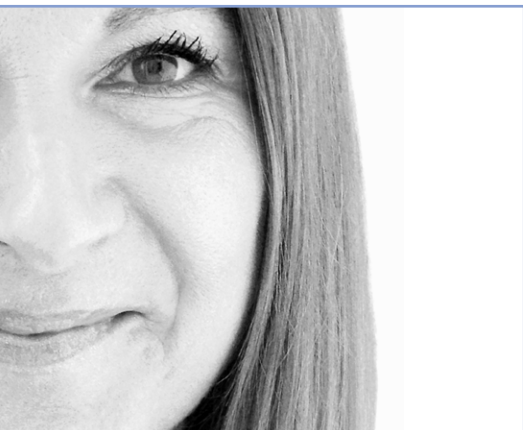


**The best of
both worlds**



DRSC

Annual Report 2021
Accounting Standards
Committee of Germany

The best of both worlds

In the past year, the ASCG was the first standard-setter to overhaul its organisational structure to put financial and sustainability reporting on an equal footing. Two new technical committees were established – the Financial Reporting Technical Committee and the Sustainability Reporting Technical Committee – each with eleven members. In August 2021, the ASCG's Nomination Committee began the extensive selection process for the total of 22 technical committee members. By November 2021, they had reviewed almost 100 applications, conducted interviews with applicants and held numerous internal meetings. Despite a tight schedule, the Nomination Committee presented its nominations to the Administrative Board on time, with the aim of filling the positions on the two technical committees by 1 December 2021. This was the largest-scale nomination process in the ASCG's history, so we invited Nomination Committee Chair Dr Thomas Wittig and the two new members, Yvonne Zwick and Prof. Dr Alexander Bassen to talk to us about the experience.

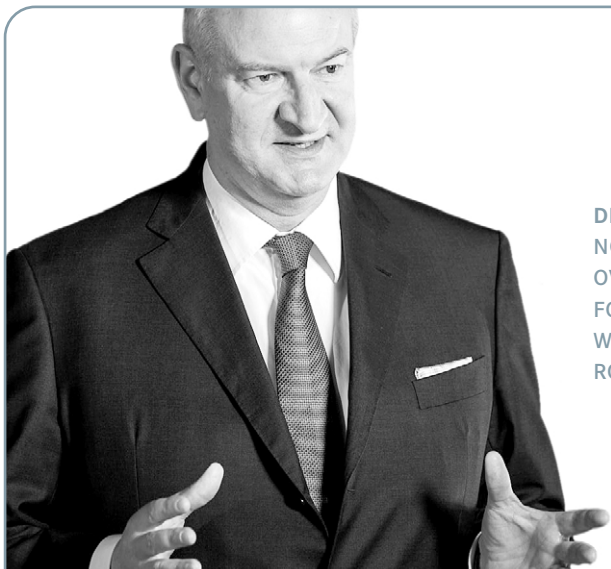
INTERVIEW WITH NOMINATION COMMITTEE MEMBERS ON RECRUITING THE MEMBERS OF THE NEW TECHNICAL COMMITTEES

DR THOMAS WITTIG
BMW AG, Munich

YVONNE ZWICK
Bundesdeutscher Arbeitskreis für
Umweltbewusstes Management
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PROF. DR ALEXANDER BASSEN
University of Hamburg





DR WITTIG, DURING YOUR MANY YEARS AS NOMINATION COMMITTEE CHAIR, YOU HAVE OVERSEEN NUMEROUS SELECTION PROCESSES FOR NEW TECHNICAL COMMITTEE MEMBERS. WHAT WAS DIFFERENT ABOUT THIS YEAR'S ROUND OF NOMINATIONS?

DR THOMAS WITTIG

New directions and a strong team

THOMAS WITTIG: The change in the technical committees' composition meant that this was an exceptional year for us. Firstly, two well-established technical committees – the IFRS Technical Committee and the German GAAP Technical Committee – were combined to form a single Financial Reporting Technical Committee. Secondly, we had the task of establishing a new Sustainability Reporting Technical Committee, which represents a structural change for our association. We were delighted and honoured to receive more applications than ever before. This year was also exceptional in that the Nomination Committee was expanded to include two sustainability reporting experts. We were very pleased to be able to welcome Yvonne Zwick and Prof. Alexander Bassen to the Nomination Committee. Their experience in the area of CSR reporting was of great benefit in the selection of the technical committee members. It was particularly encouraging that, despite extensive debate, we ultimately reached a unanimous decision on the best candidates to be put forward to the Administrative Board.



MS ZWICK, PROF. BASSEN, YOU WERE NEWLY APPOINTED TO THE NOMINATION COMMITTEE. WHAT WERE YOUR EXPECTATIONS REGARDING THE ROLE OF A NOMINATION COMMITTEE MEMBER AND HAVE THEY BEEN MET?

YVONNE ZWICK: I was quite surprised and honoured when the ASCG asked me to become a member of the Nomination Committee. As a result, I didn't have any specific expectations for the Nomination Committee's work. With regard to the actual work of the – for me new – committee, I was pleasantly surprised by the objectivity and openness of the discussions we held in the Nomination Committee over several months. It was also interesting for me to experience first hand that there is still no common understanding of sustainability in the context of corporate reporting. We have brought together the best candidates from two spheres of discourse – financial and sustainability reporting – who will effectively advance standard-setting through their different perspectives and experience.

Objectivity and openness of the discussions



PROF. DR ALEXANDER BASSEN

The effort was well worth it

ALEXANDER BASSEN: : The ASCG has developed a stellar reputation in the field of financial reporting over its years as a standard-setter. From the outset, I welcomed the decision to expand the ASCG's area of activity to include sustainability aspects and the creation of a specific technical committee to address these topics. I was delighted to receive the recognition of being appointed to the ASCG's Nomination Committee. Admittedly, I already had great respect for this task, since I was aware that the technical committee members play a crucial role at the ASCG and that this would be reflected in the high standards expected from applicants. However, the collegial atmosphere and our constructive and consistently focused discussions ultimately led to a very satisfactory result. This was a very time-consuming nomination process. I have to say, I wasn't aware of this in advance. But, given the good end result, the effort was well worth it.

Esprit de corps with aspirations

DO YOU THINK THAT THE ASCG HAS A PARTICULAR CULTURE WHEN IT COMES TO THE TECHNICAL COMMITTEE NOMINATION PROCESS AND, IF SO, HOW WOULD YOU DESCRIBE IT?

YVONNE ZWICK: Definitely, in two ways. Firstly, I have not experienced such an exacting application process for the technical committees of any other organisation. I found it surprising that the Nomination Committee not only determined the candidate selection criteria, but also conducted the selection process itself. Secondly, I was impressed by the esprit de corps within the Nomination Committee. Despite the enormous demands on their time, all Nomination Committee members generally attended all interviews as well as the subsequent discussions. The great response to the application process is an endorsement of the ASCG and its culture.

ALEXANDER BASSEN: I have noticed a few parallels with other processes, for example the recruitment of new university professors. One issue is independence with regard to applicant selection. Strong emphasis was placed on this aspect in the current nomination process. The other aspect is ensuring that the interests of various stakeholder groups are covered. This was also consistently taken into account in the nomination process. This aspect helped structure our interviews. At the same time, we needed to maintain a degree of flexibility, since – despite the stringent demands with regard to independence – the actual corporate, audit and user representatives have highly diverse profiles, which ultimately combine to give the respective technical committees their strength.

THOMAS WITTIG: I would like to highlight the strong motivation of the Nomination Committee members and their high rate of participation in the discussions, for which I am grateful to Ms Zwick and my colleagues. I also fully agree with Prof. Bassen that although we obviously paid very close attention to whether the candidates met the technical criteria required for technical committee members, including belonging to the relevant sector, it was equally important for us to assess whether the personal qualities of each applicant would be a good fit for this type of technical committee. I would also like to highlight the high standard of the interviews, which we at all times conducted with great appreciation and respect. In my view, this is one of the things that sets the ASCG's culture apart.

Not easy to decide in light of the high level of quality

MORE THAN 60 CREDIBLE APPLICATIONS WERE RECEIVED FOR THE SUSTAINABILITY REPORTING TECHNICAL COMMITTEE. SELECTING JUST 11 CANNOT HAVE BEEN AN EASY TASK. WHAT WERE THE CHALLENGES OF THE SELECTION PROCESS?

ALEXANDER BASSEN: In some cases, it was so difficult to choose between two excellent and highly suitable candidates that we would have liked to put both of them on the list of nominees. But, even in these cases, the Committee was able to reach a consensus. Overall, I was really pleased that we had such high quality applicants.

THOMAS WITTIG: As a first step, we analysed the applications based on the specified criteria – both with each other and with the ASCG Executive committee – and invited the most suitable candidates for interview. We interviewed eight applicants for the Financial Reporting Technical Committee and 22 for the Sustainability Reporting Technical Committee. Our aim was to have two candidates for each position. In some cases, the applicants were so closely matched that it was extremely difficult to make our selection. Despite this challenge, we were able to quickly come to a unanimous view on our favoured option.

WHAT EXPERIENCES AND LESSONS WILL YOU PERSONALLY TAKE AWAY FROM THIS YEAR'S NOMINATION PROCESS?

YVONNE ZWICK



YVONNE ZWICK: I learnt three things. First, making strategic appointments to technical committees is a very interesting and exciting task. Second, sustainability experts are urgently needed and sought after in the area of financial reporting. Third, in future appointment processes, the Nomination Committee should ask the Administrative Board for clear selection criteria for technical committee members from the outset. This creates certainty and transparency for all involved.

ALEXANDER BASSEN: I was struck by the sheer number of outstanding experts in the area of financial reporting on the German market, with equivalent numbers in the sustainability reporting sphere. However, there are only a handful that are equally well versed in both fields. We were fortunate to be able to recruit some of these individuals for our technical committees. Overall, I think there is still a gap to be filled, as I believe this profile will be increasingly in demand in future.

THOMAS WITTIG: I completely agree with Prof. Bassen that in future we will increasingly look for technical committee candidates that have combined expertise. I believe that we will soon have experts with in-depth knowledge in both fields and that we will be able to recruit these specialists for future technical committee vacancies. As a standard-setter, the ASCG will closely track this integration process.

Openness, courage and clarity for common objectives

IS THERE ANY PARTICULAR ADVICE YOU WOULD LIKE TO GIVE TO THE NEW TECHNICAL COMMITTEE MEMBERS?

THOMAS WITTIG: I hope that the technical committee members remain open to different views, but that they also remain authentic. It will certainly not always be easy to reach a consensus. However, in the past, the technical committees have always successfully developed a common ASCG position. And long may this tradition continue.

ALEXANDER BASSEN: I hope that the financial reporting experts remain open to and appreciative of special considerations of sustainability reporting and vice versa. In addition, the technical committee members need to maintain a consistent focus on the reporting target groups and their interests, as well as cost-benefit considerations.

YVONNE ZWICK: I hope that technical committee members have the courage to advance corporate reporting in such a way that companies and auditors have clarity regarding what information is needed and how it should be gathered, prepared and communicated to ensure that the reporting objectives are achieved in practice.

THE BEST OF BOTH WORLDS: We considered both existing technical committee members and new applicants in a nomination process for the positions on the new technical committees. Eight members of the former IFRS and German GAAP Technical Committees, some of whom have actively contributed their expertise to the ASCG for many years, were appointed to the new Financial Reporting Technical Committee. Three members were appointed for the first time. We would like to thank the members of the former technical committees for their willingness to continue their work at the ASCG, and warmly welcome the three new members to the Financial Reporting Technical Committee. The Sustainability Reporting Technical Committee is a brand new structure for the ASCG. We also extend a warm welcome to the eleven experts newly appointed to this technical committee.

The divider pages of our Annual Report focus on the 14 new members of the two technical committees – the three newly appointed Financial Reporting Technical Committee members and all eleven members of the Sustainability Reporting Technical Committee. In a short testimonial, each new member describes their stance on current corporate reporting issues and the developments at national, European and international bodies based on their vision, ideas, opinions and goals.

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Ladies and gentlemen, dear ASCG members,

A year of great change lies behind us: a successful year in which the ASCG evolved significantly. We have grown in key respects – particularly in terms of our international influence and expertise. We are on the right track – as also shown by the growing number of our member companies.

2021 was again dominated by the COVID 19 pandemic. Virtual collaboration has become the new reality – both for discussions within the Administrative Board and in the technical committees and other committees of the ASCG. In-person meetings had to be largely abandoned. Despite these restrictions, which were in some cases substantial, in 2021 we succeeded in fully implementing the planned structural changes in the ASCG, appointing the members of the new technical committees and stressing our policy and technical positions in the course of our involvement in the core political and regulatory debates at European and international level. We would therefore like to express our sincere thanks for the tremendous commitment of all those involved, and in particular the ASCG staff, without whom we would not have been able to close 2021 so successfully.

From a technical perspective, 2021 was characterised by diverse, far-reaching initiatives in financial and sustainability reporting – at both the European and international levels. In April 2021, the European Commission set the course for the first-ever introduction of mandatory European standards for sustainability reporting with its proposal for a Corporate Sustainability Reporting Directive (CSRD). In May 2021, EU Commissioner Mairead McGuinness gave EFRAG President Jean-Paul Gauzès a mandate to reform

EFRAG's governance structure so that EFRAG, as envisaged in the CSRD proposal, can be responsible for developing draft European standards for sustainability reporting in the future. In particular, EFRAG's statutes had to be adapted so that it can discharge this new function. EFRAG resolved to amend its statutes in January 2022. This implements a two-pillar architecture at EFRAG and creates separate bodies for sustainability reporting. The membership of the new committees is currently still a work in progress.

At its November meeting, the Administrative Board resolved to join EFRAG's sustainability pillar. As the largest European standard-setter, the ASCG has a permanent seat on both the Sustainability Reporting Board and the EFRAG Sustainability Reporting Technical Expert Group, and is therefore fully involved in EFRAG's technical work. At the same time, joining these bodies involves a significant additional financial commitment for the ASCG.

The ASCG has actively supported the legislative process for the CSRD right from the outset and has been heavily involved in the opinion-forming process at both German and European level. In its core messages on the CSRD, the Administrative Board welcomed the creation of legal conditions for uniform sustainability standards, but also expressed its support for using uniform international reporting standards, such as those currently being developed at the IFRS Foundation. Reporting requirements must be achievable both substantively and in terms of timing to enable them to have the intended effect. With regard to the development of European reporting standards, we advocated full compliance with the due process procedure, including in the transition phase,

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▲ **Dr Nicolas Peter**
Chairmen of the Administrative Board

end-to-end transparency and the involvement of all stakeholders in the standard-setting process. In addition, we provided EFRAG with guidance for successfully developing European standards for sustainability reporting by defining critical success factors. This guidance is essential to ensure the quality and acceptance of European standards. Finally, in March this year, the ASCG championed the option of incorporating integrated reporting in the CSRD with a public ‘Call for an Integrated Reporting Option’.

At the international level, the establishment of the International Sustainability Standards Board (ISSB) announced by the IFRS Foundation in the course of the COP 26 climate conference in Glasgow was undoubtedly a major milestone that will help shape corporate reporting in the coming years. The ASCG was one of the principal initiators of a broad-based public-private consortium in Germany that successfully supported Frankfurt am Main’s bid to become the headquarters of the ISSB. Both the Board and its Chairman, Emmanuel Faber, will be based in Frankfurt. Development of the Frankfurt headquarters is already in full swing. A formal memorandum of understanding between the IFRS Foundation and the public-private consortium was signed in early March. The ASCG was among the signatories and is currently collecting the financial contributions to the Frankfurt location promised by the private-sector supporters. Many ASCG members are also contributing financially to the establishment of the ISSB headquarters in Frankfurt, and are thus sending a clear message of support to the ISSB.

On the structural side, too, 2021 was characterised by far-reaching, forward-looking changes. In the first quarter, we

breathed life into the new governance structure of the association and welcomed a new ASCG president in the shape of Georg Lanfermann. Prof. Dr Sven Morich, previously the ASCG’s Executive Director, took up his new role as Vice-President of the ASCG as at 1 April 2021. Both of them have played a substantial role in the successful restructuring of the association and the outstanding professional work of the ASCG over the past year. After just one year, this means we can already say that the new structure at the top of the association is a success.

At the same time as the developments at the international level with the IFRS Foundation and at the European level with EFRAG, we expanded the scope of the ASCG’s activities in the field of sustainability reporting last year. The realignment will enable us to effectively represent general economic and societal interests in Germany not only in financial reporting, but also in sustainability reporting. The ASCG was thus a pioneer for many other institutions and standard-setters in the field of corporate reporting.

The basis for the realignment of the ASCG’s technical work was the amendment of our articles of association adopted by the General Assembly at the end of June 2021. This involved the establishment of a new Sustainability Reporting Technical Committee and, in the area of financial reporting, the consolidation of the former IFRS and German GAAP Technical Committees to form a new Financial Reporting Technical Committee. New members have been appointed to both technical committees by means of a nomination process. Both technical committees started working on 1 December 2021. There were two subsequent nominations to the Sustainability

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Reporting Technical Committee in February 2022 to specifically incorporate expertise in the areas of small and medium-sized companies and preparers in the banking industry.

In order to prepare for the new appointments and to adequately structure the nomination procedures for the two new technical committees, the Nomination Committee was expanded in advance to include two additional members with a high level of expertise in sustainability reporting – Yvonne Zwick, Chairwoman of B.A.U.M. e.V., and Prof. Dr Alexander Bassen from the University of Hamburg. A warm welcome to both of you! The nomination process for the two technical committees proved to be very time-consuming and complex due to the total of almost 100 applications received. I am pleased that we were again able to persuade numerous outstanding candidates to apply, and I would like to thank all those who did so. I would like to take this opportunity to specifically thank the members of the Nominating Committee for their extraordinary commitment in terms of time and expertise during the nomination process.

I would like to express my sincere thanks for their contribution to the former IFRS and German GAAP Technical Committees members who have stepped down and in many cases served for many years: Dr Stephan Brandt, Prof. Dr Bernd Grottel, Prof. Dr Sven Hayn, Claudia Nikolic and Dr Christoph Weber. At the same time, we would also like to welcome three new members to the Financial Reporting Technical Committee: Andreas Bödecker, Gero Bothe and Dr Michael Seifert. A warm welcome to all of you!

In the new Sustainability Reporting Technical Committee, we are delighted to welcome as new members Nicolette Behncke, Carsten Beisheim, Martin Bolten, Dr Robin Braun, Tanja Castor, Dr Oliver Emons, Prof. Dr Kerstin Lopatta, Noura Rhemouga, Dr Lothar Rieth and Dr Werner Rockel. A big thank you also to Prof. Dr Christian Fink, who will continue to serve the ASCG as a member of the new technical committee.

In order to adequately reflect the profound developments in corporate reporting, the ASCG adopted a new mission statement for the coming years in October 2021. This is intended to convey concisely to outsiders the ASCG's enhanced self-image. The mission statement formulates four medium-term goals for the work of the ASCG that guide its technical work and activities. These are: the proportionality of reporting requirements to reflect different sizes of company; the development of globally uniform reporting requirements; the broad-based consideration of stakeholder interests in the discussion of corporate reporting issues; and the interconnectivity of financial and sustainability reporting.

The realignment of the ASCG's technical work and the introduction of the new Sustainability Reporting Technical Committee have also led to the reinforcement of the team at the ASCG's office. I am pleased that we have been able to recruit two new members of staff with particular expertise in the field of sustainability reporting in the shape of Dr Kati Beiersdorf and Marco Götze. A warm welcome to you as well.

The number of members of the association also changed very positively last year. We were able to record a total of eight additions in 2021: I would like to welcome as new members adidas AG (since 12 January 2021), FAS AG (since 1 February 2021), GEA Group AG (since 1 April 2021), Siemens Energy AG (since 9 April 2021), BWI Bau GmbH (since 1 June 2021), DVS Technology AG (since 1 June 2021), Bilfinger SE (since 1 June 2021) and TÜV SÜD AG (since 1 August 2021). The ASCG has thus grown to 78 companies and associations as members by the end of 2021. We wish to continue this positive trend in 2022.

I would like to round off by thanking the President, the Vice-President and all members of staff on behalf of my colleagues on the Administrative Board for their expert, unreserved and dedicated cooperation, even in these highly challenging times. The ASCG's Administrative Board and staff will continue to act on your behalf and address the emerging challenges in the economic and political environment. Please continue supporting the ASCG! You help make the ASCG's voice be heard even louder. I look forward to continuing to work together with you.

Sincerely

Nicolas Peter

Chairman of the Administrative Board

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Dear ASCG members and corporate reporting stakeholders,

The past year flew by for the ASCG. The rapid transformation of corporate reporting – heavily influenced by developments in the sustainability field – again contributed to the brisk pace in 2021 and we will return to this topic later.

First and foremost, we would like to compliment everyone who contributed to the ASCG’s highly successful work last year. Despite – and in some cases perhaps because of – the ongoing COVID-19 pandemic, we achieved great things. The technical committees continued to operate virtually, with most staff currently still working from home. The wide range of major themes – including the study on sustainability reporting and the corresponding recommendations to the Federal Ministry of Justice, as well as the ongoing consultations – required great dedication and discipline on the part of all involved and were successfully addressed. In some cases, digital working even enabled us to reach conclusions more quickly and respond better to new developments. The digital format is therefore here to stay, but will be a supplement to regular in-person meetings of our committees. In recent weeks, the desire to meet in person has become increasingly clear. We are pleased to say that this will again be a possibility in 2022, which will be beneficial for everyone concerned.

