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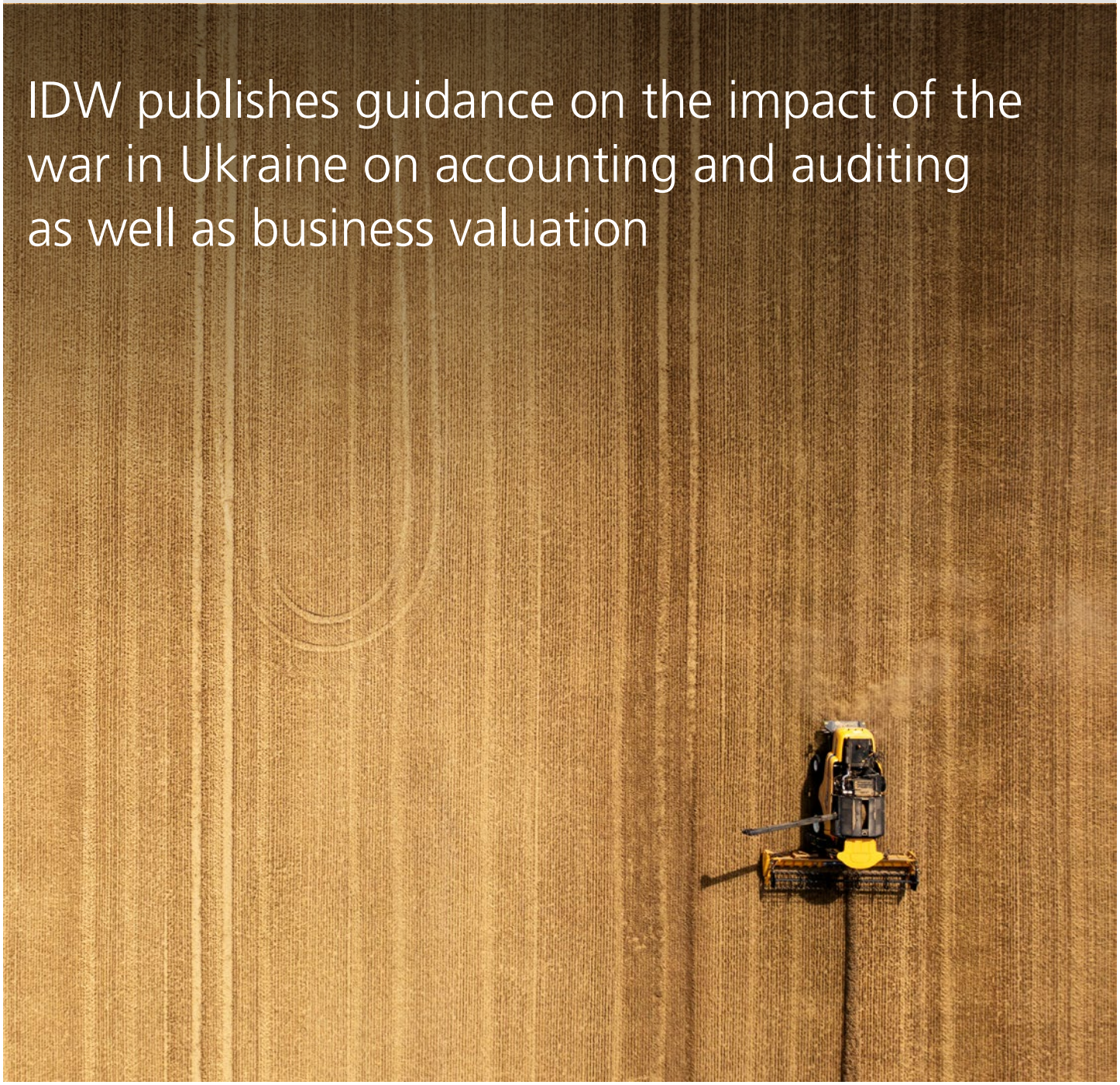
INTERNATIONAL FINANCIAL REPORTING (IFRS)

IDW publishes guidance on the impact of the war in Ukraine on accounting and auditing as well as business valuation



Editorial

Dear Reader,

Russia's military attack on Ukraine and the resulting sanctions against Russia and Belarus have thrust society and the economy into a state of emergency. This may also have consequences for companies' IFRS reporting, particularly if the single-entity or consolidated financial statements have not yet been prepared, audited or adopted as of the reporting date of December 31, 2021.

