



Beyond the GAAP

Mazars' monthly newsletter on financial and sustainability reporting

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Editorial

For many years, Beyond the GAAP has been presenting regulatory changes and the standard-setters' ongoing projects in order to provide readers with a relevant and effective watch on accounting news. The adoption of IFRSs by the European Union in the early 2000s, and the constant evolution of these standards since then, have been the basis of our monthly newsletter over the course of our 161 previous issues.

Although Beyond the GAAP has already ventured into the field of non-financial reporting news in the past, the first issue of 2022 is an opportunity for us to extend our hope that the newsletter will enable you to follow sustainability reporting news, as well as accounting news, in the future. The intensified standardisation work in this area, whether by EFRAG or the ISSB, and the increased interconnection of financial and non-financial reporting, means that companies and their auditors need to keep a close eye on developments around this new 'big bang'. We thank you warmly for your attention and your loyalty!

IFRS Highlights

IASB work plan: key milestones

Following the meeting of the International Accounting Standards Board (IASB) on 25 January 2022, the IASB has updated its work plan (which it does on a regular basis).

There are no significant changes from the previous work plan; however, as we move into the new year, Beyond the GAAP is taking this opportunity to highlight some key milestones in the IASB's major projects.

Further and bigger changes are likely once the IASB has finished analysing the comments submitted by stakeholders to its third consultation on its work plan, which covers the 2022-2026 period (see Beyond the GAAP no. 154, April 2021).

Post-implementation reviews (PiRs) of recently-published IFRSs

- **PiR of IFRS 10, IFRS 11 and IFRS 12 ('consolidation package')**: a Request for Information was published in December 2020 to gather comments from stakeholders (see Beyond the

GAAP no. 150, December 2020) and the Feedback Statement will be published in the second quarter of 2022. In the meantime, the IASB must consider its strategy for topics identified in the course of the PiR (such as the accounting treatment of collaborative arrangements, which fall outside the scope of IFRS 11 – *Joint Arrangements*) and decide on a plan of action, where appropriate. Having said that, the IASB stated in October 2021 that IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements* and IFRS 12 – *Disclosure of Interests in Other Entities* were generally functioning as intended.

- **PiR of IFRS 9 – Classification and Measurement** : a Request for Information was published last September (see Beyond the GAAP no. 159, October 2021) and the comment period closed on 28 January 2022. A summary of the comments submitted to the IASB will be presented at the March 2022 meeting.

Ongoing projects at the Exposure Draft stage

- **General Presentation and Disclosures:** the IASB is continuing with the redeliberations that began in January 2020 (see the following item in this issue), after receiving a very large number of comments in response to the Exposure Draft published in December 2019 (see Beyond the GAAP no. 150, December 2020). Readers will remember that the Exposure Draft sets out new rules on the structure and content of the income statement, which are more detailed and prescriptive than those currently specified in IAS 1 – *Presentation of Financial Statements*. The IASB is also keen to improve the transparency of disclosures in the notes, particularly those relating to some alternative performance measures, namely 'management performance measures'. No date is currently given for the finalisation of the new standard in the IASB's work plan, which is understandable given the number of topics yet to be redeliberated (including the approach to be used by entities with specific activities, such as banks and insurers).
- **Pilot approach to disclosure requirements and proposed amendments to IFRS 13 and IAS 19:** an Exposure Draft was published in March 2021 (see Beyond the GAAP no. 153, March 2021) and the comment period ended on 12 January 2022. A summary of the comments received will be published in the second quarter of 2022. The IASB is hoping that this project will fundamentally change entities' approach to disclosures, reducing the volume of irrelevant information that is included unthinkingly using a box-ticking approach, and that

often swamps the (sometimes limited) relevant information. The proposed guidance was tested out on two standards: IFRS 13 – *Fair Value Measurement* and IAS 19 – *Employee Benefits*.