A transformational year for corporate reporting

The proposal for a Corporate Sustainability Reporting Directive (CSRD) published by the EU in April 2021 holds the prospect of more extensive sustainability reporting obligations in the management reports of some 15,000 German companies. This development was prompted in particular by the European Union’s Sustainable Finance Disclosure Regulation, which is also a core component of the EU Green Deal. The ASCG played a prominent role in the German opinion-forming process from an early stage with its study and the related recommendations for the Federal Ministry of Justice. The ASCG closely tracked the legislative work and – where required – supported the Federal Ministry of Justice on specific CSRD issues. The proposed CSRD is currently the subject of tripartite discussions (trilogues) between the Council presidency, European Parliament rapporteurs and the European Commission. Political agreement is expected before summer 2022.

A further ground-breaking event came with the IFRS Foundation’s decision to establish an International Sustainability Standards Board (ISSB) to sit alongside the IASB, which was announced at the COP 26 climate conference in Glasgow. The activities of major international initiatives, including the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF), will be consolidated into the ISSB in the first half of the year. Alongside its participation in the relevant consultations of the IFRS Foundation, the ASCG was one of the principal initiators of a broad-based public-private consortium supporting Frankfurt am Main’s bid to become the headquarters of the ISSB. As part of the announce-

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▲ Georg Lanfermann (left)
 Prof. Dr. Sven Morich (right)
 Executive Committee

ment of its decision to establish the ISSB in November 2021, the IFRS Foundation confirmed Frankfurt am Main as the seat of the new Board and the office of its Chair. This is in line with a ‘multi-location’ concept, in which Frankfurt will also act as a hub for the EMEA region. Other locations include Montreal (Canada), which will host other key functions and have responsibility for the Americas region. A formal Memorandum of Understanding was signed at a ceremony held at Frankfurt’s Römer at the beginning of March. The ASCG was among the signatories and is currently collecting the financial contributions to the Frankfurt location promised by the private-sector supporters.

ASCG maintains strong financial reporting reputation

The ASCG also has good news to report in the area of financial reporting. During 2021, the ASCG applied to again become a member of the IASB’s Accounting Standards Advisory Forum (ASAF), having acted as an observer for several years. The appointment, which was announced in February 2022, is an important step towards lending even greater weight to the German perspective on financial reporting issues. It is also testament to the excellent position of the German standard-setter on the international stage. We would also like to highlight the ASCG’s special position in exchanges with other major standard-setters from the USA, Canada, Japan and the UK as part of the Multi-Lateral Network (MLN), which continued to meet virtually in 2021.

The work of the IFRS Technical Committee also kept us very busy in 2021. The committee discussed and issued comment letters on a dozen draft standards and other IASB consultations, including on IASB DP/2020/2 *Business Combinations under Common Control*, IASB ED/2021/1 *Regulatory Assets and Regulatory Liabilities*, and the Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12. We also commented extensively on ED/2021/3 *Disclosure Requirements in IFRS Standards – A Pilot Approach* with its proposals for discouraging checklist-based notes disclosures.

The intensive deliberations on the IASB’s 2022-2026 Agenda Consultation, which we also supported through an online survey, are particularly noteworthy. In our comments, we generally agreed with the strategic direction of the IASB and its project prioritisation criteria. However, we saw little scope for new projects,

particularly due to the limited capacities of the standard-setter and stakeholders. We considered only a few projects to be so urgent that they should be included in the new work plan, alongside the ongoing projects. In our view, these include cryptocurrencies, intangible assets and climate-related financial reporting. We also suggested that a number of current projects without foreseeable results be reconsidered to free up capacity for particularly relevant issues.

At European level, we continued to directly contribute to the deliberations on the adoption of new IFRSs in the EU through our representatives in the EFRAG TEG and on the EFRAG Board. A major milestone was reached with the endorsement of IFRS 17 *Insurance Contracts*, with the process successfully concluded in summer 2021 after several years.

With regard to German GAAP, two accounting standards were revised. First, German Amendment Accounting Standard No. 11 (D-GAAS 11), amending GAS 18 *Deferred Taxes* was finalised in the German GAAP Technical Committee. Shortly before Christmas 2021, the ASCG then consulted on GAAS 12 relating to the amendment of GAS 20 *Group Management Report*. Among other things, the Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector (FüPoG II) amended the content of the consolidated corporate governance statement. The amendments to GAS 20 proposed in GAAS 12 formally align the standard with the new legal situation. The ASCG also added a reference to the EU Taxonomy Regulation to GAS 20. GAAS 11 and GAS 12 were published in the Federal Gazette on 2 June 2021 and 7 March 2022 respectively.

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New ASCG mission statement emphasises interconnectivity

In light of the ground-breaking developments in corporate reporting, the ASCG issued a new mission statement in October 2021, following intensive discussions in the Administrative Board's 'Strategy' Working Group. Alongside aspects concerning the required international compatibility of reporting standards and the proportionality of requirements for different sizes of company, the new mission statement places particular emphasis on the equal status and the required interconnectivity of financial and sustainability reporting. This is becoming increasingly important, most recently with the mandatory disclosure of sustainability information in the management report – even though there has been some opposition to separate sections within the management report during the current CSRD discussion. In particular, the approach to reporting in the CSRD fundamentally aims to present a holistic view – whether regarding corporate strategy, risk management, board remuneration, or individual reporting themes. The ASCG already addressed this development in autumn 2021, establishing the 'Intangible Assets' and 'Climate Reporting' working groups, with the express objective of comprehensively tackling these issues from both perspectives. It follows that the ASCG is championing the option of integrated reporting in the CSRD with a public 'Call for an Integrated Reporting Option'.

New ASCG structure attracts great interest; new Sustainability Reporting Technical Committee

The ASCG initiated reforms to its structure at an early stage to enable it to keep up with the reform efforts of the organisations traditionally active in the field of financial reporting, namely EFRAG and the IFRS Foundation. These reforms, which involved the establishment of a new Sustainability Reporting Technical Committee and the consolidation of the former IFRS and German GAAP Technical Committees to form a single Financial Reporting Technical Committee, attracted great interest. This was demonstrated by the nearly 100 applications for the newly formed technical committees – a record number compared with former applications for technical committee positions. It was also visible in the raft of new ASCG members joining from the publicly traded and non-publicly traded segments. The ASCG intends to continue along this path and, in view of the large number of companies affected by the CSRD, will strive to recruit new members across all segments. Over the medium to long term, greater member contributions will be essential to effectively represent Germany's voice in the very Europe- and global-centric debate on corporate reporting – particularly given the addition of the rapidly evolving area of sustainability reporting.

As described, the selection process for the new Sustainability Reporting Technical Committee posed major challenges for the Nomination Committee. We were delighted that the Nomination Committee was expanded by the addition of two members with specific expertise in the area of sustainability reporting – Yvonne Zwick, Chairwoman of B.A.U.M. e.V., and Prof. Dr Alexander Bassen

from the University of Hamburg. The subsequent selection of 63 extremely strong candidates – with short-listing and 22 interviews – required great dedication and significant work from all involved. We would particularly like to thank the members of the Nomination Committee and all applicants for their commitment.

Both technical committees were ready to begin their work on 1 December 2021. There were two subsequent nominations for the Sustainability Reporting Technical Committee to specifically strengthen expertise in the areas of small and medium-sized companies and preparers in the banking industry. The subsequent nominations were finalised in February 2022. The two technical committees have since come together several times to discuss overarching issues. A short testimonial from each of the new technical committee members can be found on the divider pages of this Annual Report.

Deeper engagement of the ASCG in EFRAG

In May 2021, EFRAG President Jean-Paul Gauzès received a mandate to reform EFRAG's governance structure from EU Commissioner Mairead McGuinness. Under the proposed CSRD, EFRAG will in future be responsible for developing draft European sustainability standards. In addition to expanding its membership and funding base, it was necessary to revise EFRAG's statutes to implement the desired two-pillar structure. In November 2021, the ASCG Administrative Board resolved to also join EFRAG's sustainability pillar. As one of the four largest standard-setters in the EU, this involves

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a considerable additional financial commitment, as well as participation in the technical work. The revised EFRAG statutes were approved in January 2022; the new EFRAG committees are currently being set up.

The ASCG has also closely followed the Draft European Sustainability Reporting Standards published at the end of April. In cooperation with the German Council for Sustainable Development (RNE), in May 2021 we nominated Prof. Dr Alexander Bassen as a joint candidate for the EFRAG Project Task Force (PTF) with a particular view to contributing to the concepts underlying standard-setting (Cluster 1). The ASCG also closely coordinated with the German PTF members to enable it to give a comprehensive insight into their work to the Federal Ministry of Justice, in particular, which was negotiating the proposed CSRD in the European Council at the same time.

EU Taxonomy implementation key issue for ASCG members

The 2021 reporting year was the first in which taxonomy disclosures were required to be published. To provide an initial overview of the practical challenges, we published a short survey on the status of the implementation at DAX30-listed companies in April 2021. We also held a public panel discussion in May 2021 and published an outline of the new reporting requirements in August 2021.

To support relevant ASCG member companies with implementing the new requirements, we established a new Preparer Forum on the EU Taxonomy. German companies' experiences of applying and implementing the new EU Taxonomy Regulation were explored and interpretation issues were discussed at a total of eight events. We then passed on the points raised to the European Commission with a request for technical evaluation.

Digital transformation a key area for the ASCG

As outlined in its mission statement, the ASCG intends to actively support the ongoing digital transformation of corporate reporting. In recent years, the ASCG has focused on the implementation of the European Single Electronic Format (ESEF) and has held a series of very well-received preparer forums on the subject over a considerable period. To increase data availability in the European capital markets, the European Commission initiated the European Single Access Point (ESAP) at the beginning of 2021. The ASCG considers the ESAP initiative to be of central importance. The proposed regulation, which was published by the European Commission in early

2022, was preceded by a consultation on the project in the form of an online survey in January 2021. The ASCG addressed the proposals in its technical committees and submitted its comments to the European Commission on 4 March 2021.

We are extremely grateful for the dedication of everyone who contributed to our work last year: our member organisations, the members of our association's bodies and committees, the working groups, participants in our preparer forums, and the ASCG staff. We're looking forward to continuing to shape the future of corporate reporting together!

Sincerely,

Georg Lanfermann
President

Sven Morich
Vice-President

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I. ASCG Reorientation

ASCG REORIENTATION TO REFLECT GLOBAL AND EUROPEAN DEVELOPMENTS

New ASCG structure and formation of a new Sustainability Reporting Technical Committee

The ASCG has overhauled its organisational structure to give equal weight to financial and sustainability reporting. On 30 June 2021, the [ASCG Articles of Association](#) were amended to reflect the dynamic developments related to the significant expansion of sustainability reporting. In addition to merging the IFRS and German GAAP Technical Committees to form a single Financial Reporting Technical Committee, a new Sustainability Reporting Technical Committee was also established. Both technical committees began their work on 1 December 2021. The ASCG is therefore poised to participate in the upcoming international and European standard-setting activities by pooling the interests of German stakeholders and feeding Germany's opinion into the standard-setting process from the outset.

In advance of this, the Executive Committee had already been reorganised, with the President primarily focusing on the development of sustainability reporting and the Vice-President mainly responsible for the traditional area of financial reporting.

New (integrated) working groups

New ASCG working groups are also planned to draw together German stakeholders' expertise on specific issues, which will then be incorporated into the evaluation and design of the new sustainability standards. Two new working groups have already been agreed. The ASCG's first integrated working group addresses the issue of improved information on intangibles in the context of both financial and sustainability reporting. The second new ASCG working group focuses on climate reporting. Both working groups have already begun their activities.

Support for international and European standard-setting initiatives

On 1 June 2021, the ASCG's Administrative Board also resolved to establish a national funding mechanism for international and European standard-setting initiatives that is adapted to the new challenges. The national funding mechanism is designed to promote the development of internationally consistent standards (see the following section for further details). The standards are expected to be aligned with the general economic and social interests of Germany. Consequently, the standards must be developed in an orderly and transparent process involving major stakeholders. They also need to be practicable for reporting entities. The ASCG strongly advocates for the future sustainability standards applicable in the European Union to have a clear international orientation. The application of common international reporting standards, as currently

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being developed by the IFRS Foundation, would enable the European companies to significantly reduce the existing complexity and bureaucratic costs. The ASCG's commitment to global reporting standards is further underscored by its active support of Frankfurt am Main's successful bid to host the ISSB headquarters.

ASCG as the 'voice' of the needs of different sized German entities

Consideration should be given to the fact that the pressure to transform not only applies to internationally active listed companies, but also affects companies of all different types and sizes. In addition to explicit reporting obligations, business relationships can result in supply chain disclosures or require information on Scope 3 carbon emissions to be provided. This pressure and the associated sustainability reporting requirements are significantly increased by the information needs of capital providers – for example, as a condition for bank loans. The ASCG acts as the 'German voice' of the needs of entities of different sizes and aims to ensure the proportionality of the reporting requirements. In addition, given the anticipated considerable rise in the number of reporting entities under the proposed CSRD, we intend to expand our membership base of unlisted companies.

New ASCG mission statement

The ASCG's reorientation to reflect current developments is also firmly embedded in the new ASCG [mission statement](#) (in German only), which includes the four following primary objectives:

- Advocacy of an advanced form of corporate reporting that gives equal weight to financial and sustainability reporting;
- Support for common global reporting standards;
- Broad consideration of stakeholder interests;
- Recognition of the needs of entities of different types and sizes by ensuring the proportionality of reporting requirements.

GERMAN FUNDING MECHANISM FOR EUROPEAN AND INTERNATIONAL STANDARD-SETTING BODIES

The launch of standard-setting activities in the area of sustainability reporting has led to changes in the structure of European and international standard-setting organisations – at both the IFRS Foundation and at EFRAG. Setting sustainability standards requires significant additional financial resources, to which German stakeholders also contribute. In this section, we explain the current mechanism for collecting German financial contributions towards European and international standard-setting activities. At its meeting on 17 February 2022, the ASCG's Administrative Board also adopted a corresponding [paper](#) 'German Funding Mechanism for

European and International Standard-setting Bodies' (in German only). The ASCG helps German stakeholders to decide whether and how to participate in the related individual requests for funding.

Background

Setting common international corporate reporting standards has major significance for German industry, which operates worldwide. It is therefore also important for Germany to contribute to funding the relevant activities. In the financial reporting sphere, for German listed companies this means supporting the IFRS Foundation; at European level, it means supporting EFRAG.

These two institutions now require significant additional funding for their new activities in the area of sustainability reporting. In November 2021, the IFRS Foundation resolved to establish a new board, the ISSB. At EFRAG, a new, second pillar officially began its work on European sustainability standards on 1 April 2022.

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Contributions to the IFRS Foundation for the activities of the IASB and ISSB

The IASB receives annual contributions from German listed companies. This process involves the IFRS Foundation's German trustee writing to the universe of German index-listed companies every three years to ask them to participate in the funding for the next three-year cycle. The contribution amounts proposed by the trustee are staggered based on index membership. To date, German listed companies' annual contributions to the IASB have amounted to around EUR 700,000. Companies address their funding commitments to the ASCG, which subsequently requests the annual contributions from the companies for a specified purpose. In its capacity as trustee, the ASCG then transfers the funds collected to the IFRS Foundation, usually twice per year.

The establishment of the ISSB headquarters in Frankfurt am Main was tied to a seed funding commitment from the German public-private partnership for the activities in Frankfurt over a five-year period. The public-sector side (cities of Frankfurt and Eschborn, the State of Hesse and the German federal government) will cover half of the costs for the Frankfurt location. The private-sector side (real economy and financial sector, auditors), which will contribute the other half of the funding, will directly transfer its contributions to the IFRS Foundation.

For the real economy, the seed funding commitments from German listed companies have been pooled under a shared initiative comprising the Deutsches Aktieninstitut e.V. (DAI), the ASCG and the Value Balancing Alliance e.V. (VBA). In principle, the process on the private-sector side works in the same way as IASB funding. This includes a commitment to make an earmarked contribution, in this case covering a five-year period. Tiered contributions have also been recommended for real economy companies. The annual contributions are subsequently collected and transferred to the IFRS Foundation. In this process, the ASCG acts as trustee at least for the real economy. The form and amount of the German contributions to the ISSB will need to be reassessed after the end of the five-year seed funding period.

Funding request from or to	Recipient Board
IFRS Trustee (ASCG as trustee)	IASB (three-year cycle)
Public sector	ISSB (five-year seed funding)
DAI / ASCG / VBA (ASCG as trustee)	ISSB (five-year seed funding)
Financial sector	ISSB (five-year seed funding)
Auditors	ISSB (five-year seed funding)

Contributions to funding of EFRAG financial and sustainability reporting activities

As a national organisation, the ASCG is a member of EFRAG. This membership spans both pillars of EFRAG's activity. Within its traditional financial reporting pillar, EFRAG performs an advisory role with regard to the legally binding adoption of IFRSs in the European Union. At the end of November 2021, in the context of EFRAG's structural reform, the ASCG's Administrative Board resolved to also participate in the new sustainability reporting pillar. Membership of the two pillars includes the right to be represented on EFRAG's Administrative Board, as well as on all technical committees.

As a major national standard-setter, the ASCG – like France, Italy and Spain – makes significant financial contributions to EFRAG's work. Up to 2021, these membership contributions were included in the ASCG's annual budget. However, given the need for greater funding due to the expanded sustainability reporting activities, in December 2021 the Administrative Board resolved that the funds required for EFRAG membership should in future be gathered by means of an annual levy of EUR 525,000 – initially limited to a period of three years – to be paid by ASCG members in addition to their regular membership fees. EFRAG is obliged to segregate the funding for the two pillars. Participation in the financial contributions to EFRAG is initially limited to ASCG members.

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ASCG funding request to members

Recipient EFRAG Board

EFRAG – levy (initially limited to three years)	Financial Board
EFRAG – levy (initially limited to three years)	Sustainability Board

The extension of the ASCG's role to include sustainability reporting also requires additional expense within the ASCG, particularly due to the substantial expansion of its human resources. This additional expense will be covered by the regular membership fees.

Potential further funding from other stakeholder groups and the public sector

The ISSB seed funding round clearly reflected the widespread interest in the development of corporate reporting standards from both the private and public sector. It was possible to secure a broad funding base for the establishment of the ISSB's Frankfurt operations from within Germany. According to its [mission statement](#) of October 2021, the ASCG intends to help shape the transformation

of international corporate reporting as the voice of Germany. Alongside the structural changes made, this includes both supporting the ISSB's seed funding as well as the active financial commitment to EFRAG, which is covered by its members.

The ASCG is currently actively working to broaden its membership base and ensure diversity among its technical committee members. However, in the medium term, we believe it would be preferable to find a uniform, broad funding base both for the IFRS Foundation's international activities and for the European standard-setting activities of EFRAG. In line with its task of representing German interests, the ASCG could act as a vehicle to pool funding enquiries at least on the private-sector side. However, funding should not solely rely on this.

There will be frequent opportunities to make this type of adjustment to the funding base, for example at the end of the three-year levy period for the EFRAG financial contributions or at the end of the five-year ISSB seed funding period. The aim should be to involve additional stakeholder groups, and particularly the public sector, in the funding base. In the case of relevant expressions of interest, the ASCG will proactively put forward a proposal regarding the form of any potential participation where direct engagement with the ASCG is not possible.

DR OLIVER EMONS

THE DEVELOPMENT OF CLIMATE REPORTING STANDARDS IS CURRENTLY DOMINATING THE INTERNATIONAL DEBATE. HOW MUCH WEIGHT DO YOU THINK SHOULD BE GIVEN TO SOCIAL ASPECTS?

Strengthen social sustainability



More about this person on page 73

01



DR OLIVER EMONS
Hans-Böckler-Stiftung
Düsseldorf



It is imperative for greater emphasis to be placed on social aspects. Environmental issues are regularly in the spotlight, often overshadowing employee concerns, among others. Information on working conditions, occupational health, the implementation of fundamental ILO conventions, respect for workers' rights or social dialogue is rarely provided, since it apparently does not meet the 'double materiality' criteria. There are therefore expectations that there will be greater transparency in future regarding how the impact of social and employee matters – as well as climate and environmental concerns – are factored into companies' strategies and, by extension, influences their business conduct. Consequently, there is an urgent need to considerably extend reporting to include these matters so as to ensure that interactions between individual standards can be taken into account.

Urgent need to expand reporting

More about this person on page 73

02



DR ROBIN BRAUN
DWS Group
Frankfurt am Main

Digital transformation: Quantifying and assessing risks and opportunities

WHAT CORPORATE REPORTING DEVELOPMENTS DO YOU EXPECT TO SEE WITH REGARD TO DIGITAL TRANSFORMATION OVER THE COMING YEARS? While digital transformation accelerates and improves the efficiency of internal processes and can open up access to new business areas, it also exposes companies to the risk of serious business interruptions, reputational damage or liability caused by cyberattacks, technical malfunctions or security vulnerabilities, for example. In certain sectors, digital transformation often makes it easier for new competitors to enter the market, which can impact profit margins. In order to concretely quantify and assess general opportunities and risks, it is therefore not just advisable, but essential, for corporate reporting to give greater consideration to digital transformation. Irrespective of this, the European Single Access Point will play an important role as a platform for companies' data and key performance indicators.

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II. Financial Reporting

In accordance with our [Articles of Association](#), one of our core objectives is promoting the continued development of accounting and financial reporting. As the national standard-setter, the ASCG is recognised by the German federal government, which supports it in its objectives and calls on it as an advisor. In addition, it is the role of the ASCG to represent the interests of German industry as a whole on the global stage, which includes representing the Federal Republic of Germany on international standard-setting bodies.