In this edition of novus IFRS, we present the technical guidance published by the IDW on the impact of the war in Ukraine on accounting and auditing as well as business valuation.

Corporate reporting is undergoing a transformation. The focus is no longer on pure financial reporting as it was in the past. Now sustainability is also a key issue. In this edition we'll tell you about the first two draft standards of the newly founded International Sustainability Standards Board, Frankfurt am Main (ISSB), whose task is to develop international standards (IFRS Sustainability Disclosure Standards – IFRS SDSs) for sustainability reporting.

The topic of sustainability has also found its way into the 2022 Reform of the German Corporate Governance Code, which we'll tell you about below.

You'll also be given an overview of EU endorsements (IAS 1 and IAS 8), new developments in connection with the IFRS taxonomy, changes to GAS 20 Group Management Report as a result of Amended German Accounting Standard 12, and significant agenda decisions of the IFRS IC published as part of the IFRIC updates.

Lastly, we'll tell you about BaFin's activities in connection with sovereign balance sheet control since January 1, 2022, and about the draft law to allow virtual meetings of the shareholders of stock corporations.

We hope you enjoy this edition of novus IFRS. If you have any questions on any of the topics, please don't hesitate to get in touch.

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INHALT

IN FOCUS

IDW publishes guidance on the impact of the war in Ukraine on accounting and auditing as well as business valuation 4

IASB AND IFRS IC PUBLICATIONS

IASB
IASB issues first set of formal corrections 2022 6

IFRS FOUNDATION
IFRS Foundation publishes new IFRS Taxonomy 2022 6

ISSB
Overview of the newly established ISSB 6
ISSB publishes exposure drafts of global sustainability standards 7
Draft standard on climate-related disclosures published by ISSB 8

EU ENDORSEMENT
IFRS taxonomy adopted in European law in 2021 8
EU formally adopts amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies 9
EU endorsement of amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors has been issued 9

IFRS INTERPRETATIONS COMMITTEE
Agenda decisions of the IFRS Interpretations Committee 9

MORE STANDARD SETTERS

ACCOUNTING STANDARDS COMMITTEE OF GERMANY (ASCG)
Amended GAS 12: Amendments to GAS 20 Group Management Report 11

GOVERNMENT COMMISSION ON THE GERMAN CORPORATE GOVERNANCE CODE
Code reform proposals 2022 – Sustainability in the GCGC 12

EUROPEAN COMMISSION
Further questions and answers on the Taxonomy Regulation published 12

EU ENDORSEMENT

EU Endorsement Status Report 13

ENFORCEMENT AUTHORITIES

ESMA
ESMA publishes further questions and answers on the guidelines on alternative performance measures 14

BAFIN AND FREP
Announcement of balance sheet control procedures 14
Error findings by the FREP or BaFin 15

NEW LEGISLATION

New law provides for virtual shareholders' meetings 16

IDW publishes guidance on the impact of the war in Ukraine on accounting and auditing as well as business valuation

Russia's military attack on Ukraine and the associated sanctions against Russia and Belarus are having a significant impact, including on companies in Germany. This raises the question of the extent to which this is reflected in the accounting and auditing of companies – especially against the background that many financial statements have not yet been finally audited or established as of December 31, 2021. The effects of the war in Ukraine may also have an impact on business valuations.

