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## **EFRAG's joint consultation on the IASB's Third Agenda Consultation and on EFRAG's Proactive Agenda**

### **Notes to constituents**

*In March 2021, the IASB published the Request for Information Third Agenda Consultation ('the RFI'), covering the period 2022-2026. This document asks for constituents' views on EFRAG's draft response (EFRAG's draft comment letter) to the RFI.*

*In addition, this document asks for constituents' input on its own proactive research agenda from 2022 onward.*

*EFRAG is combining the consultations on EFRAG's response to the RFI with its own proactive research agenda consultation, to foster synergies and participation and alleviate the burden for respondents.*

*The selection of EFRAG proactive research projects to be carried out from 2022 will be based mainly on European constituents' views on the importance of the various projects considered for the IASB's agenda consultation.*

*This document is structured as follows:*

**Part A** – EFRAG's draft response to the IASB's Agenda Consultation - pages 2 to 17

**Part B** – EFRAG's request for input on its proactive consultation- pages 17 and 18.

**You can submit your comments on EFRAG's draft comment letter and EFRAG's request for input on its proactive agenda by:**

- Submitting a formal comment letter by using the '[Express your views](#)' page on EFRAG's website, then open the relevant news item and click on the 'Comment publication' link at the end of the news item.
- Responding to the online survey [Add link]

**Comments should be submitted by XX September 2021.**



## Draft Comment Letter on Third Agenda Consultation

International Accounting Standards Board  
7 Westferry Circus, Canary Wharf  
London E14 4HD  
United Kingdom

XX May 2021

Dear Mr Andreas Barckow,

### Re: Third Agenda Consultation

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to provide input in response to the Request for Information regarding the Third Agenda Consultation, issued by the IASB on 30 March 2021 (the ‘RFI’).

EFRAG considers that the priorities for the IASB should be to focus on finalising the projects in its active work plan and conducting on a timely basis the Post-implementation Reviews (‘PIR’) of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*.

EFRAG suggests that the IASB considers a limited number of additional projects commensurate with the resources that would be available, after setting aside capacity for the execution of the active work plan and the planned PIRs. To that effect, EFRAG has identified priority projects in its detailed response below.

EFRAG strongly encourages the IASB, in its research activities, to continue to build on the work of other organisations and create synergies. Leveraging on the substantial work of EFRAG and other regional and national accounting standards bodies related to standard level and research projects and also on topics not on the IASB current agenda would allow the IASB to move faster.

EFRAG considers that the criteria identified by the IASB in paragraph 2 of the RFI to be appropriate when deciding whether to add a potential project to its work plan. In addition to the criteria identified by the IASB, EFRAG also suggests considering additional factors which are detailed in Appendix 1.

EFRAG however notes that the IASB is using additional ‘practical’ criteria than the four strictly defined in the Due Process Handbook. We suggest for the sake of transparency to consider whether these additional criteria could be considered for the inclusion in the Due Process Handbook as part of the next consultation that will be conducted on that document.

EFRAG’s detailed comments and responses to the questions in the ED are set out in Appendix 1.

If you would like to discuss our comments further, please do not hesitate to contact Hocine Kebli, Sedat Saritas or me.

Yours sincerely,

Jean-Paul Gauzès  
**President of the EFRAG Board**

## Appendix 1- EFRAG’s responses to the questions raised in the RFI

### Strategic direction and balances of the IASB’s activities

#### Note to constituents

- 1 *The IASB seeks feedback on the overall balance of the main activities of the IASB. Input is requested on whether the IASB should increase, leave unchanged or decrease its current ‘level of focus’ on each activity. The level of focus reflects the IASB’s estimates of the resources allocated to each main activity over the past three years (technical resources including the IASB and technical staff). The RFI describes the IASB’s main activities and the current level of focus<sup>1</sup> as follows:*
  - (a) *developing new IFRS Standards and major amendments to IFRS Standards (current level of focus: 40%-45%);*
  - (b) *maintaining IFRS Standards and supporting their consistent application (current level of focus: 15%-20%);*
  - (c) *developing and maintaining the IFRS for SMEs Standard (current level of focus: 5%);*
  - (d) *supporting digital financial reporting by developing and maintaining the IFRS Taxonomy (current level of focus: 5%);*
  - (e) *improving the understandability and accessibility of the Standards (current level of focus: 5%); and*
  - (f) *engaging with stakeholders (current level of focus: 20%-25%).*
- 2 *The IASB assumes, in its consultation, that its current level of resources will remain substantially unchanged from 2022 to 2026. Therefore, an increase in the allocation of resources to one activity would mean that fewer resources would be available for other activities.*