Our standard-setting duties are set forth in section 342(1) nos. 1 to 4 of the HGB. In addition to providing advice in the legislative process and representing the Federal Republic of Germany on international standard-setting bodies, these duties include developing recommendations on the application of German proper accounting principles for consolidated financial reporting (German Accounting Standards – GASs), and elaborating interpretations of international financial reporting standards. As well as issuing GASs and interpretations, the technical committees may also issue other pronouncements on specific issues relating to national and international financial reporting, such as implementation guidance.

As Germany's representative on international standard-setting bodies, we work with the organisations and bodies concerned at all levels. This includes cooperating with the IASB and the IFRS Interpretations Committee, the European Commission (including the ESAs, especially EFRAG), the national standard-setters in other countries, and other international, European and national institutions that are active in the field of corporate reporting.

Until 30 November 2021, the focal points of our financial reporting work were determined by the IFRS Technical Committee and German GAAP Technical Committee. Our new Financial Reporting Technical Committee took over responsibility for this task on 1 December 2021.

Overarching issues with equal relevance for financial and sustainability reporting are decided on by our Joint Technical Committee, which is composed of the Financial Reporting Technical Committee and the Sustainability Reporting Technical Committee.

In addition, the ASCG's Executive Committee and staff contribute directly to the committee work and working groups of other organisations and attend conferences. They also participate in a wide variety of national and international conferences and panel discussions, as well as publishing specialist papers and articles.

In this section, we report on our major projects and activities in the past year in the area of financial reporting.

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STANDARD-SETTING BY THE ASCG

Standard Maintenance

Amendments to GAS 18 by GAAS 11

We completed the project to revise GAS 18 *Deferred Taxes* on 2 June 2021 on publication of GAAS 11 in the [official section of the Federal Gazette](#) by the Federal Ministry of Justice and Consumer Protection (since December 2021 Federal Ministry of Justice) in accordance with section 342(2) of the HGB. The following material amendments were made to GAS 18:

- When the equity method is applied, section 306 sentence 3 of the HGB is applied, with the necessary modifications, to differences in the carrying amount of goodwill or a negative consolidation difference.
- The requirements of paragraphs 40 and B3 of GAS 25 *Foreign Currency Translation in Consolidated Financial Statements* regarding deferred taxes were also integrated into GAS 18 in order to fully address the accounting for deferred taxes in that standard. As a result, no deferred taxes are recognised in respect of the currency translation difference recognised in equity resulting from the translation of foreign currency financial statements in accordance with section 308a of the HGB.
- When intercompany profits are eliminated, the use of tax rates that differ from the tax rate of the receiving entity is only permitted in cases where the resulting information would better reflect the actual situation.

- Deferred tax balances at the end of the financial year and the changes in those balances over the course of the financial year are only disclosed if deferred tax liabilities are recognised in the consolidated balance sheet, either from the application of section 274(1) sentence 1 in conjunction with section 298(1) of the HGB (surplus of deferred tax liabilities) or from the application of section 306 sentence 1 of the HGB.
- The requirements relating to quantitative disclosures regarding deferred tax assets that are not recognised, unused loss carryforwards and unused tax credits were withdrawn.
- The requirement to prepare a reconciliation was withdrawn.
- A number of clarifying examples was included in the basis for conclusions.

The Amendment Standard is applicable for the first time for financial years beginning after 31 December 2021. Earlier application is permitted.

Amendments of GAS 20

On 21 December 2021, we published [D-GAAS 12](#) on the amendment of GAS 20 *Group Management Report* for consultation, with a comment period until 4 February 2022. GAAS 12 was subsequently adopted by the ASCG on 10 February 2022.

The *Gesetz zur Ergänzung und Änderung der Regelungen für die gleichberechtigte Teilhabe von Frauen an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst* (FüPoG II – Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector) amended the content of the corporate governance statement in accordance with section 289f of the HGB,

which is also relevant for the consolidated corporate governance statement covered in GAS 20. Under FüPoG II, in addition to reporting on targets and their attainment, certain entities must also justify setting a target of zero in their corporate governance statement. Furthermore, certain listed entities whose executive boards have more than three members must also disclose whether at least one woman and one man have been appointed as executive board members. GAAS 12 formally amends GAS 20 to align with the new legal situation.

A reference to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/20 (EU Taxonomy Regulation) was also incorporated in GAS 20. Under this Regulation, starting in January 2022, entities required to prepare a non-financial statement or a consolidated non-financial statement must report on the proportion of their revenue, capital expenditure and operating expenditure that is environmentally sustainable (see our detailed report on [pages 56 – 59](#)). Details of the reporting requirements and the definition of the figures to be disclosed are specified in Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021. The amendment of GAS 20 in relation to the EU Taxonomy Regulation is limited to a reference to the requirement to comply with the relevant provisions of the Regulation. No detailed requirements were added, since the ASCG's mandate under section 342 of the HGB does not include the further clarification of EU requirements.

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EFFECTIVE GASS, ASCG INTERPRETATIONS AND ASCG IMPLEMENTATION GUIDANCE**German Accounting Standards**

GAS 13	Consistency Principle and Correction of Errors
GAS 16	Half-yearly Financial Reporting
GAS 17 (amended 2010)	Reporting on the Remuneration of Members of Governing Bodies
GAS 18	Deferred Taxes
GAS 19	Duty to Prepare Consolidated Financial Statements, Basis of Consolidation
GAS 20	Group Management Report
GAS 21	Cash Flow Statements
GAS 22	Group Equity
GAS 23	Accounting for Subsidiaries in Consolidated Financial Statements
GAS 24	Intangible Assets in Consolidated Financial Statements
GAS 25	Foreign Currency Translation in Consolidated Financial Statements
GAS 26	Associates
GAS 27	Proportionate Consolidation
GAS 28	Segment Reporting

ASCG Interpretations (IFRS)

ASCG Interpretation 2 (IFRS)	Obligation to Dispose of Electrical and Electronic Equipment
ASCG Interpretation 3 (IFRS)	Interpretation Issues relating to Puttable Financial Instruments in Accordance with IAS 32
ASCG Interpretation 4 (IFRS)	Accounting for Interest and Penalties Related to Income Taxes under IFRSs

ASCG Implementation Guidance (IFRS)

ASCG IG 1 (IFRS)	Specific Issues Relating to Accounting for Partial Retirement Arrangements in Accordance with IFRSs
ASCG IG 2 (IFRS)	Accounting for Costs of Registration in Accordance with the EU REACH Regulation
ASCG IG 3 (IFRS)	Selected IFRS Accounting Issues with a Particular Relevance to Macroeconomic and Entity-specific Crisis Situations
ASCG IG 4 (IFRS)	Equity-settled Share-based Payments with Net Settlement Features: Accounting for Cash Compensation



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03



DR LOTHAR RIETH
EnBW Energie Baden-Württemberg AG
Karlsruhe

THE ASCG HAS WORKED CLOSELY WITH STANDARD-SETTERS, COMPANIES, AUDITORS AND THE BMJ FOR MANY YEARS. HOW DO YOU FORESEE THE ASCG'S FUTURE RELATIONSHIP WITH NGOs IN LIGHT OF THE ASSOCIATION'S REORGANISATION? ————— Corporate reporting is increasingly becoming a key source of information for a wider circle of stakeholders, including outside of the financial markets. In recent years, consolidated financial reporting has grown in importance for interested parties in the political, civil society and academic spheres, since it gives an indication of companies' future viability and strategic orientation. Financial and especially non-financial corporate information provides crucial insights into how far a company's transformation has progressed. It is therefore only reasonable and logical for the ASCG to engage in direct dialogue with major non-governmental stakeholders like B.A.U.M. e.V., Germanwatch e.V., and the federal government's relevant multi-stakeholder initiatives, such as the Sustainable Finance Committee and the German Council for Sustainable Development.

Direct dialogue with multipliers

04



ANDREAS BÖDECKER
PricewaterhouseCoopers GmbH
Hannover

Uncertainties in practice



THE ASCG'S STATUTORY DUTY TO DEVELOP RECOMMENDATIONS ON THE APPLICATION OF GERMAN PROPER ACCOUNTING PRINCIPLES IS LIMITED TO CONSOLIDATED FINANCIAL REPORTING. WHAT IS YOUR VIEW ON THE ASCG RECEIVING AN EQUIVALENT MANDATE FOR ANNUAL FINANCIAL STATEMENTS AND WHY? ————— Although questions arising in connection with consolidated accounting under German GAAP are already largely covered by the GASs, in practice there are still uncertainties that the Financial Reporting Technical Committee should address as a priority. One such issue is the development of recommendations for the treatment of business combinations under common control in German GAAP consolidated financial statements due to new legislation, with the aim of enhancing the financial statements' informative value in this commonplace practical situation.

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ANDREAS BÖDECKER

Extending the ASCG's role



An extension of the ASCG's role to include issues related to annual financial statements and, in particular management reporting, might be advisable in light of the growing convergence of financial and non-financial reporting. This would enable the ASCG to advocate even more strongly for the interests of unlisted companies, including in the area of sustainability reporting, for example.

COLLABORATION WITH EFRAG

At European level, EFRAG in particular provides an excellent platform for us to contribute to the discussion on the development of international financial accounting and reporting. Since the implementation of the Maystadt reform at the end of 2014, the ASCG has contributed to EFRAG's decisions not only at a technical level in the committees as a member of the legal structure, but also at the level of company law as an governing body member.

The ASCG's role in its collaboration with EFRAG is to unite and represent the interests of German industry on the European stage. The ASCG is directly represented on the EFRAG Board, which is the ultimate decision-making body, and in EFRAG's Technical Expert Group (TEG) by members of its staff.

Vice-President Prof. Dr Sven Morich has represented the ASCG on the EFRAG Board since October 2020. He was appointed by the General Assembly in March 2021 for a further term of office starting on 1 May 2021. Prof. Dr Sven Morich had previously been a permanent presence in the EFRAG TEG since 2013, but withdrew from this position on his appointment to the EFRAG Board.

His successor in the EFRAG TEG – ASCG Project Manager Dr Ilka Canitz – took up her position on 7 July 2021 for an initial term to 30 November 2022. In this role, which is reserved for the major standard-setters from Germany, France and Italy, we represent Germany's perspective in the general economic interest of German constituents.

We also maintain close contact with the other German TEG members, Jens Berger (Deloitte GmbH) and Christoph Schauererte (Vonovia SE), who have both been members since the start of 2020. The regular briefings conducted before each TEG meeting are particularly notable in this context. The aim of these briefings is to allow the German members to exchange views on the upcoming technical discussions in advance and coordinate the representation of these views at the TEG meetings. In December 2021, both members were re-appointed for further two-year terms beginning 1 April 2022. On that date, Jens Berger will take over as Vice-Chair of this expert body.

In addition to directly participating in the EFRAG bodies, our own committees, particularly the IFRS Technical Committee and – from December 2021 – the Financial Reporting Technical Committee, also address the issues on the EFRAG Board and EFRAG TEG agendas on an ongoing basis. The Technical Committee draws on the expertise of our working groups (in 2021 the 'Financial Instruments', 'Rate-regulated Activities' and 'Insurance' Working Groups in particular) for this. Among other things, this work provides technical support to staff members in the performance of their activities on the EFRAG bodies. Depending on the situation, the Technical Committee itself directly submits comments to EFRAG during more extensive consultations, such as broader-based draft comment letters to the IASB, endorsement advice letters to the European Commission, and proactive consultation and position papers.

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In the area of financial reporting, our collaboration with EFRAG in 2021 was shaped to a large extent by our work on the endorsement of IFRS 17 *Insurance Contracts* and further amendments to IFRSs. We also provided our comments on the consultation on EFRAG's proactive agenda. We provide more detailed explanations below.

Please refer to section III for information on our cooperation with EFRAG in relation to sustainability reporting and its upcoming structural reform.

EFRAG Endorsement Activities

In accordance with Regulation [EC/1606/2002](#) (the IAS Regulation), the IFRSs issued by the IASB must be adopted into European law for application in the EU (endorsement). In this process, EFRAG develops a recommendation and assesses whether the technical criteria for endorsement have been met and whether the implementation of a standard or amendments would be conducive to the European public good.

On this basis, the European Commission then drafts an endorsing regulation, which is subsequently approved by the Accounting Regulatory Committee (ARC). Once endorsement is recommended, the European Parliament and the Council of Ministers have a three-month period in which to oppose the draft regulation. If the draft regulation is not opposed or the deadline elapses, it is adopted by the Commission and the standard is published in the Official

Journal of the European Union with the application date specified in the regulation.

A number of IFRS amendments were endorsed in 2021. EFRAG developed and issued endorsement advice on the following IFRS amendments, recommending full endorsement in each case. These have since been finalised through their corresponding publication in the Official Journal:

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 9 *Financial Instruments* and several other IFRSs related to IBOR reform (Phase 2),
- Amendments to IAS 16 *Property, Plant and Equipment* on the recognition of proceeds before intended use,
- Annual Improvements to IFRS Standards 2018-2020 Cycle – these include narrow-scope amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and IAS 41 *Agriculture*.
- Amendments to IFRS 3 *Business Combinations* on references to the IFRS Conceptual Framework,
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* on the inclusion of costs when assessing whether or not a contract is onerous,
- Extension of the relief provided for Covid-19-related rent concessions in IFRS 16, and
- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (on accounting policies and related disclosures).

EFRAG also finalised its positive and full endorsement advice regarding the amendments to IAS 12 *Income Taxes* (on deferred tax related to assets and liabilities arising from a single transaction) adopted by the IASB; however, the European Commission has not yet endorsed these amendments.

Finally, we can report on the endorsement of IFRS 17 *Insurance Contracts* and the subsequent amendments to IFRS 17. The corresponding Regulation ([EC/2021/2036](#)) was published in the Official Journal of the European Union at the end of November 2021. This Regulation transposes IFRS 17 (and consequential amendments to other IFRSs) – as adopted by the IASB in May 2017 – as well as subsequent Amendments to IFRS 17 – as adopted by the IASB in June 2020 – into EU law.

However, the endorsement of IFRS 17 is non-standard: The annual cohort requirement in IFRS 17 (see IFRS 17.22) is subject to an optional exemption under Article 2 of the IAS Regulation [EC/2021/2036](#) – which is not provided in the IASB version of IFRS 17 – giving entities an option to apply, or to not apply, the requirements of IFRS 17.22 to certain specified contracts. The rationale for providing this option is laid out in the Recitals 8ff. of this Regulation. The text of IFRS 17 itself as reproduced in the Annex to the Regulation is identical to the IASB version. This finally brings an end to this protracted endorsement process.

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As usual, we participated in all endorsement processes and passed on feedback received from German companies and organisations on the draft endorsement advice to EFRAG as well as providing our own comments. With regard to the endorsement of IFRS 17 and the subsequent amendments, we and insurance companies in Germany together put forward the view that an EU-specific version of IFRS 17 that differs from the IASB version would not be beneficial. We communicated this position to EFRAG. In all other cases, we agreed with EFRAG's positive assessment.

EFRAG Project Agenda Consultations

EFRAG conducted an agenda consultation in 2021. As in earlier years, this consultation ran in parallel with the IASB's agenda consultation (see page 29). EFRAG's [consultation document](#) was published in May 2021 and was open for comments until mid-September 2021.

The objective of this EFRAG consultation was twofold. The related document therefore consisted of two parts: Firstly, EFRAG presented its draft responses to the proposals and questions put forward by the IASB in its agenda consultation. Secondly, EFRAG presented further proposals for specific issues and projects for its own future research agenda. This second section also explained why EFRAG engages in proactive research activities and how it selects relevant projects. The extent to which the selection of issues and projects in the IASB agenda are taken into account by EFRAG is also addressed. Essentially, EFRAG would like to take

up issues not addressed by the IASB (or which the IASB is in EFRAG's view too slow to address) as its own projects.

We discussed these proposals in detail in the IFRS Technical Committee. In its [comment letter](#) to EFRAG of 20 September 2021, the IFRS Technical Committee expressed scepticism regarding EFRAG's fundamental idea of initiating its own (research) projects. Firstly, the IFRS Technical Committee considers it questionable that EFRAG would initiate projects that the IASB has already consciously decided not to include in its work plan. Secondly, the general shortage of resources also applies to EFRAG projects, meaning that it would be no easier to carry out additional projects just because EFRAG is running them (instead of the IASB).

To date, EFRAG has not made any final decisions regarding its own agenda. However, the IASB has not yet publicly announced its future work plan either.

Alongside this EFRAG agenda consultation, there are two further EFRAG consultations on future IFRS regulatory issues to report. Both concern research projects in which EFRAG is initially researching and consulting on the background and questions relating to future (potential) standardisation issues.

The consultation on the [Discussion Paper Accounting for crypto-assets \(liabilities\): holder and issuer perspective](#) published in July 2020 ended in July 2021. The subject of this Discussion Paper was the ongoing evolution, growth potential and diversity of this new category of assets and liabilities. Their recognition was discussed from the perspective of both the holder and the issuer.

NOURA RHEMOUGA

Relevance and pressure to act >>

THE COMPATIBILITY OF EUROPEAN STANDARD-SETTING ACTIVITIES WITH THE WORK OF THE IFRS FOUNDATION IS THE SUBJECT OF FREQUENT DISCUSSION. HOW DO YOU VIEW EUROPE'S ROLE IN THE DEVELOPMENT OF SUSTAINABILITY REPORTING?

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NOURA RHEMOUGA
Hochwald Foods GmbH
Thalfang

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06



PROF. DR CHRISTIAN FINK
Hochschule RheinMain
Wiesbaden

Useful links



Sustainability reporting is growing in significance. And that is definitely a good thing! Social challenges, relevance and the pressure to act mean that these developments are essential. High-quality, reliable public reporting by companies leads to greater transparency and more sustainable business activity. A healthy dose of administrative effort on the part of companies needs to be rewarded with tangible benefits in terms of sustainability. Due to the global nature of the economy – including for SMEs – it is important to have an internationally harmonised approach. At European level, the development process should therefore draw on useful links with existing international sustainability standards and requirements. As we all know, the transition to a more sustainable society can only succeed if we act together.

HOW SHOULD THE SPECIFIC CHARACTERISTICS OF SMEs BE TAKEN INTO ACCOUNT WHEN DEVELOPING THE NON-FINANCIAL REPORTING FRAMEWORKS?

Proven means of taking on board the specific characteristics of certain groups of companies when developing frameworks or reporting standards include specific outreach activities or directly addressing the relevant groups and actively involving them in committee work – at the ASCG, for example, in working groups or the committees. However, SMEs often do not have the human resources they can dedicate to these tasks. When developing the frameworks, it is therefore important strike a balance between the cost of preparation and the value of the information. Excessive regulation would make it impossible for SMEs to continue to meet their reporting obligations in-house, rendering them dependent on external consultants. Consideration should therefore be given at regulatory level to providing positive incentives for the voluntary application of an SME framework.

Balance between costs and benefit

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With regard to IFRS requirements, three alternative approaches were proposed: (1) no amendment to existing IFRS requirements, (2) amendment and/or clarification of existing IFRS requirements, or (3) development of a new standard on crypto-assets (liabilities). At its last meeting in December 2021, EFRAG discussed the responses to the Discussion Paper and received a report on current market developments. EFRAG plans to further address the recommended options for developing IFRS requirements in its subsequent meetings. Based on the responses to the IASB's agenda consultation, which indicated a high level of interest in this subject, it is likely that the IASB will also address crypto-assets (liabilities) in the future.

As part of its research activities, EFRAG also published the [Discussion Paper *Better information on intangibles: which is the best way to go?*](#) The Discussion Paper presents three different approaches to improving the information on intangibles and the associated advantages and disadvantages: (1) recognition (including measurement) of intangibles in the primary financial statements beyond the requirements of IAS 38 *Intangible Assets*, (2) disclosure requirements for specific intangibles and (3) information on expenses that may affect future performance and information on risk/opportunity factors. The deadline for comments is 30 June 2022. In light of the comments on the IASB's agenda consultation, it is also likely that the IASB will in future address improved reporting of intangibles.

COOPERATION WITH THE IFRS FOUNDATION

As in previous years, cooperation with the IFRS Foundation committees and bodies was one of the mainstays of our work in 2021. The personal exchange of views and information was – as with all other in-person meetings – impacted by the coronavirus pandemic, and most of the IFRS Foundation's meetings continued to be held virtually. Consequently, we were unable to hold regular in-person discussions and our exchanges and ongoing cooperation were confined to the virtual world.

Maintaining and fostering regular contact with the IASB and its staff, including in particular German Board member Martin Edelmann (until his departure on 30 June 2021), again formed a cornerstone of our cooperation with the IFRS Foundation. As always, this regular contact allowed us to find out about and keep up-to-date on each other's activities, as well as current developments, trends and challenges.

The appointment of former ASCG President Prof. Dr Andreas Barckow to the position of IASB Chair as Hans Hoogervorst's successor on 1 July 2021 also gives a special shape to our cooperation with the IFRS Foundation. Thanks to this personal relationship, the ASCG Executive Committee has close contact with the IASB and various figures at the Foundation. Alongside the Board members, these include the Chair of the IFRS Foundation Trustees, former EU Commissioner Erkki Liikane and Executive Director Lee White.

We also maintained a constant and in-depth dialogue with the two German members of the IFRS Interpretations Committee, Karsten Ganssaue and Dr Jens Freiberg. They were regular guests at many of our virtual technical committee meetings and enriched our deliberations with their profound knowledge and direct observations from the Interpretations Committee.