Impact of the War in Ukraine on Accounting and Auditing

In its technical guidance of March 8, 2022, the IDW addressed the effects of the war in Ukraine on financial reporting and auditing. The IDW is of the opinion that the direct and indirect effects of the war should be classified as non-adjusting events for financial statements for reporting **dates prior to February 24, 2022** (the date on which Ukraine was invaded by Russian forces). The cut-off date principle means that the single-entity financial statements and the consolidated financial statements as of December 31, 2021 are generally not affected. Effects are generally only reflected in the balance sheet and income statement for the new financial year with a **reporting date after February 23, 2022**. However, if the effects of the war in Ukraine raise significant doubts about the ability to continue as a going concern (going concern risks), these existing material uncertainties must be reported in the notes.

In the context of **supplementary reporting** under IFRS, if the event is one that does not have to be recognized in the balance sheet and income statement but is material, the nature of the event must also be reported in the notes. An estimate of the financial

impact (or the fact that such an estimate is not possible) must also be disclosed in the notes.

In many cases, the outbreak of the Ukraine war will already be reflected in the **risk section of the management report** and Group management report for 2021. For example, reference could be made to the impact on supply chains, energy costs, restrictions on or even termination of business relations with Russia and the related loss of sales and production shutdown. In addition, the management report must draw attention to existing risks to the reporting entity's continued existence. If any opportunities arise as a result of the conflict, such as at defense-related companies, this must also be presented in the risk report.

Furthermore, **ad hoc reporting obligations** may arise for capital market-oriented companies, for example on the occasion of the discontinuation of their Russian business.

On April 8, 2022, the IDW issued additional technical guidance as part of a first update, which includes issues relating to the possible accounting consequences for the end of the first quarter of the current calendar year. With regard to IFRS reporting, the update focuses in particular on impairment testing in accordance with IAS 36, impairment of financial instruments in accordance with IFRS 9, and foreign currency translation. The update also includes an update of the guidance on the effects of the war on the financial statement audits. This guidance now covers the special features of the audit of consolidated financial statements. In addition, the impact of sanctions on contractual relationships has been included in the technical guidance.

A second update dated April 14, 2022 addresses additional topics that may arise in connection with the accounting of financial instruments under IFRS against the background of the war. The guidance on impairment of financial instruments has been updated to include disclosures on classification and measurement, hedge accounting, and recognition and disclosures of financial instruments.

Note: Further guidance on the impact of the Russia-Ukraine war on accounting, reporting and audit, anti-money laundering and cybersecurity is addressed in Accountancy Europe's article "War in Ukraine – what European accountants need to know" published on March 9, 2022.

Note: The technical guidance can be downloaded from the IDW website.

Impact of the War in Ukraine on the Accounting and Audit of Investment Companies

On March 25, 2022, the IDW Investment Committee (FAIN) published technical guidance on the effects of the war in Ukraine on the accounting and audit of investment funds. This builds on the cross-industry IDW Technical Guidance of March 8, 2022 on the impact of the Russia-Ukraine war on accounting and auditing and adds special features in the activity report of investment funds as well as for the notes and management report of investment companies.

Note: The technical guidance can be accessed here.

Effects of the War in Ukraine on Business Valuations

In addition, on March 20, 2022, the IDW published technical guidance on the effects of the war in Ukraine on business valuations. In particular, the guidance emphasizes the cut-off date principle, according to which, in the event of a discrepancy between the valuation date and the time at which the valuation is carried out, only the level of information that could have been obtained with reasonable care at the valuation date should be taken into account. In addition, the guidance discusses the effects on the determination of future financial surpluses and the cost of capital.

Note: As regards the possible consequences in business valuations taking into account the Russia-Ukraine war, there are parallels with those at the beginning of the Corona pandemic; therefore, we refer to the FAUB Technical Guidance on the impact of the spread of the Corona virus on business valuations of March 25, 2020.

Note: Note: The IDW's technical guidance can be found here.

