

**Report by the ASCG  
on the 27<sup>th</sup> meeting of the Joint Technical Committees and  
on the 4<sup>th</sup> meeting of the Financial Reporting Technical Committee  
on the 4<sup>th</sup> meeting of the Sustainability Reporting Technical Committee**

**17 and 18 March 2022**

***27<sup>th</sup> meeting of the Joint Technical Committee***

At the beginning of the meeting, the Joint Technical Committee informed itself about the current status of the work of the **EFRAG Project Task Force on European Sustainability Reporting Standards** (PTF-ESRS). In particular, the Technical Committee dealt with selected cross-cutting issues and disclosure requirements, i.e. those that equally affect sustainability and financial reporting. The Joint Technical Committee discussed **double materiality** and in particular the understanding of financial materiality in the context of sustainability reporting. The working papers on ESG 1 (double materiality) and ESRS 4 (sustainable impacts, risks and opportunities) explicitly distinguish financial materiality in sustainability reporting from financial materiality in the context of financial reporting. This appears rather difficult to members of the Joint Technical Committee. With regard to the qualitative characteristics of information, the Joint Technical Committee pointed out the high number of detailed disclosure requirements with a simultaneous expansion of materiality assessments. With regard to working paper ESRS E1 (climate change), the Joint Technical Committee raised a problem with the content of the consistency statements from reporting requirement 8 (which is also required in other EFRAG PTF-ESRS working papers).

In addition, the Joint Technical Committee discussed the draft of the comment letter regarding the legislative proposal on a **European Single Access Point (ESAP) for company and product data**. The Joint Technical Committee approved the draft. The comment letter will be submitted to the European Commission in due time.

***4<sup>th</sup> meeting of the Financial Reporting (FR) Technical Committee***

The FR Technical Committee initially discussed the **EFRAG DP "Better Information on Intangible Assets – Which Way is Best"**. For deliberation purposes, the Committee was informed about the ideas and questions in the paper. In addition, it was reported about the initial discussion and tentative findings by the ASCG's working group "Intangibles". The Committee has deliberated in detail some of the issues raised in the paper, while other issues remain to be discussed in the next Committee's meeting.

After the ASCG having been appointed to the IASB's technical advisory body, the Accounting Standards Advisory Forum (ASAF) for its cycle 2022-2024, the FR Technical Committee dealt with the working papers of the **ASAF April meeting**. This aimed at collecting additional views or findings, which may be brought forward during the ASAF meeting. The Committee provided some findings on the latest decisions taken in the project on "Primary Financial Statements", while it had no comments on the other topics.

Furthermore, the FR Technical Committee was informed about the issues and decisions from the **IFRS Interpretations Committee's (IFRS IC) meeting in February**. The FR Technical

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Committee agreed with the final and with the tentative agenda decision. However, on the final agenda decision about *IAS 37 – Negative low emission vehicle credits* it was noted that the IFRS IC’s reasoning on the existence of a constructive obligation leaves room for judgement and did not address how to measure the provision. Therefore, the Committee suggest submitting a comment letter.

Also, the FR Technical Committee deliberated a sweep issue as regards the **IASB ED/2021/10 *Supplier Finance Arrangements***, as it acknowledged one paragraph lacking clarity. The draft comment letter presented shall be amended and finalised accordingly.

Finally, the Technical Committee discussed its draft comment letter on the **IASB ED/2021/9 *Non-current Liabilities with Covenants*** and decided on a few amendments. In the comment letter, it should also be pointed out that the proposed amendments with regard to the classification of liabilities from financial guarantees and insurance contracts would not result in an appropriate presentation. The comment letter will be revised accordingly and submitted to the IASB in a timely manner.

#### ***4<sup>th</sup> meeting of the Sustainability Reporting (SR) Technical Committee***

The SR Technical Committee received an overview of newly published EFRAG PTF-ESRS working papers. The overview included the following ESRS:

- ESRS P1 (sustainability statements)
- ESRS E4 (biodiversity and ecosystems)
- ESRS S5 (workers in the value chain)
- ESRS S6 (affected communities)
- ESRS S7 (consumers and end-users)

The SR Technical Committee discussed the options opened in **ESRS P1** for the presentation of sustainability disclosures, with a focus on the lack of an option for integrated reporting. The SR Technical Committee was in favour of an explicit option for integrated reporting.

The SR Technical Committee discussed overlaps with the reporting according to Article 8 of the EU Taxonomy Regulation regarding **ESRS E4** and identified redundancies, in particular with regard to action plans and allocated resources in ESRS E4 and the disclosures on CapEx and CapEx plans according to Article 8 of the EU Taxonomy Regulation.

As regards **ESRS S5 to ESRS S7**, the SR Technical Committee noted that the reporting requirements are aligned with the GRI standards. However, the ESRS reporting requirements go beyond the GRI reporting requirements in many aspects.

The SR Technical Committee continued its detailed discussion of **ESRS E1** (climate change) and again criticised the high level of detail in the disclosures. Companies must be given adequate freedom to implement the transition to a sustainable economy in practice. The corresponding implementation activities of the companies must be given priority. However, the quantity and granularity of the disclosures suggest that the focus is on the reporting itself, but not on the subject matter of the reporting.