The ASCG's committee work included its membership of the IFRS Advisory Council, where it is represented by its President. Again, all meetings were held online due to the coronavirus pandemic. The overriding theme was the IASB agenda consultation for the 2022–2026 cycle and the IFRS Foundation's work on the issue of sustainability reporting. In the total of five meetings last year, the Council initially discussed the proposals put forward by the Trustees and the associated amendments to the Foundation's Constitution. Later meetings centred on the actual implementation of the proposals by announcing the establishment of the International Sustainability Standards Board, as well as the related resources and structures.

On 15 February 2022, the Trustees of the IFRS Foundation announced the appointment of the ASCG to the Accounting Standards Advisory Forum (ASAF), the IASB's technical advisory body. The ASAF consists of a total of 12 national and regional standard setters in the area of financial reporting, each represented by designated individuals. Vice Chairman Prof. Dr Sven Morich will represent ASCG as a member of the ASAF. We are pleased that we are once again represented as a member of the ASAF after a break of almost

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four years and that we can contribute the practical experiences from our German constituency to the IFRS development process there.

The following pages present the major IASB projects that we followed closely last year through our deliberations in the IFRS Technical Committee. Further information on the structural reform of the IFRS Foundation in relation to sustainability reporting can be found in section III.

IASB Agenda Consultation

The IASB launched its 2021 agenda consultation and published a [request for information](#) on 30 March 2021. The deadline for comments was 27 September 2021. The objective was to gather feedback from the public to help determine its 2022–2026 work plan.

In accordance with the requirements of the IFRS Foundation, this consultation was preceded by a survey of the other IFRS Foundation bodies (IFRS Advisory Council, ASAF, IFRS Interpretations Committee and others). This preliminary survey makes it possible to preselect issues, regarding which (more) targeted opinions can then be gathered.

The above request for information defined three objectives: to gather views/feedback on

- the strategic direction and balance of the Board's activities – these were defined as six main activities;

- the criteria for assessing which financial reporting issues should have priority (and could therefore be added to the IASB's work plan);
- specific financial reporting issues that should be given (higher) priority and included in the IASB's work plan.

Alongside numerous questions, the document also contains two lists of potential issues and projects for the IASB's future work plan. A [summary](#) of the IASB's 2021 agenda consultation is available in German on our website.

The IFRS Technical Committee discussed the request for information at several meetings and submitted our [comment letter](#) on 20 September 2021. The Technical Committee's discussions led to the following findings:

- In general, it agreed with the strategic direction and balance of the Board's activities. However, some areas of activity – for example, new IFRSs and major amendments – should be reduced, while others – namely maintenance or digital financial reporting activities – should be increased.
- It generally agreed with the criteria for assessing the priority of issues.
- With regard to potential financial reporting projects, it was first noted that, given the current work plan, there is virtually no capacity for new projects. It is therefore worth reconsidering a number of current projects (particularly those where little progress has been made). Secondly, the IFRS Technical Committee only identified 5 of the 22 proposed projects as having 'high' or 'medium' priority. Of the other issues specified, the IFRS Technical Committee identified just two as being urgent.

- Finally, the IFRS Technical Committee expressed its view that when determining the IASB's work plan, financial reporting issues need to be weighed against sustainability reporting issues, given the limited resources of standard-setters and all other stakeholders.

To gather more extensive views, we conducted an online survey of German constituents to accompany the IASB's agenda consultation. From June to August 2021, we asked the public for their input, which then fed into the subsequent discussion. This valuable feedback corresponded exactly with the opinion developed in the IFRS Technical Committee. A summary of the responses was published in [German](#) and [English](#) and provided to the IASB. We would like again to thank all survey participants for their cooperation.

The IASB's evaluation of the feedback is almost complete, so the future work plan is expected to be established and announced soon.

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Disclosure Requirements in IFRS Standards – A Pilot Approach

The IASB published Exposure Draft [ED/2021/3](#) *Disclosure Requirements in IFRS Standards – a Pilot Approach (Proposed amendments to IFRS 13 and IAS 19)* on 25 March 2021.

In this Exposure Draft, the IASB proposes guidance for itself to use when developing and drafting disclosure requirements in IFRSs in future. In addition, the IASB has applied this guidance to the existing disclosure requirements of IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* and proposed amendments to the disclosure requirements in these standards.

The proposed amendments are based on the responses received to the previous Discussion Paper [DP/2017/1](#) *Disclosure Initiative – Principles of Disclosure*. In this Discussion Paper, the IASB identified three main concerns about the information disclosed in IFRS financial statements, namely:

- not enough relevant information,
- too much irrelevant information, and
- ineffective communication of the information provided.

One important finding was that the way in which disclosure requirements in IFRSs are developed and drafted actually contributes to the ‘disclosure problem’. In particular, stakeholders criticised the fact that some IFRSs contain few, or only insufficiently specific, disclosure objectives. This makes it difficult for entities to apply judgement and determine which information should be disclosed. Another criticism was the use of highly prescriptive

language (for example: *‘The entity shall disclose as a minimum [...]’*). This could give the impression that the corresponding information must always be disclosed, irrespective of its materiality.

In response to the feedback on the Discussion Paper, the IASB decided to add the *Disclosure Initiative – Targeted Standards-level Review of Disclosures* project to its work plan. The objective of this project is to improve how the IASB develops and drafts disclosure requirements in IFRSs.

In the Exposure Draft published in March 2021, the IASB provides guidance on how disclosure requirements should in future be drafted, including:

- the introduction of disclosure objectives that describe the information needs of users of financial statements,
- emphasis that entities are required to disclose information they judge to be necessary to meet the disclosure objectives,
- the specification of ‘non-mandatory’ items of information that an entity may disclose to meet a specific disclosure objective, provided that an item of information is relevant in the entity’s circumstances, and
- in individual cases, the specification of ‘mandatory’ items of information, when these items of information (if material) are essential to meet a specific disclosure objective.

In the course of developing disclosure requirements, in future the IASB intends to place greater emphasis on engaging with users of financial statements at an early stage in order to gain a better understanding of their information needs, which will ultimately be incorporated into the disclosure objectives it drafts.

In ED/2021/3, the IASB also proposes amendments to the disclosure requirements of IFRS 13 and IAS 19, which were developed by the IASB by applying the above guidance.

We discussed the IASB’s proposals in detail in the IFRS Technical Committee and our ‘Pensions’ and ‘Financial Instruments’ Working Groups. We also held an outreach event on the proposed amendments in October 2021. As a result of our discussions, we submitted our [comment letter](#) to the IASB on 12 January 2022. In our comment letter, we support the IASB’s proposed new approach. In particular, we welcome the proposal of developing disclosure objectives that describe users’ information needs to enable entities to better assess which information is useful for users of financial statements.

However, irrespective of our general support, we also express concerns regarding the applicability of the proposed new approach in practice. In particular, it is likely that entities will be strongly guided by the items of information specified in an IFRS – even if they are described as ‘non-mandatory’ – so these could in practice be perceived as mandatory disclosures. Entities are also concerned that the proposals will lead to increased costs for documenting the judgement applied about which information to disclose. In our comment letter, we therefore recommend the IASB develop additional application guidance that illustrates how an entity applies judgement and concludes which (entity-specific) information needs to be disclosed.

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Following the end of the comment period, the IASB is currently reviewing the responses received. We will closely monitor the further work of the IASB and contribute to the discussion.

Subsidiaries without Public Accountability: Disclosures

The IASB published its Exposure Draft [ED/2021/7 Subsidiaries without Public Accountability: Disclosures](#) on 26 July 2021.

In this Exposure Draft, the IASB proposed that entities without public accountability (i.e., entities that are not financial institutions or listed on a stock exchange) be permitted to apply IFRSs with a reduced set of disclosure requirements for their separate financial statements (or subgroup financial statements). This would be subject to the condition that, at the end of the reporting period, the entity:

- is a subsidiary (as defined by IFRS 10 *Consolidated Financial Statements*),
- does not have public accountability, and
- has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRSs.

The proposed Standard aims to simplify financial reporting for these subsidiaries, while at the same time meeting users' information needs.

The IASB added this project to its work plan in response to feedback received during its 2015 agenda consultation. Stakeholders asked the IASB to allow subsidiaries that are consolidated in the group financial statements of a parent entity to apply reduced disclosure requirements for their separate financial statements prepared under IFRSs. This would enable subsidiaries that report to their parent entity in accordance with IFRSs to also apply IFRSs in their separate financial statements, but with significantly reduced disclosure requirements.

It should be noted that – even if the final Standard is endorsed into European law – its scope of application for German subsidiaries will remain to be determined by the implementation of the IAS Regulation (Regulation (EU) 1606/2002) in German commercial law. Currently, German commercial law only provides an exemption for the publication of IFRS separate financial statements under section 325(2a) of the HGB, but no exemption from preparing separate financial statements prepared in accordance with German GAAP.

The IASB's Exposure Draft was the subject of extensive discussions by our Financial Reporting Technical Committee. We also held an outreach event in January 2022, which focused on the issues of the applicability and relevance of the Exposure Draft for German groups. Based on our discussions on ED/2021/7, we submitted our [comment letter](#) on the Exposure Draft to the IASB on 31 January 2022. In our comment letter, we expressly supported the IASB's objective of developing an IFRS with reduced disclosure requirements. The proposed Standard would provide significant

DR MICHAEL SEIFERT

WHEN IT COMES TO SUSTAINABILITY – PARTICULARLY CLIMATE ISSUES – THE IMPACT ON FINANCIAL REPORTING IS ALSO THE SUBJECT OF DISCUSSION. DO YOU BELIEVE THAT ADDITIONAL LEGISLATION IS REQUIRED AT NATIONAL AND/OR INTERNATIONAL LEVEL?

Specific requirements lacking >>

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07



DR MICHAEL SEIFERT
BayWa AG
München



Today, the issues of sustainability and climate change and the resulting risks are not only reflected in sustainability reports, but also have a sometimes significant influence on the financial statements prepared in accordance with national and international accounting standards. However, specific requirements for financial reporting are lacking. Of course, it could be argued that the financial statements must always present a true and fair view of the net assets, financial position and results of operations and must therefore also give appropriate consideration to climate aspects. But to ensure that the reporting on climate-related information and aspects is comparable and consistent, it would be preferable to have meaningful requirements. The IASB's current deliberations on launching a corresponding project offer hope in this regard.

Meaningful requirements preferable

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08



PROF. DR KERSTIN LOPATTA
University of Hamburg
Hamburg

Enhance information content and transparency

THE IMPORTANCE OF CLIMATE ASPECTS FOR CORPORATE REPORTING IS GROWING RAPIDLY. WHAT IS YOUR VIEW OF THE CURRENT FOCUS OF STANDARD-SETTING INITIATIVES ON CLIMATE CHANGE? ————— The current EFRAG draft ESRS E1 *Climate change*, in combination with further standards, will in future standardise sustainability reporting and therefore improve the information content and comparability of reporting for all stakeholders. The EFRAG standard addresses the current weaknesses of the Non-financial Reporting Directive and increases the information provided to stakeholders. In my view, various parts of the draft need to be shortened and refined to reduce the risk of an excess of highly granular information that is virtually impossible for the target group to process. However, it is expected that the new climate standard, in conjunction with further current initiatives – the EU Taxonomy and the Sustainable Finance Disclosure Regulation – will make a valuable contribution towards a sustainable financial system and help enhance transparency.

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relief to subsidiaries (within the proposed scope), since the IASB is proposing significantly reduced disclosure requirements compared with the disclosure requirements under IFRSs (for example, in relation to the disclosures under IFRS 7 *Financial Instruments: Disclosures*, IFRS 12 *Disclosure of Interests in other Entities* and IFRS 13 *Fair Value Measurement*).

We support the IASB's approach to developing the reduced disclosure requirements. However, given the IASB's decision to generally use the disclosure requirements of the IFRS for SMEs, provided that the recognition and measurement requirements do not differ from IFRSs, it is difficult to understand why in some cases the proposed disclosure requirements go beyond the disclosure requirements of the IFRS for SMEs. In our comment letter, we therefore suggest the IASB describe and explain these differences on a case-by-case basis.

Furthermore, the structure and layout of the Exposure Draft are not very user friendly, since in some instances the Exposure Draft uses footnotes to refer to disclosure requirements in IFRSs that will continue to apply to subsidiaries. In our comment letter, we therefore recommend the IASB reorganise the requirements applicable to subsidiaries (both the recognition and measurement requirements of the IFRSs and the disclosure requirements of the Exposure Draft) in a single, comprehensive document.

Business Combinations under Common Control

A major focus of the IFRS Technical Committee meetings in 2021 was the IASB's discussion paper on business combinations under common control ([DP/2020/2 Business Combinations under Common Control](#), BCUCC).

The discussion paper opened for comment the initial findings of and the IASB's preliminary views on the research project launched in 2012. Business combinations under common control are currently exempt from the requirements applicable for business combinations, resulting in a gap in IFRSs. The research project aims to address this gap.

Following numerous in-depth discussions in the IFRS Technical Committee and a virtual public event, we submitted our comment letter to the IASB on 1 September 2021.

In our [comment letter](#), we express our appreciation of the IASB's efforts to explore possible reporting requirements for business combinations under common control that would reduce the existing diversity in practice, improve transparency in reporting these combinations, and provide users of financial statements with better information.

However, in our opinion, the scope should be as broad as possible to initially discuss all relevant topics (in relation to transactions under common control). Subsequently, individual topics could be addressed in different ways or, if necessary, deliberately and justifiably excluded from further work.

We support the IASB's proposal that the requirements should not take into account whether a transfer is preceded by an

acquisition from an external party or followed by the planned or intended sale to an external party, or is conditional on a sale of the combining companies (as in the case of an IPO, for example). However, we point out that due to the 'point in time approach', the situation at the time of the BCUCC (for example, regarding the participation of non-controlling interest shareholders) is relevant. At the time of the BCUCC, other stakeholders could be involved, leading to different information needs than at the time of a subsequent IPO, for example.

We also agree with the IASB's proposal that the acquisition method should in general be applied if the business combination under common control affects non-controlling interest shareholders of the receiving company, with a book value method applied to all other business combinations under common control.

With regard to which book values should be used when applying the book value method, we observe that supporting arguments can be found for each of the three theoretical approaches, namely the use of the book values of the transferred company, of the transferring company or of the (ultimate) controlling company. However, we consider that the appropriateness of the respective book values depends on the specifics of the BCUCC transaction to be accounted for, including any historical acquisition steps and reasons for any existing differences between the various book values, for example. Practicability would also depend on the specific circumstances, which could favour any of the possible approaches. We therefore think that granting an option to choose which book value to apply based on the circumstances of the individual transaction is worth considering.

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Furthermore, we believe that the discussion paper touches on an area of conflict, since business combinations under common control are generally initiated by the controlling party and structured and carried out in the controlling party's interest. However, the discussion paper only considers the perspective of the receiving company and only addresses its accounting. We therefore do not agree with the IASB's view presented in the discussion paper that 'the controlling party is not a party to the combination of the receiving company with the transferred company'.

Rate-regulated Activities

The IASB published its Exposure Draft [ED/2021/1 Regulatory Assets and Regulatory Liabilities](#) on 28 January 2021. If finalised as a new IFRS Standard, these proposals would in future replace IFRS 14 *Regulatory Deferral Accounts*. Currently, IFRSs do not contain any specific requirements on accounting for rate-regulated activities. Companies therefore account for these activities differently.

Under the proposed Standard, companies that are subject to rate regulation would be required to report regulatory assets and regulatory liabilities in their statement of financial position and related regulatory income and regulatory expense in their statement(s) of financial performance. Regulatory assets and regulatory

liabilities would be measured on a modified historical cost basis reflecting updated estimates of future cash flows that will arise from those assets and liabilities, discounting these estimated cash flows to their present value.

We submitted our [comment letter](#) on this Exposure Draft to the IASB on 23 July 2021. The comment letter was prepared by the ASCG 'Rate-regulated Activities' Working Group and adopted by the IFRS Technical Committee.

In our comment letter, we welcome the IASB's efforts to set out principles for the recognition, measurement, presentation and disclosure of regulatory assets and regulatory liabilities, and of regulatory income and regulatory expense.

We also support the objective of the Exposure Draft to develop an accounting model for entities to provide relevant information representing how regulatory income and regulatory expense, and regulatory assets and regulatory liabilities affect their financial performance and financial position. In general, we agree with the proposed recognition and measurement principles. We also support the overall and specific objectives of the proposed disclosure requirements.

However, we are critical of the proposals in paragraph B15. Under these provisions, regulatory returns would not form part of the total allowed compensation where they relate to assets not yet available for use. Furthermore, we also express concerns regarding the proposals in paragraphs B3–B9, according to which an allowable expense is determined as an expense applying IFRSs, rather than applying regulatory requirements.

We only partly agree with the IASB's analysis of the probable impact of implementing the proposals on financial reporting quality and the likely costs of implementing the proposals. Specifically, we do not believe that information prepared in accordance with paragraphs B3–B9 and, especially, paragraph B15 would give the users of the financial statements a complete and clear picture of the regulatory income and regulatory expense, and regulatory assets and regulatory liabilities.

Consequently, we do not expect that implementation of the current proposals would be positive from a cost-benefit perspective. However, we believe that the cost-benefit ratio could be considerably improved by making the following amendments to the future Standard:

1. deleting paragraph B15 (in our view, the most important change),
2. determining the components of the total allowed compensation by applying regulatory rules rather than IFRS Standards, and
3. clarifying that an entity identifies its performance obligations based on the regulatory agreement and that 'performance obligation' does not necessarily mean supply of goods or services to customers.

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Management Commentary

The IASB added the project to revise and update IFRS Practice Statement 1 *Management Commentary* (PS 1) to its work programme in November 2017, having determined that management commentary prepared in accordance with PS 1 no longer met users' evolved information needs. In particular, the commentary contained inadequate information on long-term company performance and sustainability aspects. Following a preparatory phase of just under four years, the IASB published its Exposure Draft [ED/2021/6](#) in May 2021. In this Exposure Draft, the IASB proposes the extensive revision of PS 1.

According to the Board, the overarching objective of management commentary is to give capital providers (investors and creditors) information that assists in their decision-making. Management commentary should enhance capital providers' understanding of the financial position and financial performance reported in the financial statements and give them an insight into the company's past and future ability to create value and generate cash flows. On this basis, the Exposure Draft specifies a hierarchy of disclosure objectives, comprising

- a headline objective,
- assessment objectives, and
- specific objectives.

This hierarchy of objectives is further broken down by application to six areas of content defined by the IASB, namely:

- business model,
- strategy,
- resources and relationships.
- risks,
- external environment,
- financial performance and financial position.

The IASB also describes the relevant characteristics of the information contained in the management commentary (for example, materiality, completeness, etc.). The terminology and content are based on the IFRS Conceptual Framework for Financial Reporting. Lastly, the Exposure Draft also contains numerous examples relating to sustainability disclosures included in the management commentary.

Due to the similarity to management reporting in terms of content, our Joint Technical Committee participated in the technical deliberations, even though management commentary in accordance with IFRS PS1 currently has no direct relevance for German GAAP reporting. In October last year, we hosted a public discussion on the Exposure Draft together with the IASB. Finally, we submitted our comment letters to the [IASB](#) and [EFRAG](#) at the end of November.

Although our assessment of the IASB Exposure Draft was generally positive, we also raised points of criticism. The Exposure Draft does not address environmental, social and governance (ESG) topics in a sound and conceptual manner. Consequently, it falls short of the expectation set by the IASB's accompanying comments,

which listed the significant lack of ESG disclosures in management commentary as one of the main reasons for the revision of PS 1. Although the Exposure Draft contains many good examples for disclosures on environmental and social matters, the treatment of these aspects from a conceptual perspective is inadequate. We also criticised the fact that the IASB explicitly refrains from addressing the issue of governance by referring to dedicated national rules.

A further criticism relates to the one-sided treatment of risks in the 'risk' area of content. In our view (as also addressed in our *GAS 20 Group Management Report*), risks and opportunities associated with future development should also be considered equally, but this does not seem to have been provided for by the IASB.

Lastly, as an overarching issue, we addressed the compatibility of the non-binding guidelines with the ISSB's future standards. Since the IASB considers the management commentary to be the ideal place for sustainability reporting, we consider a joint approach by the IASB and the ISSB to be necessary.

Insurance Contracts

IFRS 17 *Insurance Contracts* was finalised and published by the IASB in May 2017. Numerous application questions arose in the course of implementing the standard. This led the IASB to develop limited amendments to IFRS 17, which were finalised in June 2020. However, this was not the last amendment to the standard.

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In early 2021, the IASB became aware of a further application issue, relating to the initial application of IFRS 17 at the same time as IFRS 9 *Financial Instruments*. This can lead to mismatches in the presentation of prior-year comparative information in the first set of financial statements prepared under these standards. To address this issue, the IASB decided to make a further narrow-scope amendment to IFRS 17. The relevant Exposure Draft [ED/2021/8](#) was published with a short comment period on 28 July 2021. The proposed amendment was finalised in December 2021 with several improvements.

A new transition option for the comparative information presented in the first reporting year was added to IFRS 17. This amendment allows presentation of the comparative information for prior period(s) in a manner consistent with IFRS 9 (classification overlay) when applying the two standards for the first time. For any financial assets not restated in accordance with IFRS 9, a reporting entity can then apply the classification that would be used on the basis of the information available on the transition date. The IASB also introduced relief for entities that have already applied IFRS 9 before initial application of IFRS 17. In such cases, the existing classification options under IFRS 9 can be applied again to financial assets that are connected with insurance contracts.