IASB

IASB issues first set of formal corrections 2022

On February 1, 2022, the IASB issued formal corrections to IFRS 9 Financial Instruments and IAS 24 Related Party Disclosures. These formal corrections only relate to unintentional errors and have no significance for the application of the pronouncements. They are available on the IASB's website.

IFRS FOUNDATION

IFRS Foundation publishes new IFRS Taxonomy 2022

On March 24, 2022, the IFRS Foundation published the IFRS Taxonomy 2022, which includes changes to the technology of the IFRS Taxonomy as well as changes to the content of recently amended IFRS standards (IAS 1, IAS 8 and IFRS 17). The taxonomy is now in line with the IFRSs issued by the IASB as of January 1, 2022, including published standards that are not yet applicable.

The new IFRS Accounting Taxonomy 2022 with examples is available on the IFRS Foundation website.

ISSB

Overview of the newly established ISSB

The International Sustainability Standards Board, Frankfurt am Main (ISSB), is an independent, private sector body whose task is to develop international standards (IFRS Sustainability Disclosure Standards – IFRS SDSs) for sustainability reporting. In doing so, it is responsible for the preparation and adoption of the IFRS SDSs, including draft standards, taking into account the consultation process set out in the IFRS Foundation Charter.

The ISSB is overseen by the IFRS Foundation and was established in November 2021. It operates alongside and works closely with the IASB to ensure consistency between the IFRSs and the IFRS SDSs. The sustainability-related disclosure standards are intended to provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.

As a rule, the ISSB consists of 14 members, three each from Europe, America and Asia, one from Africa, and four additional members, each with technical expertise and relevant professional experience.

To support the preparation of the ISSB's planned activities, an IFRS Foundation Technical Readiness Working Group (TRWG) developed prototypes of standards in 2021 on which the ISSB will build in developing the standards.

ISSB publishes exposure drafts of global sustainability standards

On March 31, 2022, the ISSB released an exposure draft of IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information, which follows on from prototype standards issued by the Technical Readiness Working Group (TRWG) in November 2021 (see previous article, p. 6).

The standard sets out the general requirements for sustainability-related disclosures about material sustainability-related risks and opportunities to which the reporting entity is exposed. The standard is based on IAS 1 "Presentation of Financial Statements" and contains guidelines on how to identify and disclose the required information on sustainability-related risks and opportunities if it is not explicitly regulated in the IFRS SDSs. It contains the regulatory contents of objective and scope, materiality, comparative information, sources of estimates, errors and statement of compliance.

According to the standard, all information on sustainability aspects that is material for the primary users of financial reporting and that is decisive for the entity's business should be disclosed. The core content relates to information on governance, strategy, risk management, metrics and targets. The disclosures must show the relationships between the various sustainability-related risks and opportunities and how they are linked to the disclosures made as part of general financial reporting. Companies may include the disclosures under the IFRS SDSs in their management report or cross-reference them if the cross-referenced information is available to the users of the financial reporting at the same time and on the same terms as the financial reporting on remuneration.

The comment period ends on July 29, 2022. The effective date is to be determined after the end of the comment period. The publication of the final standard is scheduled for the end of 2022. The standard would be applicable prospectively; comparative information need not be disclosed in the first period in which an entity applies the proposed standard.

Note: According to the ISSB press release, the ISSB proposals will be presented in two live webinars on April 28, 2022 at 9:00 a.m. and 5:00 p.m. British Summer Time.

Note: The draft can be accessed here.

Draft standard on climate-related disclosures published by ISSB

The ISSB also published an exposure draft of a sustainability standard "[Draft] IFRS S2 Climate-related Disclosures" on March 31, 2022, which is also based on a prototype of the Technical Readiness Working Group (TRWG). According to the draft, reporting entities are to disclose information about material climate-related risks and opportunities that affect the entity or its enterprise value, how the entity deals with these risks and opportunities, and its ability to adapt to them.