- **Rate-regulated Activities:** on 28 January 2021, the IASB published an Exposure Draft with the objective of ensuring that entities' financial statements reflect the total compensation they are owed for goods or services provided to their customers over the period (or 'total allowed compensation') consistently with the agreement implementing rate regulation. Redeliberations on the project began last December, following a large number of comments received from stakeholders. The biggest issue is the concept of 'total allowed compensation' and how it should be calculated. The topics to be discussed over the coming months include the following:
 - the scope of the proposed standard and its interaction with IFRIC 12 *Service Concession Arrangements*;
 - determining the discount rate; and
 - the current impossibility of recognising the return on assets not yet available for use while said assets are still in the construction phase.

The IASB has not yet set a timeframe for the publication of a possible final standard.

- **Non-current Liabilities with Covenants:** the proposed limited-scope amendment to IAS 1 – *Presentation of Financial Statements* (see Beyond the GAAP no. 160, November 2021) is open for comment until 21 March 2022. The IASB is expected to publish

feedback on the comments received in the second quarter of 2022.

- **Supplier Finance Arrangements:** the comment period for the proposed limited-scope amendments to IAS 7 – *Statement of Cash Flows* and IFRS 7 – *Financial Instruments: Disclosures* (see Beyond the GAAP no. 160, November 2021) is open until 28 March 2022.

The IASB is expected to publish feedback on the comments received in the second quarter of 2022.

Ongoing projects at the Discussion Paper stage

- **Business Combinations – Disclosures, Goodwill and Impairment (Discussion Paper published in March 2020):** the IASB will decide on the project direction in the third quarter of 2022. In the meantime, the IASB is planning to continue discussions with the staff on disclosures required in the notes following business combinations, and whether it is possible to reliably estimate the useful life of goodwill, with a view to considering whether amortisation should be introduced (see Beyond the GAAP no. 158, September 2021). Currently, it is extremely difficult to predict the final outcome of the project.
- **Business Combinations under Common Control (Discussion Paper published in November 2020):** the IASB has stated that the next step is to decide on the project direction, but has not set a date. It is therefore currently difficult to say what will become of the proposals in the Discussion Paper (see Beyond the GAAP no. 151, January 2021).

The IASB's work plan is available in full [here](#).

Redeliberations continue on Primary Financial Statements project

At its first meeting of the year, the IASB continued its redeliberations on the *General Presentation and Disclosures* Exposure Draft. Redeliberations on the project have now been ongoing for a full year, following an Exposure Draft (ED) published in December 2019 (see Beyond the GAAP no. 139, December 2019).

This month, the IASB continued its redeliberations on management performance measures (MPMs). Readers will remember that MPMs are performance measures used by management and strictly defined by the proposed standard, which an entity uses in communications outside IFRS financial statements. The IASB is hoping to establish a framework for MPMs, according to which certain disclosures would be required in the notes to the financial statements.

In January 2022, the IASB made a number of decisions (still tentative at this stage, to be confirmed in the final standard) regarding the following disclosures that are required in the notes by the ED:

- an explanation of why the management performance measure communicates management's view of performance, plus an explanation of:
 - how the measure is calculated;
 - how the measure provides useful information about the entity's performance; and
- a reconciliation between the management performance measure and the most directly comparable subtotal or total in the income statement.

These two proposals were unanimously confirmed at the January 2022 meeting.

As regards the first point, the IASB also decided to provide additional application

guidance to ensure that there is a logical connection between 'why' an MPM communicates management's view of performance, and 'how' the MPM is calculated and 'how' it provides useful information about the entity's performance. In practice, in certain situations, the explanations of 'how' would refer to the individual items in the reconciliation between the MPM and the most directly comparable subtotal or total.

As regards the second point, the IASB also decided that for each reconciling item, an entity should also disclose the corresponding amount(s) of each line item in the income statement. The ED does not specifically require entities to identify the effect of each reconciling item on individual line items in the income statement, although the accompanying illustrative example of the ED does do this.

The IASB decided not to require entities to present the reconciliation in a columnar format (i.e. starting with the MPM and showing how the corresponding total or subtotal is arrived at) although this format is used in the illustrative examples.