We submitted our [comment letter](#) on the Exposure Draft to the IASB on 14 September 2021. In our comments, we fully agree with the proposed amendment, with the exception of a brief remark regarding scope.

Following a lengthy transition process, IFRS 17 was transposed into EU law at the end of November 2021. IFRS 17 is now applicable under EU law, although in a version that differs from that published by the IASB. Further information on the endorsement process and the differences in the content of the two versions can be found on [pages 25, 26](#).

Interpretations and Maintenance

The interpretation and maintenance activities of the IFRS Interpretations Committee involve discussing and responding to submissions regarding the application of and uncertainties about IFRSs. The work on such questions and issues either results in agenda decisions, which are issued by the IFRS Interpretations Committee, or in subsequent standard-setting activities, which then lead to a (narrow-scope) amendment to the standard or an interpretation. In addition, the IASB itself raises and discusses issues for which it emerges that an amendment or clarification of the standard is required.

As in every year, we tracked these activities closely in 2021. Specifically, we addressed all the discussions at all meetings of the IFRS Interpretations Committee, assessed the findings and commented on them in most of the cases.

The IFRS Interpretations Committee also issued agenda decisions on a range of different matters and standards – this was also the case in previous years. In 2021, several questions were

addressed on accounting for leases (regarding the application of IFRS 16 *Leases*) and financial instruments (regarding IAS 32 *Financial Instruments: Presentation* and IFRS 9 *Financial Instruments*), as well as one question each on accounting for income taxes (IAS 12 *Income Taxes*), accounting for the increasingly common-place and diverse cloud computing arrangements (IAS 38 *Intangible Assets*), accounting for particular types of pension plan (IAS 19 *Employee Benefits*) and accounting for inventories (IAS 2 *Inventories*).

The topic of supplier finance arrangements was also discussed in detail. Although the IFRS Interpretations Committee had already provided a tentative response to the questions discussed in the form of an agenda decision at the end of 2020, there was need for further clarification. At the recommendation of the IFRS Interpretations Committee, subsequently confirmed by the IASB, this led to actual standard-setting activities. At the end of 2021, the IASB published its Exposure Draft [ED/2021/10](#), which proposes amendments and enhancements to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Presentation*.

We would again like to mention this year that the IFRS Interpretation Committee's agenda decisions should be regularly tracked and reviewed by reporting entities to determine whether their own financial reporting corresponds with the Committee's view. If this is not the case, entities should ascertain whether their differing approach is justified or should be modified. The IFRS Interpretation Committee's agenda decisions represent new information

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within the meaning of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which could lead to a change in accounting policy, but which does not constitute any errors.

Lastly, in the context of standard maintenance, we would like to report that several narrow-scope standard amendments were again proposed or finalised by the IASB in 2021, although these were less numerous than in previous years. Specifically, amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 were adopted; in both cases, these relate to accounting policy disclosures and distinguishing changes in accounting policies from changes in accounting estimates. Furthermore, the IASB issued targeted amendments to IAS 12 clarifying accounting for deferred tax related to assets and liabilities arising from a single transaction. Lastly, a narrow-scope amendment to IFRS 17 *Insurance Contracts* regarding the presentation of comparative information for entities initially applying IFRS 17 and IFRS 9 at the same time was adopted (for further information see [pages 36, 37](#)).

In addition, the IASB published an Exposure Draft [ED/2021/4](#) on the amendment of IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The proposed amendments are intended to help companies determine whether a currency is exchangeable for another and how to account for cases where a currency is not exchangeable. We discussed the Exposure Draft in our IFRS Technical Committee and submitted a [comment letter](#) to the IASB.

Finally, in November, Exposure Draft [ED/2021/9](#) on the amendment of IAS 1 was published, with a comment period ending on 21 March 2022. The proposed amendments aim to clarify the classification of liabilities that are subject to specified credit conditions (covenants) that are only tested at a later date.

All in all, the IASB currently still has a long list of amendment projects that need to be finalised. Following the IASB agenda consultation in 2021, new issues will likely be added to its work programme.

Post-implementation Reviews

IFRS interpretation and maintenance activities include post-implementation reviews (PIRs), ie the systematic review of new standards that have been applied for a number of years. These reviews are conducted to assess the impact of a new standard and to determine whether a standard can be applied as intended or the extent to which application difficulties, uncertainties or even inconsistent application arise.

In general, the initial phase of each post-implementation review involves outreach and research. Entities, organisations and other stakeholders are asked about their experience so far as well as any application difficulties, and theoretical research is also performed using financial statements and publications. This is followed by a second phase, during which a public consultation is conducted in the form of a request for information (Rfi). The IASB aims to use

the responses to the Rfi to determine whether further steps are required in terms of standard-setting or standard maintenance activities.

Two such PIRs were conducted in 2021.

The first review related to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in other Entities*. In the first phase of this PIR, topics viewed as problematic were identified. The first phase was completed in April 2020. On the basis of the topics identified, in the second phase the IASB issued an [Rfi](#) in December 2020 with a comment period until May 2021. The IASB has now evaluated and discussed the feedback; the question of whether any follow-up measures will be undertaken has not yet been ultimately determined.

The ASCG participated in this review and, following discussion, submitted a corresponding response. In our [response](#), we express our view that IFRS 10 provides a robust set of requirements and principles overall. Although application can be challenging in individual cases, this is often due to the complexity of specific contractual arrangements and not to fundamental deficiencies in IFRS 10. Furthermore, although the initial application of IFRS 11 proved challenging in practice (eg regarding the classification of joint arrangements), we believe that solutions have been developed for these issues in practice.

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Despite our generally positive assessment, our comments also point out that there are still gaps in the requirements in relation to a number of application questions. This primarily concerns the interaction of the scope of IFRS 10 and IFRS 11 with other standards (cross-cutting issues).

Secondly, the review of IFRS 9 *Financial Instruments* was launched in 2021. This review is being carried out in several parts, with the two phases described above conducted for each of the parts. The first part of the PIR of IFRS 9, which is currently under way, initially covers just one subsection of the requirements of IFRS 9, namely the classification and measurement requirements. The review began in early 2021. Its first phase (outreach and research) lasted for around six months. The second phase (consultation in the form of an RfI) began at the end of September 2021 with publication of the [RfI](#) and initially ran until the end of January 2022. The IASB will discuss the feedback, which will provide it with information and allow it to develop any follow-up measures.

We also participated in this PIR and discussed the explanations in the consultation document and provided our response in our comment letter of 28 January 2022. In our [comment letter](#), we identified the application of the IFRS 9 requirements, particularly with regard to financial instruments with ESG features, as difficult and commented accordingly. Essentially, we recommend that certain requirements – particularly regarding the assessment of the solely payments of principal and interest (SPPI) criterion – be reviewed and revised. Merely interpreting the existing (unchanged) requirements would not eliminate the application difficulties.

The IASB has now already begun planning the remaining parts of the PIR on IFRS 9. IFRS 9 governs the accounting for financial instruments and, alongside the classification and measurement requirements, also includes requirements for impairment and hedge accounting. Accordingly, the IASB is planning a second part of the PIR on the subject of impairment. This is due to begin in the second half of 2022. The third part of the PIR will cover the requirements on hedge accounting. The timing of this part will be discussed in the second half of 2022.

Finally, we should mention that the IASB will also begin its PIR on IFRS 15 *Revenue from Contracts with Customers* in the second half of 2022.



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09



NICOLETTE BEHNCKE
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HOW DO YOU RATE SUSTAINABILITY REPORTING IN GERMANY AS IT CURRENTLY STANDS? ————— It depends. If we take major listed groups in Germany, most now produce fairly sophisticated sustainability reporting, which is increasingly dovetailed with their management reporting and measures up internationally. However, the picture among the bulk of smaller and family-run companies is very different. A few exceptions aside, these companies are lagging well behind. As a result, I believe these companies will face particularly significant challenges in implementing the future requirements under the CSRD. It remains to be seen whether the new rules will also help improve the comparability of reporting, which has up to now been a shortcoming affecting all sizes of company.

Significant challenges for smaller companies



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10



DR WERNER ROCKEL
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Sustainability not an issue of its definition >>

IN YOUR VIEW, IS THERE A CONSENSUS REGARDING THE MEANING OF THE TERM 'SUSTAINABILITY'? OR DO WE NEED A STANDARD DEFINITION, AT LEAST WHERE CORPORATE REPORTING IS CONCERNED? ————— The term 'sustainability' is used in many different ways in politics, industry and society and describes a model for sustainable development. The term refers both to a principle regarding the use of scarce resources as well as to the goal of handing on a liveable planet for future generations. There is no consensus on its definition, but there is agreement that the term 'sustainability' should encompass environmental, social and economic aspects.

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DR WERNER ROCKEL

Good framework is important



Good sustainability reporting requires a framework and a common understanding regarding the information to be presented. It is not that a standard definition of 'sustainability' is lacking. Rather, what we need are basic reporting principles and guidelines that make it possible to understand the impact of businesses' actions on the environment and society.

COLLABORATION WITH OTHER STANDARD-SETTERS

World Standard Setters Conference

The World Standard Setters (WSS) Conference is the largest meeting of national standard-setters and regional organisations tasked with accounting-related issues. At this annual event, which is attended by participants from all over the world, the ASCG was again represented by its Executive Committee in 2021. The WSS Conference is organised by the IFRS Foundation, which also sets the agenda for the event. For many standard-setters (particularly those from emerging economies), this is the only event that offers the opportunity to personally exchange views with a large number of equivalent organisations.

The WSS Conference primarily serves the IASB as a platform for informing standard-setters about developments over the past year, current issues and the next steps. Feedback on project progress and application and implementation issues is also actively gathered. For us, it is a good opportunity to exchange ideas with a large number of standard-setting partners and maintain our relationships with them.

The issues addressed at last year's virtual conference included the impact of the Covid-19 pandemic on cooperation with the IFRS Foundation. IASB members and national standard-setters discussed the specific challenges of shaping global opinion in the

current situation. The future of the IASB's work programme was the subject of a further panel discussion entitled 'Agenda Consultation: what's next?' Other topics addressed at the conference included questions and answers on sustainability reporting, the revision of the management commentary practice statement and the consistent application of IFRSs (agenda decisions and amendments to IFRS standards). In addition, breakout sessions were held on various technical matters (including on reduced disclosure requirements for subsidiaries, disclosure requirements in IFRS standards – a pilot approach, post-implementation review of IFRS 9 – classification and measurement), and there was ample opportunity to exchange views on organisational issues (translations, adoption, copyright, IFRS publications, regional groups).

International Forum of Accounting Standard Setters

The International Forum of Accounting Standard Setters (IFASS) is an informal global network of national standard-setters and other organisations that have a close involvement in financial reporting issues. The Forum meets twice per year and, unlike the WSS Conference, is organised on the initiative of the national standard-setters. The aim of IFASS is to promote cooperation between the standard-setters. IFASS is currently chaired by Yasunobu Kawanishi, Vice Chair of the Accounting Standards Board of Japan (ASBJ). These meetings provide a key platform for discussing issues shared with other standard-setters, exchanging experiences, and finding

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partners for joint projects. Due to the pandemic, both meetings were again held entirely virtually last year. They addressed a wide range of financial reporting issues.

At the first meeting in March 2021, various current IASB projects were discussed, including the 2022–2026 agenda consultation, reduced disclosure requirements for subsidiaries and the post-implementation review of IFRS 10, IFRS 11 and IFRS 12. Other focal points included the future of corporate reporting and the EFRAG initiative on non-financial reporting. In addition, a consultation paper on International Financial Reporting for Non-Profit Organisations (IFR4NPO) project was presented. The issue of business combinations under common control was a key technical topic and was the subject of several plenary and breakout sessions.

At the September meeting, following a keynote speech by the new IASB Chair, presentations on specific reporting issues (including climate reporting, equity-method accounting, accounting estimates, separate financial statements, and regulatory assets and liabilities) were given by standard-setters from different jurisdictions. Updates on the activities of the International Public Sector Accounting Standards Board (IPSASB) and the IFR4NPO project were also provided. This time, the issue of intangibles was the technical focus of several sessions, with EFRAG also presenting its current discussion paper on this subject.

Other platforms

In addition to the above meetings on a global level, we also regularly raise current topics and viewpoints in various rounds of discussions held with other standard-setters. These include the Consultative Forum of Standard Setters (CFSS), at which the positions to be put forward by EFRAG at the Accounting Standards Advisory Forum (ASAF) are prepared and agreed. We also maintain regular direct contact with selected standard-setters with whom we are able to address and explore confidential matters in private meetings.

The main focus of these multilateral meetings, which are held several times per year, is on international accounting issues in which we have a common interest. In 2021, for example, we discussed in detail the current consultations on the future of corporate reporting and the development of the IFRS Foundation, EFRAG and national standard-setters' structures in the context of standard-setting on sustainability reporting. A further focal point was the impact of the United Kingdom's exit from the EU and the associated reorganisation of the local standard-setter and the modification of its IFRS adoption process.

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COMMENT LETTERS AND OTHER PRONOUNCEMENTS

We issued the following comment letters and pronouncements in the field of financial reporting last year. The complete texts of the documents mentioned below are available on our website.

Issue Date	Subject
I. Comment Letters to EFRAG	
06/01/2021	Consultation Document on the ad personam mandate on potential need for changes to the governance and funding of EFRAG
11/01/2021	Draft Endorsement Advice on the Classification of Liabilities as Current or Non-current and Deferral of Effective Date (Amendments to IAS 1)
25/01/2021	Draft Endorsement Advice on IFRS 17 Insurance Contracts
24/02/2021	Draft Comment Letter on the IASB's ED/2021/2 Covid-19-Related Rent Concessions beyond 30 June 2021 (Proposed amendment to IFRS 16)
19/03/2021	Draft Comment Letter on the IASB's ED/2020/4 Lease Liability in a Sale and Lease-back
24/06/2021	Draft Comment Letter on the IASB's ED/2021/4 Lack of Exchangeability
23/07/2021	Draft Comment Letter on the IASB's ED/2021/1 Regulatory Assets and Regulatory Liabilities
01/09/2021	Draft Comment Letter on the IASB's Discussion Paper DP/2020/2 Business Combinations under Common Control
14/09/2021	Draft Comment Letter on the IASB's ED/2021/8 Initial Application of IFRS 17 and IFRS 9 – Comparative Information
20/09/2021	Consultation on the IASB's Agenda Consultation and the EFRAG's Research Agenda
22/11/2021	Draft Comment Letter on the IASB Exposure Draft ED/2021/6 Practice Statement Management Commentary

Issue Date	Subject
II. Comment Letters to the IASB	
24/02/2021	ED/2021/2 Covid-19-Related Rent Concessions beyond 30 June 2021 (Proposed Amendment to IFRS 16)
19/03/2021	ED/2020/4 Lease Liability in a Sale and Leaseback
10/05/2021	Request for Information on the Post-implementation Review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities
15/07/2021	ED/2021/4 Lack of Exchangeability
23/07/2021	ED/2021/1 Regulatory Assets and Regulatory Liabilities
01/09/2021	DP/2020/2 Business Combinations under Common Control
14/09/2021	ED/2021/8 Initial Application of IFRS 17 and IFRS 9
20/09/2021	Request for Information – Third Agenda Consultation
22/11/2021	ED/2021/6 Practice Statement Management Commentary
III. Comment Letters to the IFRS Interpretations Committee	
22/01/2021	IFRS Interpretations Committee's tentative agenda decisions in its December 2020 meeting
IV. Other pronouncements	
08/09/2021	Results of the ASCG survey on the IASB agenda consultation

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III. Sustainability Reporting

Alongside the traditional area of financial reporting, sustainability reporting is an increasingly significant focus for the ASCG. As Germany's standard-setter, we believe it is our responsibility to help actively shape social change and the resulting political initiatives in respect of their impact on corporate reporting. To ensure this, we introduced a series of structural measures in the past year. We report on these measures in further detail on [pages 15 – 18](#).

Our obligation to act in the public interest and our objective to take on board the views of German stakeholders, which we then pool and contribute to European and international consultations on corporate reporting – whether in relation to financial or sustainability reporting – remain crucial. We intend for our voice to be as prominent in the field of sustainability reporting as it is in the financial reporting arena.

We are also actively involved in the discussions on the legislative basis for corporate reporting and support the Federal Ministry of Justice in accordance with the contract formally acknowledging the ASCG's role under section 342 of the HGB.

The newly formed Sustainability Reporting Technical Committee is responsible for issues and questions relating to sustainability reporting.

Our work in the past year was defined by the following initiatives and activities in particular:

- the conclusion of a comprehensive study on non-financial reporting by German entities, conducted at the request of the BMJV,
- the publication of the European Commission's proposal for a Corporate Sustainability Reporting Directive,
- the restructuring of EFRAG and the work of the PTF-ESRS on the development of EU sustainability reporting standards,
- the establishment of the International Sustainability Standards Board (ISSB) to operate alongside the IASB and the city of Frankfurt am Main's successful bid to become the (main) seat of the ISSB, which we strongly supported.

We report in detail on the main content and our activities in the following sections.

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ACTIVITIES IN CONNECTION WITH THE EU DIRECTIVE ON CORPORATE SUSTAINABILITY REPORTING

Major strides were made in the evolution of mandatory corporate sustainability reporting in Europe in the shape of the the European Commission's proposed Corporate Sustainability Reporting Directive (CSRD) of 21 April 2021. The speed with which the Commission has pushed forward this development, as well as the proposed scope of the new reporting requirements and the significant extension of the applicability of these requirements, are remarkable. The ASCG had already developed a series of proposals, which we had communicated to the German Federal Ministry of Justice and Consumer Protection (BMJV) in advance in the form of the study we began in 2020 and completed in early 2021 at the BMJV's request. The final report addresses the subject of standard-setting in detail and presents the ASCG's clear position in favour of a global approach. Under the Commission's proposed CSRD, EFRAG would be the European standard-setter. As an EFRAG member, the ASCG has acknowledged EFRAG's new mission and will continue to advocate for the development of a 'global baseline'. We report on the developments over the past year and our activities in relation to the Commission's proposed Directive on the following pages.

ESG Study

In January last year – around three months before publication of the European Commission's proposal for a CSR Directive – we submitted a 144-page '[Final Report on the Horizontal Study commissioned by the Federal Ministry of Justice and Consumer Protection and on Recommendations for action regarding the NFRD Revision](#)' (in German) to the BMJV (since December 2021, the BMJ). The BMJV's request in March 2020 included:

- Evaluating a representative sample of the non-financial information disclosed by entities subject to the reporting requirements under the CSR Directive Implementation Act (CSR-RUG) for financial years 2017-2019, based on a set of specific questions (horizontal study),
- Conducting stakeholder outreach regarding any required changes to the non-financial reporting requirements,
- Developing recommendations to resolve identified challenges and enhance the effectiveness of the CSR reporting requirements.

The random sample for the horizontal study involved 100 reporting entities and was based on the universe of all reporting entities, namely the industries to which they belong – insurance undertakings, banks, publicly traded entities – and index membership in the case of listed entities. We used a standard questionnaire to analyse the non-financial or consolidated non-financial statements of these entities. The questionnaire was developed based on the questions set out in the written request by the Bundestag's Committee on Legal Affairs and the BMJV.

Stakeholder outreach with regard to the required changes took the form of several four-hour webinars, during which we discussed the following areas, among others, with participants:

- scope,
- location,
- content structure,
- standardisation and
- auditing of the reports.

Based on the empirical study and the stakeholder input, the ASCG's Joint Technical Committee prepared its recommendations for action, which were finally submitted to the BMJV in January 2021. We provided detailed information on the process steps, relevant milestones and key findings of the study in our [2020 Annual Report](#). The findings in our final report also formed the basis for our comment letters on the European Commission's proposal for a CSR Directive to the Commission itself and to the BMJV (see following section).

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Proposed EU Directive on Sustainability Reporting

On adoption of the Non-financial Reporting Directive (NFRD) in 2013, it was already apparent that the non-financial reporting requirements included in the Accounting Directive would need to be reviewed and revised in the foreseeable future. As part of the European Commission's action plan on financing sustainable growth, the revision of the NFRD was announced in 2018 and was added to the von der Leyen Commission's work plan in 2019 under the Green Deal. In April 2021, the Commission published its proposal for a [Corporate Sustainability Reporting Directive](#) (CSRD) amending the Accounting Directive and other legislative acts.

The proposed amendments aim to enhance the transparency of sustainability aspects and therefore take into account the growing need for information related to sustainability. This has been prompted in particular by the rising demand for 'green' investment products and the associated EU regulatory requirements – in the form of the Taxonomy Regulation (EU) 2020/852 or the Disclosure Regulation (EU) 2019/2088, for example. Standardised sustainability reporting would make a major contribution to the European economy's transition to a sustainable and inclusive financial and economic system and is expected to subsequently become established as an information source with broadly equivalent status to that of traditional financial reporting.

Alongside a change in terminology ('non-financial statement' becomes 'sustainability reporting'), the Commission's proposal significantly extends the group of entities required to report. A sustainability report would be required to be included in the man-

agement reports of all large entities with limited liability (whether or not they are listed) from financial year 2023 and of listed small and medium-sized entities from financial year 2026. According to the EU, this would raise the number of reporting entities from currently just under 12,000 to around 49,000 in the first stage alone. The ASCG's initial estimates put the number of German entities affected at approximately 15,000.

The Commission's proposal also provides for significantly more stringent requirements in terms of content. First, it is strongly emphasised that sustainability reporting must in future contain all information that is either required to understand an entity's financial performance and financial position or to understand the impact of the entity's activities on the environment, people and society.