Climate-related disclosures should include the following four areas:

- **Governance:** information on governance processes, procedures and controls used to monitor and manage climate-related risks and opportunities.
- **Strategy:** information about the strategy for addressing climate-related risks and opportunities, as well as on material climate-related risks and opportunities and their impact on the business model, value chain, strategy, and financial position and performance.
- **Risk management:** information on the identification, assessment, management and mitigation of climate-related risks
- **Metrics and targets:** information on the entity's performance in measuring, monitoring and managing climate-related risks and opportunities, including cross-industry or industry-based metrics and targets set to mitigate climate-related risks.

With respect to the comment period, effective date and prospective application, the comments above about ED 2022/S1 apply analogously.

Note: In parallel to the draft standards published by the ISSB, comprehensive European sustainability reporting standards (EU Sustainability Reporting Standards, ESRS) are being developed by a project working group of the European Financial Reporting Advisory Group (EFRAG Sustainability Reporting Board (SBR)) as part of the development of the EU Corporate Sustainability Reporting Directive (CSRD). Unless an endorsement process is established for the transition of the ISSB standards into EU law (in line with IFRS) or a synchronization between the EU sustainability standards and the ISSB standards is established in some other way, this may result in internationally active companies having to report in accordance with two different sustainability standards. In a letter dated March 25, 2022 to Federal Minister of Justice Buschmann and Federal Minister of Finance Lindner, more than 40 well-known German companies have therefore appealed for such an endorsement process to be set up.

Note: The draft can be accessed here.

EU ENDORSEMENT

IFRS taxonomy adopted in European law in 2021

After ESMA published amendments to the European Single Electronic Format (ESEF) on December 13, 2021 (amendments to the previously valid IFRS Taxonomy of 2020), these amendments were adopted in European law on March 7, 2022 (IFRS Taxonomy 2021).

EU formally adopts amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

The IASB published amendments to IAS 1 – Presentation of Financial Statements including amendments to the guidance document IFRS Practice Statement 2 "Making Materiality Judgements" on 12 February 2021. These amendments were endorsed by the EU in the Official Journal on March 3, 2022 into European law. The amendments are applicable as of January 1, 2023.

This means that in the future, the presentation of accounting policies in the IFRS notes will no longer include all significant policies, but only material policies. The aim is to reduce the number of standardized explanations and to focus on company-specific explanations.

Note: In the first issue of novus International Accounting in 2021, we reported in detail on the amendments that have now been adopted.

EU endorsement of amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors has been issued

On the same day, the EU transposed the amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors issued by the IASB on February 12, 2021 in the Official Journal on March 3, 2022 into European law. The amendments are also applicable as of January 1, 2023.

For the first time, a definition of an accounting estimate has now been added so as to better distinguish changes in accounting policies from changes in accounting estimates. For further details, please refer to the first issue of our novus International Financial Reporting in 2021.

IFRS INTERPRETATIONS COMMITTEE

Agenda decisions of the IFRS Interpretations Committee

If the Committee is of the opinion that an issue addressed to the IFRS IC is not suitable as a basis for an interpretation, the decision not to include it in the work plan is published in an IFRIC Update. This "Tentative Agenda Decision" contains a description of the issue and the reasons for the rejection. After a comment period of at least 30 days, the IFRS IC adopts the final wording of the decision, including the reasons.

In some cases, the IFRS IC's rejection decisions also contain material statements on IFRS accounting (non-interpretations, non-IFRICs). The agenda decisions are expressly published by the IASB for information purposes only. Nevertheless, in the view of the IASB, users may not ignore these statements of the IFRS IC and may only deviate from them if there are weighty reasons for doing so.

Note: The following table provides a brief overview of the topics of the agenda decisions of the IFRS Interpretations Committee in the period from December 11, 2021 to April 6, 2022. The detailed description of the facts as well as the decision are published as an IFRS IC agenda decision in the IFRIC Update.