The IASB has not yet reached a conclusion on the proposal to require the disclosure of the tax and non-controlling interest effects of each item disclosed in the reconciliation (cf. above).

Readers will remember that, according to the ED, an entity shall determine the tax effect of each item in the reconciliation on the basis of a reasonable pro rata allocation of the entity's current and deferred tax in the country or countries concerned, or shall use another method if that results in a more appropriate allocation in the circumstances.

Despite the simplified approach set out in the ED, the IASB's proposal had a lukewarm reception. Preparers in particular noted that this information would be too

costly to produce. The IASB's discussions in January 2022 also revealed differences of opinion on the matter.

It has now asked the staff to carry out additional research to identify the methods used to calculate these amounts by companies that already disclose this type of information.

For an overview of all the redeliberations on MPMs, see previous issues of Beyond the GAAP (see Beyond the GAAP no. 153, no. 156, no. 158 and no. 160 from March, June, September and November 2021).

IPTF publishes document for discussion on hyperinflationary economies

On 7 January 2022, the International Practices Task Force (IPTF) of the Center for Audit Quality (CAQ) SEC Regulations Committee published a document for discussion identifying countries that are considered to have hyperinflationary economies. The document, dated 6 November 2021, has not been considered or acted upon by the SEC or the FASB (the US standard-setter). However, it is commonly considered to be a useful reference document for identifying hyperinflationary economies, particularly when applying IAS 29 – *Financial Reporting in Hyperinflationary Economies*. The standard itself only provides a list of characteristics of a country's economic environment that may indicate hyperinflation (notably the fact that the cumulative inflation rate over three years is approaching or exceeds 100%).

In this paper, the IPTF identifies the following countries as having a three-year cumulative inflation rate exceeding 100%: Argentina, Iran, Lebanon, South Sudan, Sudan, Venezuela and Zimbabwe.

However, the IPTF notes that the list is based on available data and does not claim

to be exhaustive (e.g. Afghanistan, Ethiopia and Syria are omitted).

For more details, the IPTF discussion document is available [here](#).

New ISSB appointments

On 27 January 2022, the Trustees of the IFRS Foundation announced the appointment of Sue Lloyd as vice-chair of the International Sustainability Standards Board (ISSB) for an initial term of four years. This follows the announcement of Emmanuel Faber's appointment as Chair of the ISSB in December 2021 (see Beyond the GAAP no. 161, December 2021).

Sue Lloyd, who is currently Vice-Chair of the IASB, will leave that post earlier than planned (her term would have run until end-2023) to take up her new role at the ISSB from 1 March 2022. She is also the current Chair of the IFRS Interpretations Committee (IFRS IC). As Vice-Chair of the ISSB, she will focus particularly on technical issues relating to standard-setting.

In addition, Janine Guillot has been appointed as special adviser to the ISSB chair with effect from 1 February 2022. Ms Guillot is currently CEO of the Value Reporting Foundation (VRF), which was formed from the merger of the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) in 2021. Her appointment follows the announcement by the IFRS Foundation in November 2021 that the VRF (and the Climate Disclosure Standards Board; see the following item in this issue) will be consolidated into the IFRS Foundation.

In her role as special adviser, Janine Guillot will provide strategic advice to the Chair of the ISSB and the Trustees. She will have specific responsibilities for integrating the VRF into the IFRS Foundation (which is

scheduled for completion by the end of June 2022) and for establishing the ISSB.

CDSB to be consolidated into IFRS Foundation

Following the launch of the ISSB last November, it was announced that various established sustainability reporting initiatives have decided to join the IFRS Foundation.

Thus, on 31 January 2022 the Climate Disclosure Standards Board (CDSB) officially ceased to exist, transferring its resources and intellectual property to the IFRS Foundation. However, all the resources produced by the CDSB are still available on its website and will remain applicable until the future IFRS Sustainability Disclosures Standards are published.

