

**Report by the ASCG  
on the 32<sup>nd</sup> meeting of the Joint Technical Committees and  
on the 15<sup>th</sup> meeting of the Financial Reporting Technical Committee  
on the 15<sup>th</sup> meeting of the Sustainability Reporting Technical Committee**

**13 and 14 March 2023**

***32<sup>nd</sup> meeting of the Joint Technical Committee***

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At the beginning of the meeting, the Joint Technical Committee discussed the EFRAG project on **Connectivity between Financial Reporting and Sustainability Reporting**. In particular, the different dimensions of connectivity up to integrated reporting were discussed putting the conceptual aspects of the project in the focus. The staff was given the task of developing key aspects of connectivity from the integrated reporting perspective. This analysis can serve as the basis for a more far-reaching positioning of the ASCG, which follows on the previously formulated call for an integrated reporting.

In addition, the Joint Technical Committee considered the activities and developments for an improved **reporting on intangibles**. The Joint Technical Committee focused its discussions on the interpretation of the CSRD requirements. Regarding the development of specifications and guidelines for the future reporting on intangible resources in accordance with the CSRD requirements, the Committee decided on a work mandate for the ASCG working group "Intangibles".

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

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At the beginning of the meeting, the FR Technical Committee discussed its draft comment letter on the EFRAG Discussion Paper **Accounting for variable consideration**. The Committee confirmed its current position. The draft comment letter was finalised, subject to minor changes.

Further, the FR Technical Committee received an overview of the topics and documents for the upcoming **Accounting Standards Advisory Forum (ASAF) meeting**, and made the following comments:

- With regard to the research project on **Equity Method** (ASAF TOP 2), no objections were raised to the tentative decisions made by the IASB. However, the FR Technical Committee again pointed out that individual decisions on application questions of the equity method depend on the fundamental interpretation of the equity method, i.e., whether it is to be understood as a valuation method or one-line consolidation. It also again suggested that alternatives to the equity method should be discussed, and users should be asked how they deal with the information arising from the equity method.
- The FR Technical Committee generally agreed with the latest IASB decisions on the project on **Rate-regulated Activities** (ASAF TOP 3). Two preliminary decisions were noted for discussion at the ASAF meeting: the retention of the insertion of "as defined in IFRS Standards" in the definition of allowable expense and the decided order of application

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of the IFRS pronouncements - first an Interpretation (specifically IFRIC 12) and then a Standard (specifically the new IFRS on rate-regulated activities).

- With regard to the IASB project on **Subsidiaries without Public Accountability: Disclosures** (ASAF TOP 4), the FR Technical Committee discussed cost and benefit aspects of the proposed new IFRS. The Committee reiterated its view that the IASB's initiative was to be welcomed. However, costs and benefits of applying the new IFRS depend highly on whether IFRS can be applied in separate financial statements under national law. The Committee agreed with the IASB's view that there is potential for synergies (especially for multinational groups), provided that IFRS reporting packages are not only prepared for the purpose of consolidated financial statements but that the respective separate financial statements can also be prepared in accordance with IFRS (subject to reduced disclosures). However, the assumed interactions of an increased application of IFRS are not an original benefit of the draft Standard.
- Regarding the IASB project on **Primary Financial Statements** (ASAF TOP 6), the FR Technical Committee discussed issues in connection with the initial application and the transition period of the proposed new IFRS, cost-benefit aspects and the IASB's considerations on the digitalisation of the proposals. With regard to the transition period, the Technical Committee pointed out that some proposals result in considerable implementation effort for preparers, with the transition period of 18-24 months proposed by the IASB not appearing to be sufficient. Regarding the cost-benefit assessment of the proposals, the Technical Committee reiterated its view that the costs outweigh the expected benefits. On the digitalisation of the proposals, the Technical Committee highlighted that the implementation of digital reporting can also be associated with some challenges and should therefore be considered by the IASB when determining the transition period.
- With regard to the proposals made in the **Business Combinations - Disclosure, Goodwill and Impairment** project (ASAF TOP 7) on the topics of "Improving the effectiveness of the impairment test" and "Reducing the cost and complexity of the impairment test", the FR Technical Committee did not support any of the proposals. However, it emphasized that the list of indicators in IAS 36.12 should not be understood as exhaustive. In the opinion of the Committee, the simplification in IAS 36.99 does indeed represent a simplification and is used by companies in practice, especially in interim reporting.

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

At the beginning of the meeting, the SR Technical Committee discussed the following EFRAG **working papers of sector specific ESRS** published to date:

- SEC 1: Sector classification and general approach,
- Mining, Quarrying and Coal,
- Oil & Gas,
- Agriculture, Farming and Fishing sector.

In general, the SR Technical Committee criticised the unclear structure within the sector specific ESRS working papers as well as the poorly defined distinction of the sectors. The SR Technical Committee also was informed about the feedback from the **ASCG discussion rounds** with sector experts on ESRS *Mining, Quarrying & Coal* and ESRS *Oil & Gas*.

In addition, the SR Technical Committee received an overview of the ESRS for small and medium-sized undertakings and small and non-complex institutions (ESRS LSME). The SR Technical Committee is concerned that the mandatory disclosures continue to be too comprehensive and too detailed for SMEs.



Finally, the SR Technical Committee was informed about the upcoming **agenda consultation of the ISSB**.