IFRIC Update March 2022

Standard/Topic	Excerpts from the main agenda decisions
IFRS 17: Insurance coverage under a group of annuity contracts	The determination of the amount of benefits payable under a group of annuity contracts in accordance with IFRS 17.B119(a) is based on the respective amount of the annuity payment that a policyholder is entitled to receive for the policy period (survival of the policyholder).
IFRS 9 and IFRS 16: Rent Concessions – Recognition of Expected Credit Losses at the Lessor	The lessor must take into account its expectations regarding the forgiveness of lease payments when estimating the expected credit losses on operating lease receivables. The lessor must consider both the derecognition requirements in IFRS 9 and the lease modification requirements in IFRS 16.
IAS 32: Special Purpose Acquisition Companies – Classification of Public Shares as Financial Liabilities or Equity	The Committee considered the question of whether a SPAC that issues Class B shares should classify them as financial liabilities or equity under IAS 32. The Committee concluded that this is more of a practical question that the IASB should address in its Financial Instruments with Characteristics of Equity (FICE) project.
IFRS 2 and IAS 32: Special Purpose Acquisition Companies – Accounting for Warrants at Acquisition	Regarding how an entity accounts for warrants when acquiring a SPAC, the Committee concluded that IFRS 2 should be applied when accounting for instruments issued to acquire the stock exchange listing service. IAS 32, on the other hand, should be applied when accounting for instruments issued to acquire cash and assume liabilities related to the SPAC warrants.

IFRIC Update February 2022

Standard/Topic	Excerpts from the main agenda decisions
IAS 37: Negative Low Emission Vehicle Credits	The Committee discussed the question of whether particular measures to encourage reductions in vehicle carbon emissions ("negative credits") give rise to obligations that meet the definition of a liability in IAS 37. In the Committee's view, in such cases there is a legal obligation that meets the definition of a liability in IAS 37. However, this does not apply if it can be assumed that the entity would rather accept government sanctions than eliminate these negative credits. In addition, the Committee concluded that such an entity could also have a constructive obligation that meets the definition of a liability in IAS 37.

ACCOUNTING STANDARDS COMMITTEE OF GERMANY (ASCG)

Amended GAS 12: Amendments to GAS 20 Group Management Report

Amended German Accounting Standard No. 12 (GAS 12) issued by the Accounting Standards Committee of Germany (ASCG) was published in the Federal Gazette (Bundesanzeiger) on March 7, 2022 in accordance with Section 342 (2) of the German Commercial Code (HGB), which amends GAS 20 Group Management Report with regard to the scope of application and content of the group management declaration. The amendments have been made in order to formally adapt GAS 20 to changes in the law.

Amended GAS 12 specifies the extended reporting requirements in the corporate governance declaration or group declaration pursuant to Section 289f or Section 315 HGB. The amendments and additions relate to the regulations introduced by the Second Leadership Positions Act (FüPoG II) for the equal participation of women in leadership positions in the public and private sectors. The regulations relate to the obligations to explain why the fixed target for the proportion of women in management positions has been set at zero or to comply with the requirement to have at least one woman and at least one man on the Management Board.

In addition, a change has also been made due to the reporting requirements that arise for non-financial statements or group statements as a result of the EU Taxonomy Regulation. According to this, companies may be required to provide information on how and to what extent the company's activities are linked to economic activities that are to be classified as environmentally sustainable economic activities. The changed effected by Amended GAS 12 is limited to a reference to the reporting obligations pursuant to Article 8 of the EU Taxonomy Regulation.

GOVERNMENT COMMISSION ON THE GERMAN CORPORATE GOVERNANCE CODE

Code reform proposals 2022 – Sustainability in the GCGC

The Government Commission on the German Corporate Governance Code published proposals for amendments to the German Corporate Governance Code (GCGC) on January 25, 2022. These amendments are intended to take account of the expectations regarding the consideration of sustainability factors, which have become more concrete since the 2020 Code reform, as well as the extended reporting obligations under the EU's forthcoming CSRD.