European Highlights

New EFRAG governance structure now in place

The governance structure of EFRAG (the European Financial Reporting Advisory Group) is changing, in line with the reform announced in spring 2021 (see Beyond the GAAP no. 153, March 2021).

Readers will remember that EFRAG's role has historically been to represent European interests to the IASB in the IFRS standard-setting process, and to advise the European Commission on the endorsement of these standards.

As part of the Corporate Sustainability Reporting Directive (CSRD) project, EFRAG has been appointed as technical adviser to the European Commission. EFRAG will also develop draft sustainability standards, known as European Sustainability Reporting Standards (ESRSs), which will then be adopted by the European Union and will provide a common

language for the new sustainability reporting framework. Changes to the governance of EFRAG were thus required in order to reflect the expanded role of the organisation.

Revisions to the statutes and internal operational rules were approved at the General Meeting on 21 January 2022, marking a major step forward.

Subsequently, a new EFRAG Administrative Board was formed. This Board will be responsible for EFRAG's organisation, administration, financing and due process, but will not be involved in the work or decisions of the two technical Boards (one dealing with financial reporting and the other with sustainability reporting).

Jean-Paul Gauzès, president of the former EFRAG Board, will become president of the new Administrative Board until the end of his term. Michel Barbet-Massin, a Mazars Partner and a member of the Board of the ANC (Autorité des Normes Comptables, the French standard-setter), will represent France on the new Board.

EFRAG has also welcomed 13 new member organisations that will contribute to the new sustainability reporting pillar (including NGOs such as the WWF). The 17 member organisations that have historically contributed to the financial reporting pillar have also agreed to contribute to the new area of responsibility.

The next step is to appoint the new EFRAG Sustainability Reporting (SR) Board, as well as the Technical Expert Group that will support the SR Board in providing technical advice to the European Commission. The governance structure of the sustainability pillar will thus mirror the structure that has been in place for many years for the financial reporting pillar.

EFRAG has launched calls for candidates for both the SR Board (press release

available [here](#)) and the SR TEG (press release available [here](#)). The closing dates are 10 February 2022 and 28 February 2022 respectively.

Changes to composition of EFRAG's FR TEG

The new composition of the Financial Reporting Technical Expert Group (FR TEG) has been approved by EFRAG's Financial Reporting (FR) Board.

Two new members will join EFRAG's FR TEG from 1 April 2022: Carmen Barrasa and Aranzazu Leo Abad.

The current Chair of the FR TEG, Chiara Del Prete, has been reappointed for a second term, while Jens Berger will replace Nicklas Grip as vice-chair, again from 1 April 2022.

Finally, four members of the FR TEG have been reappointed:

- Emmanuelle Guyomard
- Erlend Kvaal
- David Procházka
- and Christoph Schauerte.

Chiara Del Prete, Chair of EFRAG's FR TEG, appointed Chair of IFASS

Chiara Del Prete, who has just been reappointed for a three-year term as Chair of EFRAG's Financial Reporting Technical Expert Group (FR TEG), has also been appointed Chair of the International Forum of Accounting Standard Setters (IFASS).

This organisation brings together major accounting standard-setters from around the world, including around 30 national standard-setters and four regional accountancy bodies (EFRAG for Europe, AOSSG for the Asia Pacific region, GLASS for Latin America and PAFA for Africa). IFASS traditionally meets twice a year: in September in London, where it is hosted by

the IFRS Foundation, and in March in another participating country.

It is a mid-size gathering, smaller than the WSS (the IASB's major annual conference, which brings together all national standard-setters) but larger than the ASAF, the 'inner circle' that meets with the IASB once a quarter. It is also perhaps the forum that best represents the concerns of national and regional standard-setters, as the meeting does not solely focus on their relationship with the IASB (which only participates in some of the discussions). Other topics, such as non-financial reporting, public accounts (with the IPSASB) and the voluntary sector (with the IFR4NPO) are also on the agenda. It is also an opportunity for standard-setters to present their local activities and research projects, and to network.