Under the European Commission's proposals, information on the following aspects would be required to be included in the sustainability report:

- business model and strategy,
- the role of corporate bodies with regard to sustainability matters,
- the related actions taken by the entity,
- the impact of the entity's activities (e.g. due diligence processes), including its supply chain,
- sustainability risks,
- performance indicators,
- intangible resources and
- processes to identify the reported information.

In this context, the Commission's power under the proposed Directive to adopt the sustainability reporting standards required to further specify these reporting requirements is highly significant. Here, the Commission will rely on the drafting expertise of EFRAG, which already began the corresponding preliminary work in 2020 in the Project Task Force on preparatory work for the elaboration of possible EU non-financial reporting standards (PTF-NFRS). Under the new name Project Task Force on European sustainability reporting standards (PTF-ESRS), this working group is currently developing specific draft standards for submission to the Commission.

The proposed CSRD also includes the requirement for reporting entities to publish their financial statements and management reports electronically in future and to structure and tag their sustainability reporting accordingly. The proposed CSRD additionally gives the Commission powers to adopt a delegated act for the required regulatory technical standards.

Further, the Commission's proposal provides for the audit of the sustainability information, initially in the form of a limited assurance engagement. Extension of this audit to provide reasonable assurance is tied to the subsequent development of the corresponding audit standards.

The ASCG's work in the past year was shaped to a large extent by the Commission's draft Directive. Immediately after publication of the proposed CSRD, we published a [Briefing Paper](#), which summarised the key content of the proposal and was well received by a wide audience.

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In April 2021, the ASCG Administrative Board adopted its [key messages](#) on four aspects of the proposed CSRD, which it submitted to the European Commission in May:

- STANDARD-SETTING: EU standards for sustainability reporting need a clear international orientation.
- FEASIBILITY: The implementation of reporting obligations must be feasible, both in terms of content and application deadline.
- RELIABILITY OF DATA: A quality-enhancing environment is important – proportionality must be maintained.
- STAKEHOLDER INTERESTS: Legitimate interests must be channelled through national standard-setters, such as the ASCG.

We also participated in the BMJV's consultation on the European Commission's proposal for a Directive. In our [comment letter](#) of 26 May 2021, we addressed the following main topics in addition to the Administrative Board's key messages:

- Emphasising the need for international standards and their more concrete integration into the European reporting framework;
- Differentiation between the materiality and relevance principles and a stronger emphasis on proportionality and practicability of reporting obligations;
- At least a temporary retention of the option to publish sustainability information outside the management report;
- The practical challenges of the requirement to provide sustainability reporting in a specific electronic format;
- The ambitious timetable of the European Commission and the resulting need for prioritisation with regard to the reporting

scope and – as far as possible – adjustments to the timetable to allow for practical implementation of the new requirements.

Our activities in relation to the CSRD were not limited to participation in these consultations.

- The content of the CSRD and our positions on the Commission's proposals were discussed at the 15th Berliner Bilanz Forum (Berlin Accounting Forum), which was held by the BDI (Federation of German Industries) in cooperation with the ASCG on 15 June 2021. Following a keynote speech by ASCG President Georg Lanfermann, a panel discussion was held, during which the eminent participants represented diverse stakeholder views on the Brussels proposal. Alongside the ASCG President, the other panellists included: Prof. Dr Dieter Truxius (VMBEF e.V.), Dr Roman Sauer (Allianz SE), Stefan Schnell (BASF SE), Annette Wagner (Robert Bosch GmbH) and Nadja Picard (PricewaterhouseCoopers GmbH). The discussion was moderated by Annette Selter (BDI). A recording of the 15th Berliner Bilanz Forum is available [here](#).
- As part of its 'Reporting Dialog', econsense (econsense e.V. – Forum for Sustainable Development of German Business e.V.) held a public forum on the subject of 'Materiality in the context of the reorientation of EU sustainability reporting' on 17 May 2021. The keynote speech was delivered by ASCG Technical Director Dr Thomas Schmotz. The subsequent panel discussion examined questions regarding the changes in the understanding of materiality in light of the Commission's proposal. The panel, which was moderated by Dr Steffen Schwartz-Höfler (Continental), was composed of Tanja Castor (BASF SE, current

member of the ASCG's Sustainability Reporting Technical Committee), Stephanie Raabe (SAP SE), Beatrice Scharrenberg (DPDHL) and Dr Thomas Schmotz.

- Together with the Deutsches Aktieninstitut e.V. and its French partner organisation AFEP (Association française des entreprises privées), the ASCG hosted an English-language online event on the CSRD. In addition to the keynote speech by the ASCG's Administrative Board Chairman, Dr Nicolas Peter, ASCG President Georg Lanfermann discussed with a distinguished panel the advantages and disadvantages of future sustainability standards applicable in the EU having a clear international orientation.

The ASCG was also represented at various other events on this subject.

In September 2021, the ASCG cooperated with the Audit Committee Institute (ACI) on the publication of a [joint edition](#) of the regular Audit Committee Quarterly magazine on the 'European Commission Proposal: Corporate Sustainability Reporting Directive'. With numerous contributions on the subjects of scope, content, reporting standards, reporting format and publication, reporting reliability and the effect of corporate governance, this publication examines the Brussels proposals and their interaction with international developments from various perspectives. In addition, the findings of the [ASCG study](#) on sustainability reporting in Germany, which was commissioned by the BMJV, were presented in relation to all of the above topics (see previous section).

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NRW.BANK
Düsseldorf

HOW SHOULD THE INFORMATION NEEDS OF DIFFERENT STAKEHOLDER GROUPS BE TAKEN INTO ACCOUNT IN SUSTAINABILITY REPORTING? ————— Alongside established financial performance indicators, the importance of non-financial aspects for stakeholders is growing. Sustainability reporting therefore has a key role in the transition to a sustainable economy. Mandatory and audited reporting increases trust. In addition to ensuring that information can be easily compared, the complexity of the requirements must be manageable. Clarity regarding the structure of the applicable reporting standards also needs to be provided in a timely manner, with adequate time for initial application. It is also important to limit the reporting to the information that stakeholders consider necessary. Reporting that is too heavily geared to the EU environment would be problematic. Uniform international reporting standards would help improve comparability and increase acceptance.


**Improve comparability
and acceptance**

More about this person on page 73

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CARSTEN BEISHEIM
GvW Graf von Westphalen Rechtsanwälte
Steuerberater Partnerschaft mbB
Düsseldorf

**More quality – 
less bureaucracy**

TO WHAT EXTENT DO YOU THINK SUSTAINABILITY REPORTING REQUIREMENTS SHOULD BE STANDARDISED, AND WHERE DOES STANDARDISATION REACH ITS LIMITS? ————— Standardisation should go far enough to ensure that its primary objectives are largely met without placing an unreasonable bureaucratic burden on reporting entities. In addition to ensuring that reports are comparable, the primary aim is to improve their quality and, ultimately, increase the meaningfulness of their content as well as the credibility of the information provided.

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CARSTEN BEISHEIM

The approaches to achieving these aims must be easy to understand and practicable, and ideally simultaneously offer guidance and support. A principle-based approach, at least in certain areas, seems appropriate and would afford a certain degree of flexibility. Quantitative requirements would not be beneficial across the board. In particular, they would achieve nothing of value in the area of corporate governance.



Guarantee applicability in practice

EFRAG Activities on EU Sustainability Reporting Standards

As mentioned in the previous section, in future EFRAG will be developing 'European Sustainability Reporting Standards' (ESRS) in the form of technical recommendations for the European Commission based on the somewhat abstract requirements in the Commission's proposal for a CSR Directive. These will define the reporting requirements on environment, social and governance matters, including related KPIs, in greater detail. Given the ambitious timetable of the proposed CSRD, the work at EFRAG is being carried out in parallel with the legislative process, as requested by the European Commission in its letter of 12 May 2021. Specifically, the letter from Commissioner Mairead McGuinness asks EFRAG to:

- reform its working and governance structures as quickly as possible following the recommendations of EFRAG President Jean-Paul Gauzès published on 8 March 2021, and
- put in place interim working methods to start the technical work immediately.

As a long-standing member of EFRAG, the ASCG approved the new EFRAG structure in its [Administrative Board resolution of 29 November 2021](#). This also includes financial commitments. As a major national standard-setter, the ASCG will have a permanent seat on all relevant EFRAG bodies. Alongside the existing

- EFRAG Financial Reporting Technical Expert Group (Financial Reporting TEG – FR-TEG) and
- EFRAG Financial Reporting Board

these will in future include

- an EFRAG Sustainability Reporting Technical Expert Group (Sustainability Reporting TEG – SR-TEG),
- a Sustainability Reporting Board and
- an Administrative Board with responsibility for financial and sustainability reporting.

Effective February 15, 2022, ASCG President Georg Lanfermann was appointed as Vice President of the EFRAG Administrative Board.

The following chart illustrates the new structure and the ASCG's future participation. Detailed information on the ASCG's role on European and international standard-setting bodies can be found in our [Briefing Paper of 16 November 2021](#).

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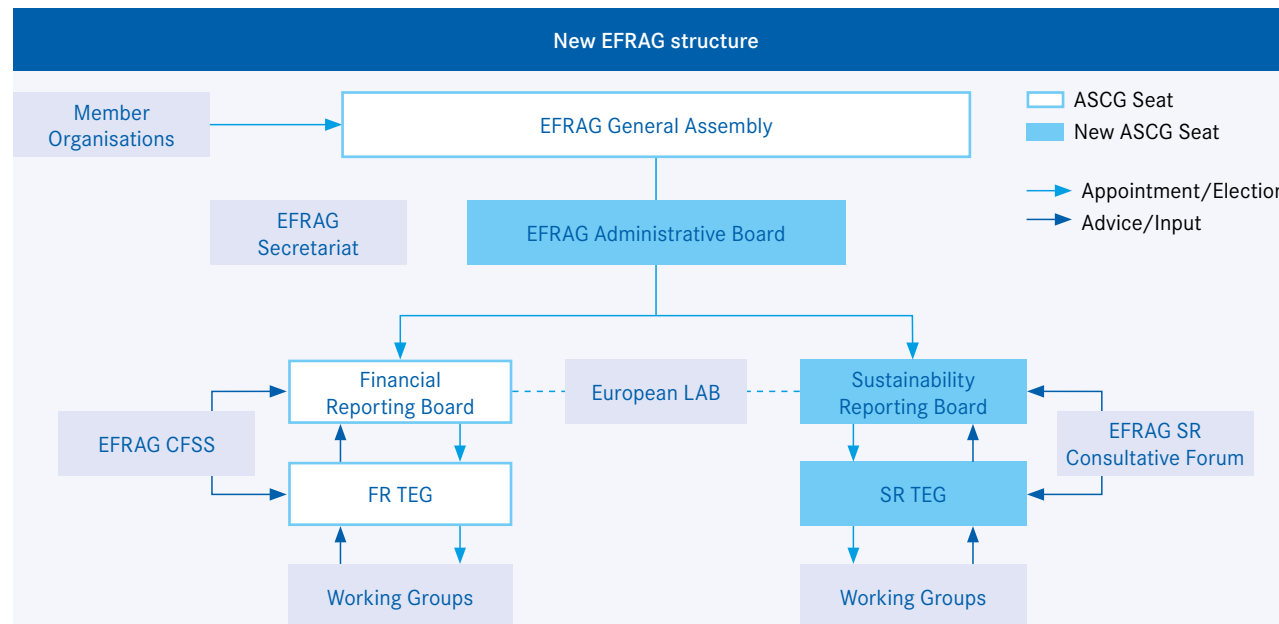
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In advance, as a joint effort by German government-related organisations, the ASCG and the German Council for Sustainable Development (RNE) nominated Prof. Dr Alexander Bassen (University of Hamburg) as a joint candidate for the PTF-ESRS. The PTF-ESRS will submit its work on the content of the draft standards to the new bodies once the new structure has been established. As part of its Administrative Board resolution of 29 November 2021, the ASCG also published a list of ‘critical success factors’ for EFRAG standard-setting in the area of sustainability reporting. These include the prioritisation of reporting issues, following a ‘global baseline’ approach and the proportionality of reporting requirements based on the nature and size of the companies concerned.

The PTF-ESRS has 35 members, representing 13 different EU Member States and all relevant areas. In addition, the relevant European authorities, such as the European Supervisory Authorities, contribute to the work of the PTF-ESRS. The PTF-ESRS is responsible for the following tasks:

- finalising the structure of the standards (including standard template and glossary),
- conducting research,
- developing content options and priorities,
- determining scope and timing,
- drafting ‘previews of orientations’, working papers and pre-exposure drafts,
- receiving input from expert working groups,
- drafting exposure drafts, and
- organising the initial steps of a public consultation on the exposure drafts.

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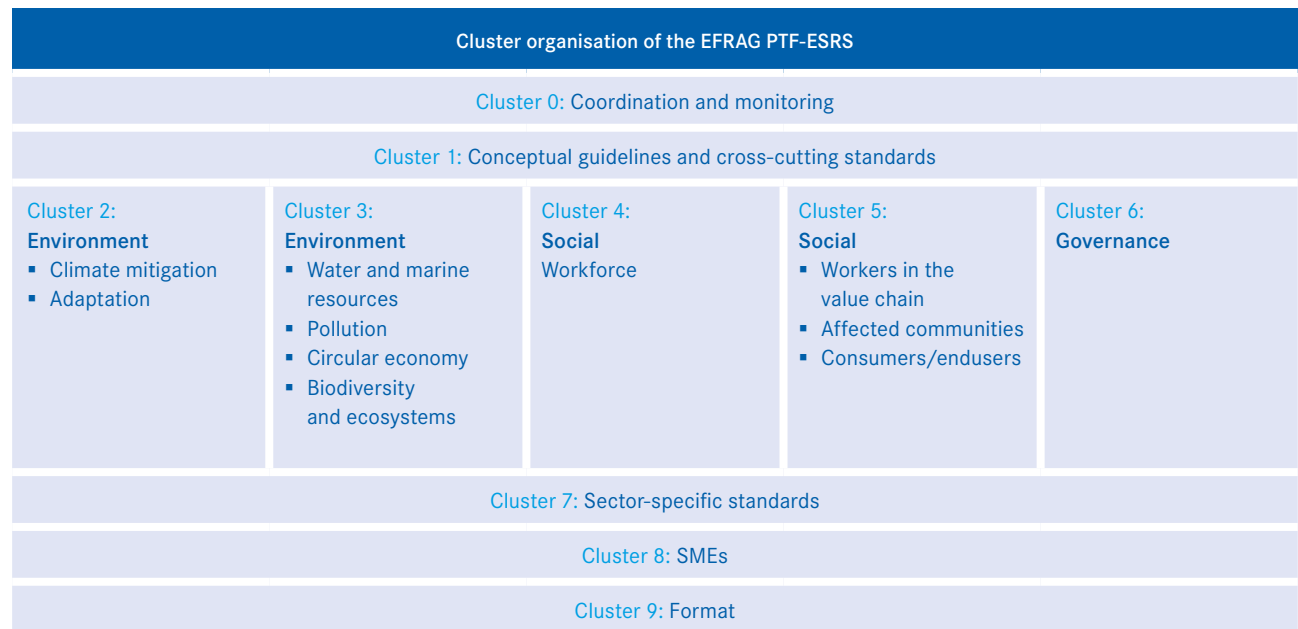
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Following handover to the new EFRAG bodies, they will be responsible for:

- reviewing and assessing the due process steps completed by the PTF-ESRS,
- finalising the public consultation and taking into account input from stakeholders, and
- finalising and adopting technical advice on the standards.

Reflecting the target architecture for the elaboration of the draft standards, the work of the PTF-ESRS is organised into a total of ten clusters, with central project management assigned to Cluster 0. The Cluster participants are PTF members and representatives of European public authorities, supported by Secretariat team members and, where applicable, representatives of organisations with which statements of cooperation have been signed (for example the Global Reporting Initiative, GRI). The table on the right shows the Cluster organisation.

The ASCG holds regular conference calls with the German representatives in the PTF Clusters, during which it is updated on the progress of the work. The assessment of the climate standard (or the draft) by the ASCG will be supported by the ‘Climate Reporting’ Working Group, which was established in 2021. Further ASCG activities in relation to assessing and taking positions on the draft standards are being planned.



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ACTIVITIES RELATED TO THE FORMATION OF THE INTERNATIONAL SUSTAINABILITY STANDARDS BOARD

In the past year, there was also a significant reform of the sustainability reporting activities of the international standard-setter under the umbrella of the IFRS Foundation, which resulted in the establishment of a second body to operate alongside the IASB, namely the International Sustainability Standards Board (ISSB).

The ASCG actively participated in the discussions on the reform. We also advocated for Germany as the seat of international standard-setting bodies, including backing Frankfurt am Main's bid to become the headquarters of the ISSB.

We describe the developments of the past year in more detail on the following pages.

Restructuring of the IFRS Foundation

On 3 November 2021, the IFRS Foundation announced the establishment of the new International Sustainability Standards Board (ISSB). This new body is the product of an internal review and external [consultation](#) on how the need to standardise non-financial and sustainability reporting requirements can be met both in terms of content and institutionally. We participated in the consultation and expressed our support for the IFRS Foundation Trustees' approach (see our [2020 Annual Report, page 41](#) for details).

Consequently, the IFRS Foundation decided to establish a second board based on the IASB model. The ISSB will sit alongside

the IASB and be overseen by the Foundation Trustees. The ISSB's work will follow the IFRS Foundation's established due process. Technical advice to the ISSB will be provided by a new Sustainability Consultative Committee; strategic advice will be provided by the IFRS Advisory Council, whose remit and expertise will be extended accordingly; and engagement with jurisdictional and regional initiatives will be provided through a working group already set up by the Trustees. This is reflected in the amended [IFRS Foundation Constitution](#), which was published at the time of the announcement.

The ISSB will develop international standards and disclosure requirements – as a global baseline – to facilitate consistent and comparable reporting by companies across jurisdictions to help direct capital to long-term, resilient businesses in the transition to a low-carbon economy.

Frankfurt am Main will host the main seat of the ISSB, but all regions are covered through regional hubs (see following section for further details). The ISSB will have 14 members and the search for suitable candidates has already begun. Emmanuel Faber has been named as the ISSB Chair; his term of office began on 1 January 2022. Sue Lloyd was appointed as Vice Chair effective 1 March 2022. She will step down as Vice Chair of the IASB to take up her new role.

Alongside the announcement of the new board's establishment, the consolidation of the two leading international organisations in the area of sustainability disclosures – the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation

(VRF) – into the ISSB was also confirmed. The CDSB's integration into the ISSB has now taken place. The consolidation of the VRF is scheduled to be completed by June 2022.

In March 2021, the Technical Readiness Working Group (TRWG) was established to help ensure a smooth start for the ISSB. The TRWG was designed to integrate and build on the work of relevant initiatives focused on meeting investors' information needs, with the aim of providing technical recommendations for consideration by the ISSB. A work programme for the TRWG has since been agreed and published.

In November 2021, the IFRS Foundation published the first two documents prepared by the TRWG on the standardisation of sustainability reporting at international level:

- a [Climate-related Disclosures Prototype](#) accompanied by a [technical supplement](#) and
- a [General Requirements Prototype](#) for disclosure of sustainability-related financial information.

These two prototypes do not represent draft standards, but are TRWG proposals for the development of future standards by the ISSB. The TRWG has published a [report](#) summarising the key aspects of its work programme.

Based on these prototype standards, the ISSB published two proposals and additional documents on 31 March 2022: [ED IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) and [ED IFRS S2 Climate-related Disclosures](#). The comment period for both exposure drafts is 120 days and closes on 29 July 2022.

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Successful German bid to host ISSB headquarters

As part of the deliberations on the establishment of the ISSB, the location of the new Board's future headquarters was also addressed in summer 2021. In view of its global approach, the IFRS Foundation aimed to establish a 'multi-location' presence, with offices on different continents in addition to the Board's headquarters.

Following an initial application from Canada, a public-private consortium in Germany submitted an application to the IFRS Foundation on 31 August 2021 for the city of Frankfurt am Main to be the seat of the ISSB. On the public-sector side, the cities of Frankfurt am Main and Eschborn, the State of Hessen and the German federal government, represented by the Federal Ministry of Justice and the Federal Ministry of Finance, were involved. Private-sector participants included companies in manufacturing industry and the financial sector and their associations. Further applications followed, with European bids coming from Geneva and London. In Asia, Beijing and Tokyo are being discussed as potential locations.

At the initiative of the ASCG Executive Committee, the Frankfurt am Main bid was discussed in advance by the ASCG Administrative Board. Following its deliberations, the Administrative Board formally resolved to support the application. An important element of the application was to secure start-up funding from Germany. The Administrative Board's resolution therefore also included a commitment to help secure initial funding for the ISSB.

The IFRS Foundation made its decision on the location of the new ISSB headquarters at the COP26 World Climate Summit in Glasgow. As part of the official announcement of the ISSB's formation on 3 November 2021, the IFRS Foundation named Frankfurt am Main as the seat of the Board and the office of the future Chair. Montreal, Canada, will be host to other key ISSB functions. The consolidation with the Climate Disclosure Standards Board and the Value Reporting Foundation, which was also announced on 3 November 2021, added two further locations in San Francisco and London. Lastly, a further location in Asia – either Beijing or Tokyo – will be determined by the IFRS Foundation.