According to the proposed amendments to the GCGC, environmental and social sustainability must be taken into account in the management and supervision of listed companies. The Management Board is to address the risks and opportunities for the company associated with social and environmental factors, as well as the impact of the entity's activities on ecological and social aspects. The topic of sustainability is to be anchored accordingly in the business strategy. Financial and sustainability-related targets are to be included as part of corporate planning.

In addition, adjustments resulting from the Financial Market Integrity Strengthening Act (FISG) were taken into account in the 2022 Code reform. According to the amended Code, the internal control and risk management system should also be geared to sustainability-related concerns. The Management Board should comment on the appropriateness and effectiveness of these systems in the management report. In addition, the Code clarifies that the financial experts on the Audit Committee should not only have special knowledge and experience in the fields of accounting and auditing, but also in the field of sustainability reporting.

The comment period for the proposed amendments expired on March 11, 2022.

Note: The draft is available in German here.

EUROPEAN COMMISSION

Further questions and answers on the Taxonomy Regulation published

The European Commission published a draft of further questions and answers on the Taxonomy Regulation on February 3, 2022. These questions supplement the Q&A already published in December 2021 by the EU Commission and the Platform for Sustainable Finance (Platform considerations on voluntary information as part of Taxonomy-eligibility reporting). The date of application is January 1, 2023, unless the EU Parliament and the EU Council of Ministers raise objections.

The draft of the new questions is available here.

EU Endorsement Status Report

The following table contains standards and interpretations not yet endorsed or endorsed by the EU as of January 1, 2021. The basis is the latest EU Endorsement Status Report published by EFRAG dated March 25, 2022 (as of April 6, 2022).

Amendments to standards	Effective date IASB	EU Endorsement
IAS 1: Classification of Liabilities as Current or Non-current (Jan. 23, 2020) and IAS 1: Classification of Liabilities as Current or Non-current – Deferral of Effective Date (July 15, 2020)	January 1, 2023	Outstanding
IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 7, 2021)	January 1, 2023	Outstanding
IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (December 9, 2021)	January 1, 2023	Outstanding
IAS 1: Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (February 12, 2021)	January 1, 2023	March 2, 2022
IAS 8: Definition of Accounting Estimates (February 12, 2021)	January 1, 2023	March 2, 2022

ESMA

ESMA publishes further questions and answers on the guidelines on alternative performance measures

In October 2015, ESMA (European Securities and Markets Authority) published guidelines on alternative performance measures (APMs), which publicly traded companies have had to observe in their financial reporting since July 2016. To promote consistent regulatory approaches in the implementation of the guidelines, ESMA has since published several questions and answers (Q&A), which were supplemented by two new Q&A on ESG aspects on April 1, 2022.

The question of whether ESMA's guidelines also apply to ESG-related indicators is generally answered in the affirmative. This does not apply to those metrics that have been determined in accordance with the Taxonomy Regulation or the EU Disclosure Regulation on the publication of information by financial market participants on the sustainability of their investment decisions (Sustainable Finance Disclosure Regulation – SFDR Regulation).

Regarding the question of how to apply the guidance on labels to ESG-related metrics (e.g. green turnover, sustainable CAPEX), it is stated that issuers should indicate whether the measures have been determined in accordance with the Taxonomy Regulation or SFDR Regulation. This can be done either by clarification within the designation (e.g. non-taxonomy turnover) or by additional information, e.g. in a footnote.

Note: The updated Q&A document is available on ESMA's website.

BAFIN AND FREP

Announcement of balance sheet control procedures

Since January 1, 2022, the Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz – FISG) has made the control of financial statements the exclusive responsibility of BaFin. Since then, it has also had the authority to inform the public earlier and more transparently about its actions in the context of balance sheet control. Since March 7, 2022, BaFin has therefore been publishing the opening of response examinations pursuant to Section 107(1) sentence 6 of the German Securities Trading Act (WpHG) due to possible violations of accounting regulations, as well as key procedural steps of these examinations. On the BaFin website and in the Federal Gazette, these announcements state the company concerned and the reason for the examination; procedural details are not included.