Chiara Del Prete replaces Yasunobu Kawanishi (Vice-Chair of the Accounting Standards Board of Japan) as Chair of the IFASS, and will serve a two-year term. Her main role will be to organise and conduct the meetings, which are primarily a forum for information sharing. She will draw up the agenda for meetings with support from EFRAG, which takes on the role of IFASS Secretariat.

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Future European Sustainability Reporting Standards: publication of working papers by PTF-ESRS

On 21 January 2022, the European Financial Reporting Advisory Group (EFRAG) posted working papers prepared by the Project Task Force on European Sustainability Reporting Standards (PTF-ESRS) on its website. Batch 1 (available [here](#)) includes a cover note, Annex 2 of which provides links of further working papers relating to a number of draft conceptual guidelines and standards (see below in this study).

It is important to note that at this stage, these papers are only being released for the sake of stakeholder transparency and are therefore not open to public consultation. These papers are the result of work within each of the PTF-ESRS clusters and still need to be discussed, both during plenary meetings, and with the expert groups set up elsewhere. Significant changes are therefore likely to occur between now and the publication of the Exposure Drafts and, of course, the final standards.

Context of the PTF-ESRS work

Nevertheless, EFRAG's Sustainability Reporting (SR) Board will be able to draw on the work of the PTF-ESRS to issue Exposure Drafts on European Sustainability Reporting Standards (ESRS).

EFRAG's new Board, appointed to address the Sustainability Pillar (see European Highlights in this issue) is not expected to be operational until 1 April 2022. It is only then that the due process, yet to be adopted by EFRAG's Administrative Board, will effectively be applied to the development of draft sustainability reporting

standards that will subsequently be endorsed by the European Commission through the publication of delegated acts.

These standards will create the framework for the new sustainability reporting required in the draft European Corporate Sustainability Reporting Directive (CSRD), which is expected to be finalised by the end of the first half of 2022. The CSRD will have to be transposed into national law in each country of the European Union.

As discussions stand, it is now likely that the CSRD will finally come into force on 1 January 2025 at the earliest, hence applying to the publication of the 2024 reports. Gradual implementation could also be envisaged, depending on the entities concerned. This year's delay to the timetable initially envisaged in the draft CSRD published in April 2021 (see Beyond the GAAP no. 154, April 2021) could provide EFRAG with a welcome breathing space, as it is currently still committed to delivering the European Commission a first set of standards by the end of June 2022. If EFRAG wants to allow reasonable time (in principle three months) for stakeholder consultations on the draft standards, which will not be issued until the spring, and if it also wants the time to take the comments into account, the timetable for the new European sustainability standard-setter should also be revised, but presumably only to a limited extent!

Finally, it must be noted that the PTF-ESRS is particularly attentive to the standard-setting work on sustainability disclosures in progress in other regions of the world, especially as regards the International Sustainability Standards Board (ISSB), recently created by the IFRS Foundation (see Beyond the GAAP no. 160, November 2021). For example, in the draft Climate change Standard issued in Batch 1, the PTF has ensured that the reporting

requirements would allow an entity to comply with both the EU Standard and the ISSB Standard (taking into account the climate change prototype already issued by the Technical Readiness Working Group).

Organisation of the work of the PTF-ESRS

The PTF-ESRS was set up in June 2021 and has maintained the work of the PTF-NFRS, itself established in September 2020. It is chaired by Patrick de Cambourg, the current President of the French accounting standards body ANC (and who chaired the PTF-NFRS). The PTF-ESRS has 35 members from 13 European Union Member States, representing all stakeholder categories.

The work of the PTF-ESRS has been organised in clusters, as recommended by the previous Task Force. These clusters are each supported by expert groups appointed in November 2021.