The ASCG was one of the first German institutions to strongly back Frankfurt's bid. In particular, the ASCG Executive Committee made a significant contribution to securing a broad coalition of supporters from the public and private sector, particularly at federal level. This was only possible thanks to the exceptional cooperation with other German institutions, particularly those based in Frankfurt, including the financial centre initiative Frankfurt

Main Finance, the Value Balancing Alliance and the Deutsches Aktieninstitut. Frankfurt am Main's successful bid to host the ISSB headquarters is generally considered a major step for Germany as a centre for sustainable finance. It will also provide impetus for strengthening the Frankfurt financial centre's infrastructure, where needed. For reporting entities, this is an important move towards uniform international sustainability reporting standards for a European economy with a global reach.

In this context, the ASCG will in future act as a collection point for financial contributions to the ISSB from the private sector, in particular from German listed companies (for further details, see [pages 16 – 18](#)).

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COMMENT LETTERS AND OTHER PRONOUNCEMENTS

We issued the following comment letters and pronouncements in the field of sustainability reporting last year. The complete texts of the documents mentioned below are available on our [website](#).

Issue Date	Subject
I. Comment Letters and Submissions to national Organisations	
11/02/2021	Federal Ministry of Justice and Consumer Protection: Final Report on the horizontal study and on recommendations for action regarding the revision of the Corporate Sustainability Reporting Directive (full study in German, executive summary in English)
26/05/2021	Federal Ministry of Justice and Consumer Protection: European Commission's proposal for a Corporate Sustainability Reporting Directive (in German)
26/05/2021	Federal Ministry of Justice and Consumer Protection: Key messages of the ASCG Administrative Board on the proposal for a Corporate Sustainability Reporting Directive
II. Comment Letters and Submissions to European Organisations	
12/07/2021	EFRAG: Upfront comments by the ASCG Administrative Board on EFRAG's Public Consultation Paper Due Process Procedures for EU Sustainability Reporting Standard-Setting
04/03/2021	European Commission: Consultation on the establishment of a European Single Access Point (ESAP) – questionnaire
04/03/2021	European Commission: Consultation on the establishment of a European Single Access Point (ESAP) – Letter of the ASCG Administrative Board
02/06/2021	European Commission: Draft Delegated Regulation of the European Commission regarding Article 8 of the EU Taxonomy Regulation

Issue Date	Subject
21/09/2021	European Commission: Application issues arising from Article 8 of the EU Taxonomy Regulation (first submission)
25/10/2021	European Commission: Application issues arising from Article 8 of the EU Taxonomy Regulation (second submission)
24/11/2021	European Commission: Application issues arising from Article 8 of the EU Taxonomy Regulation (third submission)
07/12/2021	European Commission: Application issues arising from Article 8 of the EU Taxonomy Regulation (fourth submission)
III. Comment Letters and Submissions to international Organisations	
27/07/2021	IFRS Foundation: Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards
IV. Briefing Papers and other Pronouncements	
12/04/2021	Feedback Statement on the ASCG Survey on the State of Implementation of the EU Taxonomy Regulation (in German)
21/04/2021	Briefing Paper on the European Commission's proposal for a Corporate Sustainability Reporting Directive (in German)
22/07/2021	Briefing Paper on the Delegated Regulation of the European Commission regarding Article 8 of the EU Taxonomy Regulation (in German)
22/09/2021	Briefing Paper on the structural reform of the ASCG (in German)
29/11/2021	Critical success factors for EFRAG standard setting in the area of sustainability reporting
01/12/2021	Briefing Paper on the role of the ASCG in European and international standard-setting bodies (in German)

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IV. Spotlight on Members

This section addresses the activities we performed exclusively for our members in 2021: the regular conference calls with Chief Accounting Officers (CAO Calls) and our preparer forums.

With regard to this type of cooperation, it is important to us that communication is multidirectional. We provide our members with information on issues relating to corporate reporting. In return, we ask them to actively express their views and give feedback on selected matters. Last but not least, we provide our members with an opportunity to discuss their experiences and questions with each other.

PREPARER FORUMS

We establish preparer forums on a range of corporate reporting matters, which serve exclusively as a platform for participants, who are ASCG members, to exchange views. Our aim is to add additional value for our members who fund and support our association. They give participants an insight into current developments and enable them to discuss implementation questions. Although the focus is on preparers, all members of the ASCG are invited to attend and get involved.

In addition to the Preparer Forum for ESEF-based Electronic Financial Reporting, which we held for the fifth time in 2021, last year we established a further Preparer Forum on New Reporting Requirements under the Taxonomy Regulation. Both forums proved very popular. Due to the coronavirus-related restrictions,

all preparer forums were conducted as telephone or video conferences. We report on the content of the two forums on the following pages.

We would like to thank our member companies and associations for their active participation and are already looking forward to our preparer forums in 2022.

ESEF-based Electronic Financial Reporting

Background to the ESEF

Since 1 January 2020, all listed entities in the EU are required to prepare their annual financial reports in the European Single Electronic Format (ESEF) in accordance with Article 4(7) of the Transparency Directive (2004/109/EC), as amended by [EU Directive 2013/50/EU](#) (Transparency Directive Amendment Directive). The purpose of this requirement is to simplify (electronic) access to annual financial reports as a whole, as well as to enhance the analysis and comparability of the included consolidated financial statements by structuring them around a specified taxonomy.

The single electronic reporting format is defined by Delegated [Regulation \(EU\) 2018/815](#) (ESEF Regulation). Under Article 3 of the ESEF Regulation, annual financial reports are required to be prepared in Extensible Hypertext Markup Language (XHTML) format. The included IFRS consolidated financial statements are to be marked up by embedding Inline XBRL (iXBRL) tags as specified in the Annex to the ESEF Regulation. The Regulation also provides an (extensible) core taxonomy for this purpose. The ESEF Regulation

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is periodically updated to take account of amendments to IFRSs, changes to the Inline XBRL specification, or other technical developments.

The ESEF was transposed into law in Germany by means of an amendment to the publication requirements under German commercial law (section 328 of the HGB). This specifies that the relevant listed entities are required to publish the accounting documents that would otherwise be included in an annual financial report (namely their annual financial statements and the management report, or their consolidated financial statements and the group management report) in the format specified in the ESEF Regulation. The process of preparing and adopting the financial statements and approving the consolidated financial statements remains largely unaffected by this ‘publication solution’.

At the same time, the subject matter of statutory financial statement audits was extended to include the audit of the ESEF documents under section 317(3b) of the HGB. Accordingly, the auditor must assess whether the electronic reproductions of the financial statements and the management report prepared for publication purposes comply with the statutory requirements – including the requirements of the ESEF Regulation.

Preparer Forum Meetings in 2021

The initial application of the ESEF in Germany involved significant challenges and uncertainties for all stakeholders involved. To provide the entities concerned with a platform to discuss ESEF implementation issues during the ongoing reporting season, we held

two preparer forums on ESEF-based electronic financial reporting in January and February 2021. In open question-and-answer sessions at these meetings, participants discussed technical and process-related aspects of the ESEF implementation, such as:

- specific individual questions on tagging,
- specific questions on extensions, dimension tagging, labels, etc.,
- filing with the Federal Gazette,
- filing with the Frankfurt Stock Exchange in accordance with section 51 of the Exchange Rules,
- publication of annual reports on the issuers’ websites.

It became clear that the introduction of the ESEF had made the preparation of financial statements more arduous for the entities concerned, since they had to factor additional steps into their financial reporting process to include the necessary preparation, internal quality assurance and audit of the ESEF documents. In addition, the entities concerned raised a wide range of specific and technical application and implementation questions in relation to the requirements of the ESEF Regulation, which in some cases require interpretation.

The experience gained from the first season of ESEF implementation was the focus of a further preparer forum in April 2021. During this ‘debrief’ on the first ESEF reporting season, the following subjects were discussed in particular:

- XBRL and its impact on capital market communication,
- open exchange of experiences after the first season of ESEF implementation, and
- filing with the Federal Gazette.

Two further preparer forums on ESEF-based electronic financial reporting were held in November and December 2021. These meetings served as a platform for exchanging experiences of the first season of ESEF implementation, as well as for preparing for the upcoming 2021 reporting season. During the meeting of the preparer forum the following topics were discussed in particular:

- the status of the adoption of the ESEF core taxonomy 2021,
- the applicability of the ESEF core taxonomy 2021 when publication in the Official Journal of the EU has still not happened,
- changes introduced by the final German auditing standard of the IDW on the auditing of ESEF (IDW PS 410), and
- changes to the process for filing ESEF with the Federal Gazette.

In 2021, the preparer forum was again attended by representatives from the German Federal Gazette, who presented the technical requirements and processes for filing ESEF documents and were available to answer questions regarding the filing with the Federal Gazette.

Outlook

Meetings of the preparer forum for ESEF-based Electronic Financial Reporting are also planned for 2022. The upcoming preparer forum meetings will focus in particular on the marking up of notes to the financial statements, which is required for the first time for financial years beginning on or after 1 January 2022 in accordance with the ESEF Regulation.

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We will also track further developments in relation to ESEF-based electronic financial reporting in the preparer forum. In particular, these will include the European Commission's proposal for a CSRD published in April 2021 (see pages 45, 46 of this report). Under this proposal, starting from financial year 2023, the (consolidated) financial statements and (group) management reports of large (limited liability) entities would be required to be prepared in a single electronic reporting format (the ESEF) and certain sustainability information (located in the (group) management report) marked up using a taxonomy. This is made more problematic by the fact that, under the draft Directive, the scope of the requirements would largely include entities that have so far had no experience with either the ESEF or sustainability reporting.

Since the draft Directive again specifies that (consolidated) financial statements and the (group) management report should be prepared in the ESEF, the same technical questions (including preparation versus publication format) arise as discussed in relation to the introduction of the ESEF for the annual financial reports of listed entities. Furthermore, given the European Commission's ambitious timeline, it is likely that the entities concerned will have only a very short transition period to implement the sustainability reporting standards and the related taxonomy-based tagging. It is therefore likely that the implementation of electronic sustainability reporting will involve similarly complex challenges to the introduction of the ESEF.

EU Taxonomy Regulation

The [EU Taxonomy Regulation](#) and the related Delegated Regulations are at the heart of the EU's initiatives on the transition towards a green economy. The EU Taxonomy Regulation has introduced a classification system for environmentally sustainable economic activities using science-based technical screening criteria (EU Taxonomy). In addition, both financial market participants – especially banks and insurers – and non-financial undertakings are subject to additional reporting requirements. Under the European Commission's plans, more capital will flow to sustainable economic activities in the future.

Entities must include taxonomy information in their (consolidated) non-financial statements or their (consolidated) non-financial reports. This concerns some 550 German entities. The European Commission has driven forward the enhancement of sustainability reporting by EU entities through the publication of a [proposal](#) for a Corporate Sustainability Reporting Directive (CSRD), which could in future require around 15,000 German entities to report taxonomy information. In addition, the EU Taxonomy Regulation requires certain taxonomy disclosures for environmentally sustainable investments and financial products.

Under the EU Taxonomy Regulation, the European Commission has the power to adopt delegated regulations. Such regulations are directly applicable in all EU Member States, unless the European Parliament or Council of Ministers objects within a specified period. In 2021, the European Commission published technical screening criteria for the two climate objectives of the EU Taxonomy

([Delegated Regulation \(EU\) 2021/2139](#)) and reporting specifications ([Delegated Regulation \(EU\) 2021/2178](#)).

Delegated Regulation (EU) 2021/2178 contains detailed guidance on the reporting requirements, which are presented separately for different sectors. For non-financial undertakings, the central taxonomy disclosures are the proportion of 'taxonomy-eligible' and 'taxonomy-aligned'

- revenue
- capital expenditures and
- operating expenses.

Financial market participants are required to report additional key performance indicators, for example banks' 'green asset ratio' or the share of insurers' premium income related to the assumption of climate-related risks. Regardless of sector, the key performance indicators must be further defined and explained. Reference is made to IFRSs in respect of most of the disclosures. In addition, Delegated Regulation (EU) 2021/2178 includes a transition period for the first reporting season and initially limits the taxonomy disclosures for financial year 2021 to the disclosure of taxonomy-eligible activities as a proportion of the entity's overall economic activity. Narrative disclosures are also required. The scope of the mandatory taxonomy disclosures increases from the second reporting season.

In the past year, a draft report on [technical screening criteria](#) for the environmental objectives of the EU Taxonomy that are not climate-related and a draft for other economic activities, (in particular [nuclear and natural gas power generation](#)) were published. These are expected to be published in the Official Journal of

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the EU and therefore enter into force in 2022. Furthermore, the Platform on Sustainable Finance published its draft reports setting out proposals on [the extension of the EU Taxonomy](#) to include categories of economic activity that are not environmentally sustainable and proposals on the development of a [social taxonomy](#) for consultation. In December 2021, the [Platform on Sustainable Finance](#) and the [European Commission](#) also published FAQs, which will be updated on an ongoing basis.

In April 2021, we published a [short survey](#) of DAX30-listed entities regarding their initial experience of implementing the EU Taxonomy Regulation reporting requirements. The survey revealed that the new requirements presented major challenges for the entities concerned. The top three challenges identified were:

- data availability and the complexity and granularity of the requirements.
- the allocation of entities' own economic activities to the activities covered by the technical screening criteria, and
- unclear guidance in the Delegated Regulations.

Together with an [ASCG outreach event](#), our short survey marked the establishment of a new ASCG Preparer Forum on the EU Taxonomy Regulation, which held a total of [eight meetings](#) in the form of interactive webinars in 2021.

The Preparer Forum on the EU Taxonomy Regulation serves the special function of gathering and discussing unresolved application issues, particularly in relation to reporting. In light of this, we increased the frequency of the webinars during the year, but reduced the duration of each session. As a result, the content of each webinar was limited to material and detailed application

issues. Participants were asked to send us their questions and issues along with proposed solutions, which were then presented for discussion during the webinars.

A further special feature of the Preparer Forum on the EU Taxonomy Regulation is its transparency regarding the problems and possible solutions discussed. We systematically record these in a 'living document' and provide them to the European Commission and the Platform on Sustainable Finance as [submissions](#) with the cooperation of the Federal Ministry of Justice (BMJ) and the Federal Ministry of Finance (BMF). This means the application issues discussed are also publicly accessible in anonymised form. To date, the application issues discussed have included:

- What is the 'best performing alternative technology or solution available on the market'?
- How should environmentally sustainable intragroup revenue be reported?
- Why are the same economic activities described differently for the 'climate change mitigation' and 'climate change adaptation' objectives?
- How should revenue and capital expenditure be calculated if they are attributable to business activities that are classified as 'discontinued operations' or a 'disposal group' during the financial year.

TANJA CASTOR

Added value from integrated reporting

WHAT IS YOUR OPINION ON THE POTENTIAL FURTHER CONVERGENCE OF SUSTAINABILITY AND FINANCIAL REPORTING AND WHAT APPROACHES COULD BE TAKEN TO ACHIEVE STRONGER INTEGRATION?



More about this person on page 73

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TANJA CASTOR
BASF SE
Ludwigshafen



————— To be able to assess a company's future risks and opportunities holistically, investors and stakeholders need a full picture of its financial and sustainability-related information. Simply combining the presentation of this information in the management report is inadequate and has been for some time. Existing interdependencies should be clearly presented. This requires companies to have robust management, data collection and monitoring processes to ensure that the quality of reporting on major ESG performance indicators matches that of their financial KPI reporting. From a preparers' perspective, integrated reporting offers the potential to transition to an integrated governance. The management report presentation derived from this model should make it possible to take more sustainable and resilient business decisions and is increasingly a condition for securing corporate financing.

Identify potential for transformation

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GERO BOTHE
Deutsche Pfandbriefbank AG
Garching

Future-proof accounting law

FINANCIAL CRISIS, THE COVID-19 PANDEMIC AND CLIMATE CHANGE – THE 21ST CENTURY HAS POSED A RANGE OF CHALLENGES. WHAT ROLE DOES ACCOUNTING LAW PLAY? ————— Accounting law extends to much more than the recognition, measurement and presentation of assets and liabilities. While some accounting principles were seen as part of the problem during the financial crisis, accounting law today contributes to crisis management and is helping to shape the future. For example, it has softened the economic impact of the Covid-19 pandemic. Well-considered and appropriate accounting principles will also help put a stop to climate change. Comprehensive financial and ESG reporting can support investment decisions and more effectively direct money towards climate-neutral projects.

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In addition, in August 2021 we published a [brief overview](#) of the reporting requirements under the EU Taxonomy Regulation to give the entities concerned initial guidance on implementation.

We also published several [specialist articles](#) and [comments](#) and gave [presentations](#) on the EU Taxonomy Regulation during the year.

We will keep monitoring current EU Taxonomy developments and continue our Preparer Forum on the EU Taxonomy Regulation as well as our submissions to the European Commission and the Platform on Sustainable Finance.

CAO CALLS

We also maintain a direct dialogue with our members by exchanging views with the Chief Accounting Officers (CAOs) of ASCG members that are listed companies. Given the diverse range of issues, discussions with these members take a special form: three to four times per year we hold conference calls (CAO Calls) to address carefully selected current themes.

Focal points in the past year included all developments in the area of non-financial reporting, particularly the CSRD and the EU Taxonomy Regulation, as well as the associated reorganisation of all standard-setting organisations (the IFRS Foundation, EFRAG and the ASCG). We also presented, and in some cases discussed, all of the IASB's standard-setting activities and other consultations – especially its agenda consultation and post-implementation reviews – as well as the EFRAG consultations.

The ASCG holds these conference calls in order to inform the companies in a condensed form primarily about issues that are current and require immediate action. Despite – or maybe because of – the flood of information from different directions, the intention is for these calls to provide a focused overview of the accounting and reporting issues currently under discussion that are relevant to listed companies as a target group. At the same time, the ASCG asks the companies to provide specific feedback on selected topics or questions. The feedback not only benefits the ASCG, but is also exchanged directly by the participants.

Participation by these companies has grown continuously. The regular and high level of attendance confirms the unquestionable popularity of this 'institution' and the great success of the conference call format. We would like to expressly thank all involved for their interest and urge them to keep on providing us with feedback and opinions – for everyone's benefit.

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FINANCING

The ASCG funds its activities entirely from its membership fees and from royalties, publications and other income. The ASCG may only use income generated by its activities for the purposes Stipulated in its Articles of Association. In this respect, generating a profit is not the primary objective of the Association. Rather, it acts in a non-profit capacity and fulfils its objectives as a professional association for its members. Although it acts in the general economic interest, the ASCG does not receive any public funding for exercising its functions.

In accordance with Article 5 of the Articles of Association, the level of annual membership fees is determined by the General Assembly. The annual membership fees stipulated in the current schedule of fees dated 2 July 2015 are as follows:

Annual Membership Fees	EUR
Companies (depending on whether and how listed)	10 000 – 50 000
Audit firms (depending on total audit revenue)	10 000 – 50 000
Associations	from 20 000
Natural persons	1 000

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ANNUAL FINANCIAL STATEMENTS

Balance Sheet as at 31 December 2021

ASSETS (EUR thou.)	31/12/2021	31/12/2020
A. Fixed Assets		
I. Intangible Assets	0	8
II. Tangible Fixed Assets	14	18
	14	26
B. Current Assets		
I. Receivables and Other Assets	26	78
II. Cash, Bank Balances and Cheques	2 266	2 105
	2 292	2 182
C. Prepaid Expenses	2	2
Total Assets	2 308	2 211

EQUITY AND LIABILITIES (EUR thou.)	31/12/2021	31/12/2020
A. Equity		
I. Retained Profits Brought Forward	1 942	1 930
II. Net Income for the Financial Year	67	12
	2 009	1 942
B. Provisions		
Other Provisions	220	227
	220	227
C. Liabilities		
I. Trade Payables	1	2
II. Other Liabilities	78	40
	79	42
Total Equity and Liabilities	2 308	2 211

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ANNUAL FINANCIAL STATEMENTS

Income Statement for the Year Ended 31 December 2021

(EUR thou.)	2021	2020
1. Membership Fees	2 237	2 204
2. Other Income	96	130
3. Personnel Expenses	- 1 548	- 1 483
4. Depreciation and Amortisation Expenses	- 17	- 30
5. Other Expenses	- 351	- 459
6. Contributions to EFRAG	- 350	- 350
7. Collected Contributions to the IFRS Foundation	720	671
8. Transferred Contributions to the IFRS Foundation	- 720	- 671
Net Income for the Financial Year	67	12

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INDEPENDENT AUDITOR'S REPORT

To the Accounting Standards Committee of Germany, Berlin:

Opinion

We have audited the annual financial statements of the Accounting Standards Committee of Germany – comprising the balance sheet as of 31 December 2021 and the income statement for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to all merchants.

Pursuant to section 322(3) sentence 1 of the *Handelsgesetzbuch* (HGB – German Commercial Code), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements.

Basis for Opinion

We conducted our audit of the annual financial statements in accordance with section 317 of the HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Our responsibilities under those requirements and principles are further described in the 'Auditor's Responsibilities for the Audit of the Annual Financial Statements' section of our auditor's report. We are independent of the Association in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements.