If BaFin considers the public's need for information to be greater than the interest of the company concerned in maintaining the secrecy of the ordered examination, BaFin may also make public significant procedural steps and exculpatory findings obtained in the course of the proceedings in accordance with Section 107(8) of the German Securities Trading Act.

The announcements aim to enable the capital market to take note of relevant accounting control procedures and to consider them in the context of company valuations and investment decisions.

Note: As the Financial Reporting Enforcement Panel (FREP) ceased its previous activities on December 31, 2021, no FREP activity report on the previous year was published at the beginning of 2022. The activity report, which used to be published annually by the FREP, contained the number of completed sampling examinations and response examinations along with the most frequent findings in order to increase the transparency of the financial statement audit. It remains to be seen to what extent BaFin will integrate the findings from the FREP's activities in its own report on financial statement supervision, which is to be published in May.

Note: The supervisory notice can be found on the BaFin website.

Error findings by the FREP or BaFin

The following is a list of the FREP's or BaFin's error findings published in the period from December 11, 2021 to April 6, 2022. The aim is to avoid errors in these areas.

Note: The publications of the FREP (until January 7, 2022) and BaFin (from January 8, 2022) on error findings are available in German online at www.bundesanzeiger.de (under "Rechnungslegung/Finanzberichte - Fehlerbekanntmachungen").

Publication	Subject area
Publication of Dec. 27, 2021	▶ Deferred tax assets are overstated (in connection with the non-recognition of a profit and loss transfer agreement approved by the Annual General Meeting only after the balance sheet date)
Publication of Jan. 7, 2022	▶ Additional disclosures on key assumptions, judgments, estimation uncertainties according to IAS 1.122 and IAS 1.125 in connection with impairment testing according to IAS 36 are missing
Publication of Jan. 7, 2022	▶ Lack of impairment test in interim financial statements for the net carrying amount of a CGU ▶ Missing disclosures in the interim management report on significant events / effects on the financial position due to omitted information on cash flow generated from non-operating activities
Publication of Jan. 28, 2022	▶ Incorrect determination of the fair value less costs to dispose of an entity held for sale in the interim financial statements due to due to non-inclusion

New law provides for virtual shareholders' meetings

On February 9, 2022, the German Federal Ministry of Justice published a draft law to allow shareholders' meetings to be held virtually.

Pursuant to special pandemic-related regulations in effect since March 27, 2020, German stock corporations have been to hold their shareholders' meetings online. These rules will expire at the end of August 31, 2022.

The experience with virtual shareholders' meetings has been so positive that the planned new law will add a new section 118a to the German Stock Corporation Act providing for virtual shareholders' meetings. In particular, these provisions are intended to allow shareholders to exercise their rights at virtual shareholders' meeting in the same way as at meetings in person. The special pandemic-related rules did not allow for this.

The new provisions will allow stock corporations to hold virtual shareholders' meetings on a permanent basis if the company's articles of incorporation provide for them or the Management Board is authorized to do so.

The rules specify when individual shareholder rights can be granted in connection with virtual shareholders' meetings and in what way. The virtual format means that the shareholders' right to ask questions can be shifted to the run-up to the meeting. The lead time will improve the quality of answers to shareholders' questions. According to the draft legislation, countermotions to proposed resolutions should only be made before the meeting, and not during the meeting, as in the past. With regard to the right to information, the Management Board can stipulate that questions be submitted electronically at least four days before the meeting; the right to ask questions during the meeting still applies.

Overall, this will streamline the procedure and processes for annual shareholders' meetings and further strengthen shareholders' information options. For issuers, the right to challenge resolutions adopted at meetings will be adjusted to take account of these possible risks.

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