

**Report by the ASCG  
on the 28<sup>th</sup> meeting of the Joint Technical Committees and  
on the 7<sup>th</sup> meeting of the Financial Reporting Technical Committee  
on the 7<sup>th</sup> meeting of the Sustainability Reporting Technical Committee**

**22 and 23 June 2022**

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

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At the beginning of the meeting, the Joint Technical Committee considered the draft responses to the EFRAG questionnaires on the **Exposure Draft (ED) European Sustainability Reporting Standard (ESRS) 1 General Principles** (Questionnaire 1B: *Overall ESRS Exposure Drafts relevance - Implementation of CSRD principles*). The discussion resulted in the following positions:

- A clarification should be provided in ED ESRS 1 on the relationship between relevance and faithful representation (trade off). Furthermore, the principle of timeliness should be added to ESRS 1, and the characteristic “completeness” should be clarified.
- The understanding of financial materiality in ESRS should correspond to that according to IFRS. The Joint Technical Committee disagreed with the distinction made in ESRS between financial materiality in sustainability reporting on the one side and a different financial materiality in financial reporting on the other side.
- Furthermore, the Joint Technical Committee disagreed with the rebuttable presumption and the associated obligation to draw up a non-material items list.

In addition, the Joint Technical Committee discussed selected contents of the **ED IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**. The discussions focused on the explanations on materiality contained in IFRS S1. Following up on previous discussions of materiality (including discussions in the context of materiality in ESRS), the Joint Technical Committee recommended:

- adding further explanations for a clear distinction between so-called financial and impact materiality as well as the identification of existing overlaps,
- including further guidelines and application examples for the consistent application of the materiality definition,
- extending Annex A "*Defined Terms*" to cover definitions of the terms "*risks*" and "*opportunities*" as well as "*impacts*".

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

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At the beginning, the FR Technical Committee was informed about the topics and decisions of the **IFRS IC in its June 2022 meeting**. As regards the final agenda decisions, the Technical Committee had no comments. The Technical Committee concurred with the tentative agenda

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decision on IFRS 17/IAS 21. It appears appropriate and does not exclude particular methods, thus would not narrow accounting practice.

In addition, the FR Technical Committee received an overview of the topics and documents for the upcoming **ASAF meeting**, and made the following comments:

- With regard to the adjustments to the disclosure requirements discussed as part of the **Goodwill and Impairment project**, differentiated opinions were expressed. In the view of FR Technical Committee, reducing the number of business combinations for which certain disclosures are required would not address any of the practical concerns identified in the feedback regarding significant business combinations. Nevertheless, the proposal was seen as worth pursuing as it would at least provide relief for less significant business combinations. Regarding possible exemptions, the FR Technical Committee expressed sympathy for allowing companies to be exempt from disclosing specific information under certain circumstances.
- On the **DRM project**, the Committee noted that a detailed discussion is not meaningful until the IASB's deliberations are final and comprehensive.
- In respect of the **FICE project**, the Committee had no remarks.
- As regards the IASB's conclusions from the **PIR on IFRS 9 (part 1)** and the intended follow-up standard-setting project on Contractual cashflow characteristics for FI with ESG features, the Committee expressed agreement. However, the Committee is worrying whether developing a potential IFRS amendment could not progress as quick as desired.
- With regard to the "*middle ground approach*" considered by the IASB in the context of its project **Disclosure Requirements in IFRS Standards - A Pilot Approach**, the Committee noted that this approach appears to be a suitable compromise that takes into account the concerns of preparers of financial statements. In the Committee's view, the alternatives mentioned in the ASAF agenda paper of either terminating the project or finalizing the proposals subject only to limited changes do not appear to be realistic.
- With regard to the IASB's redeliberation within its **Primary Financial Statements** project to require entities to disclose an analysis of operating expenses by nature when an entity reports operating expenses by function in the statement of profit or loss, the Committee expressed concerns that the list of possible expense items for which an entity could be required to disclose the amounts included in each line item in the statement of profit or loss is very detailed and goes beyond the level of disaggregation in the statement of profit or loss. The Committee therefore supported the IASB's intention to conduct targeted outreach on its proposals. With regard to the IASB's redeliberation on the definition of unusual income and expenses, the Committee reiterated its concern that a comprehensive definition would be difficult to achieve.
- On the project **Subsidiaries without Public Accountability: Disclosures** the Committee stated that with regard to the applicability of the draft standard for German subsidiaries, on the one hand, the endorsement and, on the other hand, the respective implementation of the Member State options of the IAS Regulation into national law are key.
- In addition, the Committee was informed on the status of the IASB's deliberations on the Second Comprehensive Review of the **IFRS for SMEs** Standard.

The agenda item on the presentation of cash receipts (payments) from **grants / subsidies in the statement of cash flows according to GAS 21** was postponed to the next meeting.

Finally, FR Technical Committee finalised its comment letter on EFRAG's discussion paper "*Better Information on Intangibles – Wich is the Best Way to Go?*". The discussions focused on the issues raised in the cover letter. The FR Technical Committee decided to explicitly emphasise the need of a coherent, consistent and integrated reporting on intangibles. Linking with sustainability reporting was highlighted as important. The FR Technical Committee also



decided to include in the cover letter the demand to coordinate further activities of the EFRAG project with the final CSRD provisions and future ESRS as well as with the activities of the IASB and ISSB. This relates to the demand to avoid divergent requirements.

Further considerations of reporting on intangibles are expected regarding the CSRD, the review of the Practice Statement "*Management Commentary*", the IASB's future research project on intangible assets and also sustainability reporting.

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

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First, the SR Technical Committee was informed about the views of the ASCG Working Group "Climate Reporting" on **ED IFRS S2 *Climate-related Disclosures*** and proposals were presented to answer the ISSB consultation questions.

The SR Technical Committee also considered the suggested responses in the EFRAG questionnaires on:

- Prioritisation / Phasing-in (Consultation Survey 2)
- **ED ESRS 2 *General, strategy, governance and materiality assessment*** (Consultation Survey 3A+1C)
- **ED ESRS E1 *Climate change*** (Consultation Survey 3B+1C)
- **ED ESRS E2 *Pollution*, ED ESRS E3 *Water and marine resources*, ED ESRS E4 *Biodiversity and ecosystems* und ED ESRS E5 *Resource use and circular economy*** (Consultation Survey 3B+1C)
- **ED ESRS S1 *Own workforce*** (Consultation Survey 3C+1C)
- **ED ESRS G1 *Governance, risk management and internal control* und ED ESRS G2 *Business conduct*** (Consultation Survey 3D+1C)

The majority of the draft responses to the questionnaires were accepted by the SR Technical Committee.

The SR Technical Committee discussed the updated proposal for answering the questions of the consultation survey 2. As before, a majority was in favor of the following prioritization of ESRS: Implementation of the requirements of **ESRS 1 *General principles*, ESRS 2 *General, strategy, governance and materiality assessment disclosure requirements*, ESRS E1 *Climate Change*** and of all the disclosures relevant for the **Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088)** as well as **ESRS G1 *Governance, risk management and internal control*** and **ESRS S1 *Own workforce*** in the first step and implementation of all other ESRSs in a further step.

A discussion of the questionnaires on **ED ESRS S2 *Workers in the value chain*, ED ESRS S3 *Affected communities*** and **ED ESRS S4 *Consumers and end-users*** will take place at the next meeting of the SR Technical Committee.