Before the publication of Batch 1, a status report was issued in November 2021 by the PTF-ESRS (accessible [here](#)). The cluster organisation was presented in that report:

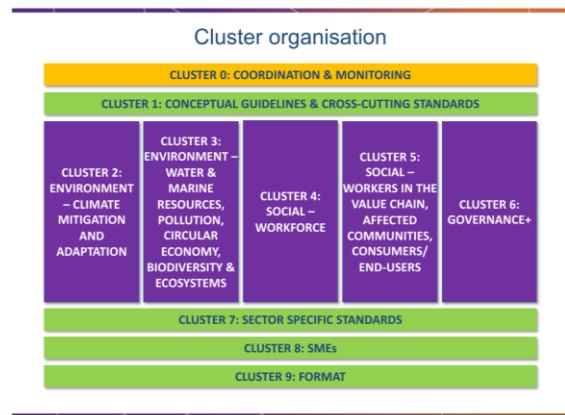


Figure 3: Cluster organisation

Work in these clusters was informed by earlier work by the PTFS-NFRS (see Beyond the GAAP no. 153, March 2021) and by the active involvement of international initiatives such as the Global Reporting Initiative (GRI).

Overall architecture and structure of standards

The target architecture for the development of a comprehensive set of sustainability reporting standards by the PTF-ESRS is shown in the figure below, as presented in the Batch 1 cover note.

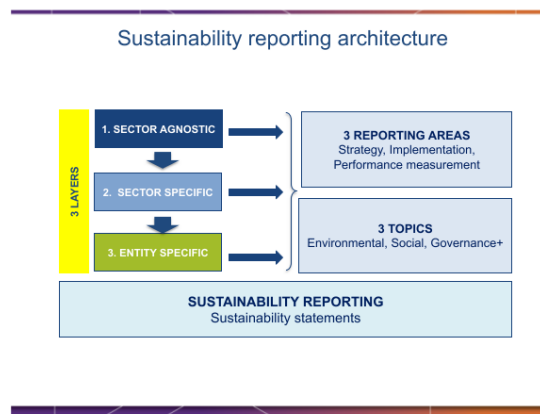


Figure 1: Sustainability reporting architecture

This architecture is based on a combination of three dimensions:

- three additional layers of reporting, designed to cover the information that is:
 - common to all undertakings ('sector agnostic'),
 - applying to undertakings in a given sector ('sector specific'), and
 - specific to each entity, on the basis of materiality ('entity specific').

The first two layers will ensure cross- and intra-sector comparability, while the last layer will allow each entity to control its own materiality analysis and narrative, by selecting the information that is really relevant – in a duly justified manner, especially where information is omitted that is explicitly required by the first two layers ('comply or explain');

- covering three fundamental reporting areas, namely:
 - strategy (how sustainable aspects are integrated into the overall strategy, how the governance of

sustainability is organised and the process and outcome of the double materiality analysis);

- operational implementation (policies and procedures, action plans and resources); and
- performance measurement (past and future trajectory until the targets are achieved);
- and all the categories of ESG factors, as follows:
 - environmental aspects, organised in accordance with the environmental objectives of the 'Green Taxonomy';
 - human and societal aspects, covering all possible areas, from labour rights to human rights in the broadest sense, organised by categories of the population concerned (own workforce, workers in the value chain, local communities, end consumers, etc.);
 - and governance, broadly conceived to include business ethics, organisational aspects and intangible capital.

Overview of the Standards under development

The Batch 1 cover note provides a very clear indication of how the framework being developed by the PTF-ESRS will be organised and how many standards will be issued in the first set of Standards prepared by EFRAG. That said, and as already discussed, potentially significant changes can be expected between now and the finalisation of the first ESRSs.

In the following table, taken from the cover note, the working documents published as part of Batch 1 are highlighted in blue (bearing in mind that discussions are still ongoing in the cluster responsible for the draft ESRS 4).