Responsibilities of Management for the Annual Financial Statements

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to all merchants. In addition, management is responsible for such internal control as it, in accordance with German legally required accounting principles, has determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Association's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters relating to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict with this.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as to issue an auditor's report that includes our audit opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 of the HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the IDW will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

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We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems for the Association.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to be able to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Berlin, 2 March 2022

FGS Revisions- und Treuhandgesellschaft mbH
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Hoppen

Wirtschaftsprüfer (German public auditor)

Jachtner

Wirtschaftsprüfer (German public auditor)

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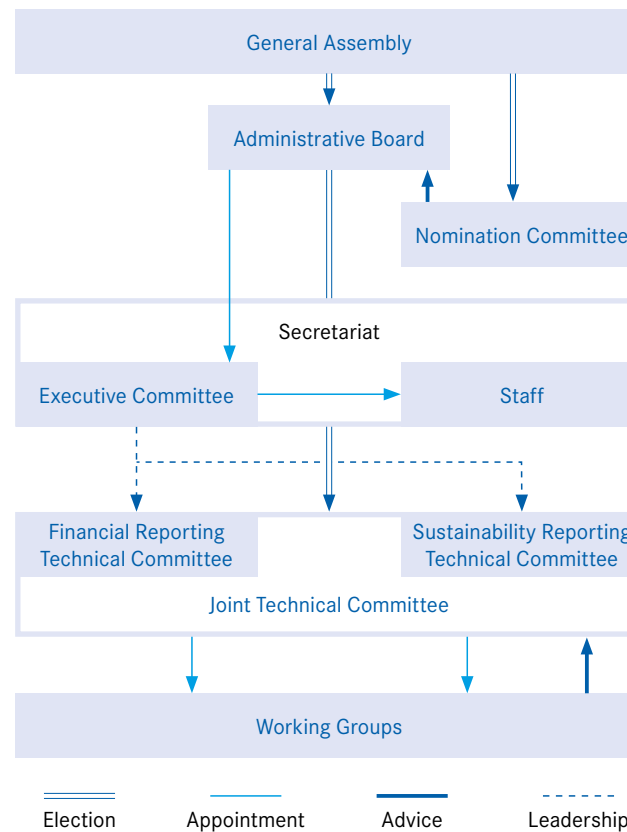
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VI. Governing Bodies and Standing Committees

In accordance with the current Articles of Association dated 30 June 2021, the ASCG has the following governing bodies and standing committees that control and shape the work of the Association.



GENERAL ASSEMBLY

The General Assembly meets annually. Among other things, it elects, dismisses and approves the actions of the members of the Administrative Board and the Nomination Committee. It is also responsible for determining the amount of the annual fee, the business plan, adopting the annual financial statements and amending the Articles of Association.

As the membership structure is designed to represent the different interests of the parties involved in accounting and financial reporting in the general economic interest, each member is allocated to one of the following segments:

- publicly traded industrial entities and associations (segment 'A')
- non-publicly traded industrial entities and associations (segment 'B')
- banks and associations (segment 'C')
- insurance undertakings and associations (segment 'D')
- the accounting and auditing profession and associations (segment 'E').

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ASCG Members**Companies and Associations**

Aareal Bank AG

adidas AG *(since 12 January 2021)*

Allianz SE

Altana AG

AMANA treuhand WP- und StBG mbH

BASF SE

Bayer AG

BDO AG

Bilfinger SE *(since 1 July 2021)*

BMW – Bayerische Motoren Werke AG

Bundesverband der Deutschen Industrie e.V. (BDI)

Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR)

Bundesverband Deutscher Banken e.V.

Bundesverband Öffentlicher Banken Deutschlands, VÖB, e.V.

BWI-Bau GmbH *(since 1 June 2021)*

Commerzbank AG

Continental AG

Covestro AG

Deloitte GmbH

Deutsche Bahn AG

Deutsche Bank AG

Deutsche Post AG

Deutsche Telekom AG

Deutscher Sparkassen- und Giroverband e.V.

DGRV - Deutscher Genossenschafts- und Raiffeisenverband e.V.

Dr August Oetker KG

Drägerwerk AG & Co. KGaA

DVS Technology AG *(since 1 June 2021)*

E.ON SE

Ebner Stolz GmbH & Co. KG

EnBW Energie Baden-Württemberg AG

Ernst & Young GmbH

Evonik Industries AG

FAS AG *(since 1 February 2021)*

Firesys GmbH

Fresenius Medical Care AG & Co. KGaA

Fresenius SE & Co. KGaA

Freudenberg & Co. KG

GEA GROUP AG *(since 1 April 2021)*

Generali Deutschland AG

Gesamtverband der Deutschen Versicherungswirtschaft e.V. (GDV)

Grant Thornton AG

Henkel AG & Co. KGaA

Hornbach Holding AG & Co. KGaA

Infineon Technologies AG

Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

K+S AG *(until 31 December 2021)*

Klöckner & Co SE

KPMG AG

LANXESS AG

Mazars GmbH & Co. KG

Mercedes-Benz Group AG

Merck KGaA

Metro AG

MTU Aero Engines AG

Münchener Rückversicherungs-Gesellschaft AG

Nordex SE

OSRAM Licht AG

Otto GmbH & Co. KG

PKF Deutschland GmbH

PricewaterhouseCoopers GmbH

ProSiebenSat.1 Media SE

Robert Bosch GmbH

Rödl & Partner GmbH

RWE AG

SAP SE

Schwarz Dienstleistung KG

Siemens AG

Siemens Energy AG *(since 9 April 2021)*Siemens Healthineers AG *(since 1 February 2022)*Stakeholder Reporting GmbH *(since 12 January 2022)*

Südzucker AG

Talanx AG

thyssenkrupp AG

Traton SE *(until 9 September 2021 MAN SE)*TÜV SÜD AG *(since 1 August 2021)*

Vereinigung zur Mitwirkung an der Entwicklung des Bilanzrechts für Familiengesellschaften e.V. (VMEBF)

Volkswagen AG

Vonovia SE

Wirtschaftsprüferkammer Körperschaft des öffentlichen Rechts

ZF Friedrichshafen AG

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ADMINISTRATIVE BOARD

The Administrative Board has 20 members who are elected by the General Assembly for a three-year term of office. The Administrative Board defines the principles and guidelines for the work of the association, and in particular of the technical committees and the Executive Committee, taking the general economic interest into account. It elects the members of the technical committees and appoints, advises and supervises the Executive Committee. The term of office of the current members of the Administrative Board expires on 13 July 2023.

Chair**Dr Nicolas Peter**

Member of the Executive Board, Bayerische Motoren Werke AG

Deputy Chair**Prof. Dr Dieter Truxius**

Managing Partner, ACCOBIS GmbH & Co. KG

Treasurer**Christian Sailer (WP)**

Member of the Executive Board, KPMG AG

Members**Georg Baur**

Member of the Executive Board, Bundesverband Öffentlicher Banken Deutschlands e.V.

Klaus Eckmann (WP, StB)

Member of the Executive Board, BDO AG

Marc Oliver Heß

Chief Financial Officer, Aareal Bank AG

Gerhard P. Hofmann

Member of the Executive Board, Bundesverband der Deutschen Volksbanken und Raiffeisenbanken e.V. (BVR)

Robert Köthner

Vice President, Chief Accounting Officer, Mercedes-Benz Group AG

Prof. Dr Klaus-Peter Naumann (WP, StB)

Spokesman of the Executive Board, Institute of Public Auditors in Germany

Dr Eckhard Ott (RA, WP, StB)

Chief Executive Officer, German Cooperative and Raiffeisen Confederation (DGRV)

Andreas Roeper

Vice President Corporate Controlling, Uniper SE

Dr Roman Sauer

Head of Group Accounting & Reporting, Allianz SE

Dr Jochen Schmitz

Chief Financial Officer, Siemens Healthineers AG

Dr Sven Schneider

Member of the Executive Board, Infineon Technologies AG

Stefan Schnell

Senior Vice President, BASF SE

Dr Christopher Sessar

Senior Vice President, SAP SE

Marco Swoboda

Member of the Executive Board, Henkel AG & Co. KGaA

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Götz Treber

Head of Financial Regulation, German Insurance Association GDV

Dr Jürgen Wagner

Head of Accounting, Reporting and Controlling, Siemens AG

Ute Wolf

Member of the Executive Board, Evonik Industries AG

NOMINATION COMMITTEE

The Nomination Committee comprises seven members who are elected by the General Assembly for a three-year term of office. The Nomination Committee submits proposals to the Administrative Board for the election of the members of the Executive Committee and the technical committees. The term of office of the current members of the Nomination Committee expires on 13 July 2023.

Chair**Dr Thomas Wittig**

Head of BMW Group Financial Services,
BMW - Bayerische Motoren Werke AG

Deputy Chair**Rolf Friedhofen** (WP, StB)

Private Practice

Members**Santokh Advani**

Head of Tax Accounting, Marquard & Bahls AG

Prof. Dr Alexander Bassen *(since 30 June 2021)*

Member of the University Advisory Council, University Hamburg

Prof. Dr Hans-Joachim Böcking

Chair of Business Administration, Auditing and Corporate Governance, Goethe University Frankfurt a. M.

Prof. Dr Bernhard Pellens

Chair of International Accounting, Ruhr University Bochum

Hans-Jürgen Säglitz

Head of Accounting Department, German Insurance Association
GDV

Gerhard Ziegler (WP, StB)

President, Wirtschaftsprüferkammer Chamber of Public
Accountants

Yvonne Zwick *(since 30 June 2021)*

Chairwoman, B.A.U.M. e.V.

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EXECUTIVE COMMITTEE

The Executive Committee comprises the President. The Administrative Board may also appoint a Vice-President. The members of the Executive Committee are elected by the Administrative Board for three years at the proposal of the Nomination Committee. They may be re-elected. The Executive Committee manages the business of the association, represents the association and the technical committees and their work externally, and is the legal representative of the association in accordance with section 26 of the *Bürgerliches Gesetzbuch* (BGB – German Civil Code).

At the proposal of the Executive Committee, the Administrative Board may also appoint an Executive Director, who is a special representative in accordance with section 30 of the BGB. An Executive Director shall be appointed if the Executive Committee consists only of the President.

President



Prof. Dr. Andreas Barckow
(until 28 February 2021)



Georg Lanfermann (WP, StB)
(since 1 March 2021,
term expires 29 February 2024)

Executive Director/Vice-President



Prof. Dr. Sven Morich (WP, StB)
(Executive Director until 31 March 2021,
Vice-President since 1 April 2021,
term expires 31 March 2024)

TECHNICAL COMMITTEES

Until the structural reform of the ASCG on June 30, 2021, the technical work is handled mainly in the IFRS Technical Committee, German GAAP Technical Committee and the Joint Technical Committee. The IFRS Technical Committee and German GAAP Technical Committee each consisted of seven members, and the Joint Technical Committee consisted of the members of both Technical Committees.

Taking into account the respective defined responsibilities of the Technical Committees, it was exceptionally responsible for financial reporting topics that are of overarching and equal importance for capital market and non-capital-market-oriented companies.

According to the new Articles of Association, effective from June 30, 2021, the technical work of the ASCG is carried out in the Financial Reporting Technical Committee, the Sustainability Reporting Technical Committee and the Joint Technical Committee.

The Financial Reporting Technical Committee and Sustainability Reporting Technical Committees each consist of eleven members. The Joint Technical Committee consists of the members of both Technical Committees.

The Financial Reporting Technical Committee is specifically responsible for

- developing and issuing German Accounting Standards within the meaning of section 342 of the HGB in the field of financial reporting;

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- developing and issuing interpretations of the international accounting standards within the meaning of section 315e(1) of the HGB;
- elaborating comment letters on exposure drafts issued by the IASB and other bodies of the IFRS Foundation;
- cooperating with, and developing responses to consultation documents issued by the EFRAG, the European financial regulators and supervisors, and the European Commission in the field of financial reporting;
- providing advice on planned legislation and on the implementation of European directives; and
- comment letters on European directives.

The Sustainability Reporting Technical Committee is specifically responsible for

- developing and issuing German Accounting Standards within the meaning of section 342 of the HGB in the field of non-financial reporting;
- cooperating with, and developing responses to consultation documents issued by the EFRAG, the European financial regulators and supervisors, and the European Commission in the field of sustainability reporting;
- providing advice on planned legislation and on the implementation of European directives; and
- comment letters on European directives.

The new technical committees began their work on December 1, 2021.

IFRS Technical Committee (until 30 November 2021)

**Jens Berger**

Category: Preparer

Head of the IFRS Centre of Excellence,
Deloitte GmbH**Dr Marco Ebel**

Category: Preparer

Head Accounting & Controlling Policies,
Siemens AG**Prof. Dr Corinna Ewelt-Knauer**

Category: Academic

Chair of Financial Accounting,
Justus-Liebig University of Gießen**Prof. Dr Sven Hayn (WP, CPA)**

Category: Auditor

Assurance Partner, Ernst & Young GmbH

**Andreas Thiele**

Category: Preparer

Head of Accounting Policy Department,
Allianz SE**Dr Christoph Weber**

Category: Preparer

Head of Group Accounting Policies,
Helaba Landesbank Hessen-Thüringen**Dr Stefan Wich**

Category: Preparer

Head of Group Accounting Standards,
Merck KGaA

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German GAAP Technical Committee (until 30 November 2021)**Dr Stephan Brandt**

Category: Preparer
 Head of Finance and Controlling,
 Investitionsbank Berlin

**Prof. Dr. Brigitte Eierle**

Category: Academic
 Chair of International Accounting and Auditing,
 Otto-Friedrich-University Bamberg

**Prof. Dr. Christian Fink**

Category: Academic
 Chair of Accounting and Controlling, RheinMain
 University of Applied Sciences

**Prof. Dr. Bernd Grottel** (WP, StB)

Category: Auditor
 Member of the Executive Board, KPMG AG

**Claudia Nikolic** (StB)

Category: Preparer
 Authorised Signatory, Group Accounting,
 Bayerische Beamten Lebensversicherung a. G.

**Cedric von Osterroht** (StB)

Category: Preparer
 Head of Accounting Division,
 EDEKA Minden-Hannover
 Zentralverwaltungsgesellschaft mbH

**Birgit Weisschuh** (WP, CPA)

Category: Auditor
 Ebner Stolz GmbH & Co. KG

Financial Reporting Technical Committee**Chair****Prof. Dr. Sven Morich**

Vice-President of the ASCG

Members**Jens Berger**

Category: Preparer
 Head of the IFRS Centre of Excellence,
 Deloitte GmbH
(term expires 30 November 2024)

**Andreas Bödecker**

Category: Preparer
 Head of National Office,
 PricewaterhouseCoopers GmbH
(term expires 30 November 2026)

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Members

**Gero Bothe**

Category: Preparer
 Head of Financial Reporting,
 Deutsche Pfandbriefbank AG
(term expires 30 November 2026)

**Dr Marco Ebel**

Category: Preparer
 Head Accounting & Controlling Policies,
 Siemens AG
(term expires 30 November 2024)

**Prof. Dr Brigitte Eierle**

Category: Academic
 Chair of International Accounting and Auditing,
 Otto-Friedrich-University Bamberg
(term expires 30 November 2024)

**Prof. Dr Corinna Ewelt-Knauer**

Category: Academic
 Chair of Financial Accounting,
 Justus-Liebig University of Gießen
(term expires 30 November 2025)

**Dr Michael Seifert**

Category: Preparer
 Head of Corporate Accounting, BayWa AG
(term expires 30 November 2025)

**Andreas Thiele**

Category: Preparer
 Head of Accounting Policy Department,
 Allianz SE
(term expires 30 November 2022)

**Cedric von Osterroht (StB)**

Category: Preparer
 Head of Accounting Division,
 EDEKA Minden-Hannover
 Zentralverwaltungsgesellschaft mbH
(term expires 30 November 2023)

**Birgit Weisschuh (WP, CPA)**

Category: Auditor
 Ebner Stolz GmbH & Co. KG
(term expires 30 November 2025)

**Dr Stefan Wich**

Category: Preparer
 Head of Group Accounting Standards,
 Merck KGaA
(term expires 30 November 2026)

Sustainability Reporting Technical Committee

**Chair**

Georg Lanfermann (WP, StB)
 President of the ASCG

Members

**Nicolette Behncke (WP)**

Category: Auditor
 Head of Sustainability Reporting,
 PricewaterhouseCoopers GmbH
(term expires 30 November 2024)

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Members

**Carsten Beisheim**

Category: Preparer

Lawyer, GvW Graf von Westphalen Rechtsanwalte Steuerbarater Partnerschaft mbB
(term expires 30 November 2024)

**Martin Bolten**

Category: Preparer

Head of Controlling/Financial Reporting
Department, NRW.BANK
(term expires 30 November 2025)

**Dr Robin Braun**

Category: Preparer

Senior Business Manager Responsible
Investments, DWS Group
(term expires 30 November 2024)

**Tanja Castor**

Category: Preparer

Head of Sustainability Reporting,
BASF SE
(term expires 30 November 2026)

**Dr Oliver Emons**

Category: Preparer

Head of Unit Economics,
Hans-Bockler-Stiftung
(term expires 30 November 2026)

**Prof. Dr Christian Fink**

Category: Academic

Chair of Accounting and Controlling,
RheinMain University of Applied Sciences
(term expires 30 November 2026)

**Prof. Dr Kerstin Lopatta**

Category: Academic

Financial Accounting, Auditing and
Sustainability, University of Hamburg
(term expires 30 November 2026)

**Noura Rhemouga**

Category: Preparer

Head of Sustainability,
Hochwald Foods GmbH
(term expires 30 November 2024)

**Dr Lothar Rieth**

Category: Preparer

Head of Sustainability, EnBW Energie
Baden-Wurttemberg AG
(term expires 30 November 2025)

**Dr Werner Rockel**

Category: Preparer

Head of Accounting Policy,
Munchener Ruckversicherungs-Gesellschaft AG
(term expires 30 November 2025)

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STAFF

The ASCG's staff are highly qualified specialists with backgrounds in industry, research and teaching. They provide technical support to both the IFRS Technical Committee and the German GAAP Technical Committee, and to the German members of international bodies.

Technical Directors**Dr Kati Beiersdorf***(since 1 January 2022)*

+ 49 (30) 20 6412-0

beiersdorf@drsc.de

**Dr Jan-Velten Große**

+ 49 (30) 20 6412-23

grosse@drsc.de

**Dr Thomas Schmotz**

+ 49 (30) 20 6412-16

schmotz@drsc.de

Research Director**Kristina Schwedler**

+ 49 (30) 20 6412-14

schwedler@drsc.de

Administration/Support**Cornelia Bahrmann**

+ 49 (30) 20 6412-12

bahrmann@drsc.de

Project Managers**Olga Bultmann**

+ 49 (30) 20 6412-17

bultmann@drsc.de

**Marco Götze***(since 1 July 2021)*

+ 49 (30) 20 6412-18

goetze@drsc.de

**Dr Ilka Canitz**

+ 49 (30) 20 6412-29

canitz@drsc.de

**Peter Zimniok**

+ 49 (30) 20 6412-19

zimniok@drsc.de

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WORKING GROUPS

For major projects, the technical committees establish working groups to provide technical support, consisting primarily of preparers, auditors and academics. The working groups in the past year are shown below.

Financial Instruments

Dr Christoph Weber (Chair)	Landesbank Hessen-Thüringen
Dr Alexander Bantz	BASF SE
Mario Bremenkamp	Covestro Deutschland AG
Lothar Demant	Evonik Industries AG
Peter Flick (WP, StB)	PricewaterhouseCoopers GmbH
Markus Grieß	Talanx AG
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ABBREVIATIONS

AG	Aktiengesellschaft (German stock corporation)
ASAF	Accounting Standards Advisory Forum
ASCG	Accounting Standards Committee of Germany
BGB	Bürgerliches Gesetzbuch (German Civil Code)
BMJ	Bundesministerium der Justiz (Federal Ministry of Justice)
BMJV	Bundesministerium der Justiz und für Verbraucherschutz (Federal Ministry of Justice and Consumer Protection) – since December 2021 Bundesministerium der Justiz (Federal Ministry of Justice)
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
D-GAAS	Draft German Amendment Accounting Standard
DP	Discussion Paper
Dr	Doctor
ED	Exposure Draft
EFRAG	European Financial Reporting Advisory Group
EC	European Community
ESAs	European Supervisory Authorities
ESEF	European Single Electronic Format
ESG	Environment, Social, Governance
ESRS	European Sustainability Reporting Standard(s)
EU	European Union
e.V.	Eingetragener Verein (German registered association)
GAAP	Generally Accepted Accounting Principles
GAAS(s)	German Amendment Accounting Standard(s)
GAS(s)	German Accounting Standard(s)

GmbH	Gesellschaft mit beschränkter Haftung (German limited liability company)
HGB	Handelsgesetzbuch (German Commercial Code)
IAS(s)	International Accounting Standard(s)
IASB	International Accounting Standards Board
IDW	Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany)
IBOR	Interbank Offered Rates
IFASS	International Forum of Accounting Standard Setters
IFRS(s)	International Financial Reporting Standard(s)
IG	Implementation Guidance
ILO	International Labour Organization
ISSB	International Sustainability Standards Board
KG	Kommanditgesellschaft (German limited partnership)
KGaA	Kommanditgesellschaft auf Aktien (German partnership limited by shares)
NFRD	Non-financial Reporting Directive
KPI(s)	Key Performance Indicators
PIR	Post-implementation Review
Prof.	Professor
PTF	Project Task Force
PublG	Publizitätsgesetz (German Disclosure Act)
SE	Societas Europaea (European company)
SMEs	Small and medium-sized enterprises
StB	Steuerberater (Tax adviser)
TEG	Technical Experts Group
WP	Wirtschaftsprüfer (German public auditor)
WSS	World Standard Setters
XBRL	eXtensible Business Reporting Language

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Registered at the Local Court of Berlin-Charlottenburg
Register of Associations number HRB 18526 Nz

Project Management and Editorial

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LLC, Austin, Texas

Photography

Ralf Berndt, Cologne
Anne Hufnagl, Berlin (Yvonne Zwick, page 05)

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All information valid as at: 31 March 2022.



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