

On 29 March, ESMA published its annual report on its own activities and those of the European enforcers.

The report provides an overview of the activities of ESMA and European enforcers in 2022, focusing particularly on compliance of financial and non-financial information published by issuers.

With regard to the compliance of financial reporting with IFRS, European enforcers carried out 640 examinations (compared with 711 in 2021) of financial statements drawn up in accordance with IFRS, or approximately 16% of all European listed issuers (compared with 17% in 2021). Of these, 225 (compared with 250 in 2021) resulted in enforcement actions taken against issuers due to material departures from IFRS, or an action rate of 38% (compared with 40% in 2021). ESMA noted that, as previously, the majority of shortcomings were in the areas of accounting for financial instruments, impairment of non-financial assets, presentation of financial statements and revenue recognition.

As regards non-financial reporting prepared in accordance with articles 19a and 29a of the Accounting Directive (as amended by the Non-Financial Reporting Directive), European enforcers carried out 403 examinations (compared with 711 in 2021), representing 18% of the estimated total number of issuers required to publish this information (compared with 36% in 2021). Of these, 25% resulted in action (compared with 10% in 2021). As for financial information, enforcers assessed the extent to which ESMA's European Common Enforcement Priorities were taken into account, examining the non-financial

statements of 113 issuers. ESMA's key takeaways included the following:

- significant improvements are still needed on climate risk disclosures;
- undertakings still need to take steps to ensure a good level of preparedness for alignment reporting related to Article 8 of the Taxonomy Regulation;
- aspects of the consequences of the COVID-19 pandemic are discussed, but disclosures are incomplete regarding the impact of the pandemic on sustainability-related goals.

ESMA's 2022 report is available here.

European Commission plans to reduce reporting burden on companies

In a speech to the European Parliament on 15 March 2023 (available here), European Commission (EC) President, Ursula von der Leyen, announced that concrete measures would be put forward by the autumn to reduce reporting requirements by 25%. This will ensure that European businesses remain competitive and reduce the cost of implementing the various regulatory frameworks, while retaining a focus on the EU's three priorities: the Green Deal, digitalisation and geopolitical resilience.

In addition, European Commissioner, Mairead McGuinness, noted in a speech on 21 March (available here) that the EC had asked the European Financial Reporting Advisory Group (EFRAG) to prioritise developing additional guidance on implementing the first European Sustainability Reporting Standards (ESRS) imposed by the Corporate Sustainability Reporting Directive (CSRD). As well as facilitating first-time application of the sector-agnostic ESRS, this should also help to avoid overlapping public consultations on ESRS, such as the first exposure drafts on sector-specific standards, and thus reduce the burden on stakeholders who wish to contribute.

Relatedly, EFRAG announced in a press release dated 29 March (available here) that it was ready to (i) refocus its work plan on support for implementation of ESRS Set 1, and (ii) revise the timetable for development of subsequent Sets (sector-specific standards and standards applicable by SMEs) from an original plan that reflected the schedule set out in the CSRD. Some progress has already been made in this respect (cf. Beyond the GAAP no. 173, January 2023), and this will be taken into account in the new timetable.

EFRAG, which is the technical adviser to the EC, recognises the genuine need to operationalise the regulatory framework and the significant challenges faced by stakeholders in applying ESRS.

In light of this, it has begun discussions on how to best to put in place, as a priority, a support framework for ESRS implementation. This is likely to be organised around three pillars: (i) the swift and timely provision of the required and expected guidance; (ii) the creation of a comprehensive and easy-to-use documentation hub; and (iii) the facilitation of educational initiatives. To achieve this, EFRAG will allocate additional resources to this task, and increase its workforce. EFRAG will also continue actively working on Set 1 digitalisation by developing an XBRL taxonomy.

Finally, EFRAG reiterates the importance of ongoing dialogue and co-operation with the ISSB and the Global Reporting Initiative (GRI) in pushing global sustainability reporting forward. EFRAG is confident that interoperability between the various frameworks is achievable: thus, companies applying ESRS Set 1 should not be

required to comply with multiple reporting frameworks.

EFRAG publishes bases for conclusions for ESRS Set 1

On 10 March 2023, EFRAG published the bases for conclusions (available here) for the first draft ESRS that it submitted to the EC on 22 November 2022 (the so-called “sector-agnostic” standards).

Bases for conclusions accompany the draft standards but do not form part of them. They are intended only to provide additional insight into the context in which the draft standards were discussed and prepared: in particular, the reasons why certain disclosure requirements were included, any alternatives considered (if need be), references to other standard-setting initiatives or applicable European regulations, and, where appropriate, the arguments in favour of detailed guidance. They are thus potentially very useful in helping to understand the standards.

New appointments to EFRAG SR TEG

On 13 March 2023, EFRAG Sustainability Reporting Board (SRB) appointed Sigurt Vitols as Vice-Chair of its Sustainability Reporting Technical Expert Group (SR TEG), a post that he had held on an interim basis since June 2022.

The SRB also appointed Christoph Töpfer as a member of the SR TEG. Mr Töpfer currently works for the German Environment Agency (UBA) and has been involved in early development of European sustainability reporting standards as a member of EFRAG Project Task Force.

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[1] Where permitted under applicable country laws

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Joint Webinar ecoDa-Mazars: “CSRD: the rules, their impacts, and the challenges they raise for companies”

As the Corporate Sustainability Reporting Directive (CSRD) came into force on 5 January 2023, ecoDa and Mazars are launching a series of two webinars to enlighten board members about the new requirements and responsibilities implied by this new directive. These two webinars will be held respectively on 17 April, from 10.30 to 12.00 AM (CET), and 18 April, from 11.00 to 12.30 AM (CET).

To register, click here.