				SECTOR-SPECIFIC STANDARDS		PRESENTATION
Strategy, governance, impacts, risks, opportunities	Environment	Social	Governance	Classification	ESG sector-specific disclosures	
ESRS 1 General provisions	ESRS E1 Climate change	ESRS S1 Own workforce – general	ESRS G1 Governance, risk management and internal control	ESRS SEC1 Sector classification		ESRS P1 Sustainability statements
ESRS 2 Strategy and business model	ESRS E2 Pollution	ESRS S2 Own workforce – working conditions	ESRS G2 Products and services, management and quality of relationships with business partners			
ESRS 3 Sustainability governance and organisation	ESRS E3 Water & marine resources	ESRS S3 Own workforce – equal opportunities	ESRS G3 Responsible business practices			
ESRS 4 Sustainability material impacts, risks and opportunities	ESRS E4 Biodiversity & ecosystems	ESRS S4 Own workforce – other work-related rights				
ESRS 5 Definitions for policies, targets, action plans and resources	ESRS E5 Circular economy	ESRS S5 Workers in the value chain				
		ESRS S6 Affected communities				
		ESRS S7 Consumers/End-users				
CONCEPTUAL GUIDELINES						
ESRG 1 Double materiality	ESRG 2 Characteristics of information quality	ESRG 3 Time horizons	ESRG 4 Boundaries and levels of reporting	ESRG 5 EU and international alignment	ESRG 6 Connectivity	

Figure 2: Sustainability reporting architecture

To provide a framework for the development of standards, the PTF-ESRS has worked on drafting conceptual guidelines. Batch 1 thus includes two draft European Sustainability Reporting Guidelines (ESRG):

- ESRG 1 on Double materiality: the identification of disclosures requires a consideration both of social and environmental materiality in the broad sense, including governance (in the sense that an undertaking's activities have an impact on the climate and on people), and of financial materiality (the environmental and social impacts on entities);
- ESRG 2 on Characteristics of information quality: this includes concepts familiar from other frameworks, in particular IFRSs, with an emphasis on relevance and faithful depiction as the fundamental characteristics of quality information, and comparability, verifiability and understandability as secondary characteristics.

Other ESGs are expected, covering time horizons (sustainability information being very largely prospective), boundaries and levels of reporting (entity, activity, assets, value chain, etc.), EU and international alignment, and finally connectivity between non-financial and financial reporting, with a view to integrated reporting.

These conceptual guidelines will not be endorsed by the EU but will furnish EFRAG with tools for the elaboration of new sustainability reporting standards.

ESRS 1 to 5 are described as 'cross-cutting standards' and are intended to address disclosures on crucial and cross-cutting matters. Cross-references can be made to other standards in the framework to complete the disclosures required on these topics.

The future ESRS 1, for which no draft is currently available (although the draft ESRS 5 is expected to be merged into ESRS 1), should cover the main principles of sustainability reporting. The crucial aspects of the conceptual framework should therefore be included in this standard.

Of the 'topical standards' aligned with the three categories of ESG factors, only the draft climate change standard, known as ESRS E1, has been published in Batch 1. This draft is based on the prototype published by EFRAG in September 2021 and was presented to the plenary meeting of the PTF-ESRS on 1 December 2021. Interestingly, this 50-page draft includes disclosure requirements that provide a link to the financial statements, for example by referring to the description of emissions trading schemes and disclosing the amounts accounted for as balance sheet liabilities.

Finally, the publication of a presentation standard, called ESRS P1, is also planned

to provide entities with guidance on the organisation of information to be disclosed in the management report under the four main pillars presented above (i.e. one pillar formed by cross-cutting issues and three others under ESG themes, each including general, sectoral and entity-specific information).

In practice, a harmonised format is proposed for each of the standards in the European framework, using the following structure:

- objective of the standard;
- interactions with other ESRSs;
- list of disclosures: general measures applicable to disclosure requirements, principles for meeting disclosure requirements and a detailed list of disclosures required to make the information relevant and comparable;
- Annex A presenting definitions of the terminology used;
- Annex B presenting application guidance, which is an integral part of the standard;
- Annex C presenting instructions for tagging the required information, in light of the expected digitalisation of the sustainability reporting to be published under the CSRD. This annex will also be an integral part of the standard;
- a basis for conclusions, which will accompany the standard but which will not be part of it. This will highlight the considerations and references taken into account by EFRAG's SR Board in developing the standard.

A second batch of PTF-ESRS working papers is expected during February.

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