#### Question 1 - Strategic direction and balances of the IASB’s activities

- 3 *Paragraphs 14–18 and Table 1 of the RFI provide an overview of the IASB’s main activities and the current level of focus for each activity. We would like your feedback on the overall balance of our main activities.*
  - (a) *Should the IASB increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the IASB should increase or decrease, including your reasons for such changes.*
  - (b) *Should the IASB undertake any other activities within the current scope of its work?*

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<sup>1</sup> The level of focus has been determined by the IASB using estimates of the resources allocated to each main activity over the past three years.

EFRAG’s response

**EFRAG considers that the priorities for the IASB should focus on finalising the projects in its active work plan and conducting on a timely basis the Post-implementation Reviews (‘PIR’) of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*.**

**EFRAG suggests that the IASB considers a limited number of additional projects commensurate with the resources that would be available after setting aside capacity for the execution of the active work plan and the planned PIRs. To that effect, EFRAG has identified priority projects in its detailed response below.**

- 4 EFRAG cannot assign precise proportions to each of the activities of the IASB. However, EFRAG considers the IASB’s priorities in the period 2022-2026 should be:
  - (a) The finalisation of the projects that are already on the IASB’s active work plan; and in particular the ones close to standard setting; and
  - (b) Conducting on a timely basis the PIR of IFRS Standards, such as IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contract with Customers* and IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*.
- 5 EFRAG supports the information in the RFI that the IASB intends to continue prioritising the completion of projects on its current work plan because (a) stakeholders have previously identified these projects as priorities; (b) re-prioritising projects could lead to inefficient starts and stops; and (c) some projects, such as PIRs, are required by the IASB’s due process.
- 6 EFRAG notes the number and importance of projects that are already on the IASB’s work plan which are either close to standard setting (such as Primary Financial Statements, Rate-regulated Activities, Equity Method, the first phase of the PIR of IFRS 9 and Management Commentary) or in the research phase but already well advanced (Dynamic Risk Management, Goodwill and Impairment and Financial Instruments with Characteristics of Equity).
- 7 EFRAG also emphasises the importance of the forthcoming PIRs of several major Standards including IFRS 9 *Financial Instruments* (phases II and III on impairment, and hedge accounting, respectively), IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*. It is important that, as indicated, the requirements of the IFRS Due Process Handbook, reviews of major new IFRSs Standards or amendments are conducted at about 30 to 36 months after their effective date <sup>2</sup>.
- 8 EFRAG supports the information in the RFI that the IASB expects be able to start two to three large projects, or four to five medium-sized projects, or seven to eight small projects (or an equivalent combination of large, medium and small projects), after setting aside capacity to:
  - (a) continue projects already on its work plan as described in Appendix A of the RFI;

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<sup>2</sup> The due process handbook indicates that PiRs are normally carried out two years after the new requirements have become mandatory. The 30- to 36-month period referred to in the same document, factors in the effects of statutory year-ends differing across jurisdictions.

- (b) conduct the required PIRs of IFRS 9, IFRS 15 and IFRS 16; and
  - (c) undertake time-sensitive projects that may arise after the agenda; or example, possible follow-on projects from the required PIRs, if those projects are determined to be priorities.
- 9 As indicated earlier, EFRAG supports this approach where resource needs are identified for execution of the work plan and the PIRs of major Standards before considering additional new projects.
- 10 EFRAG recommends that the IASB only adds a limited number of projects that is commensurate with its expected resources over the period based on the return of experience from the previous agenda consultation. We note that after the 2015 agenda consultation a total of eight research projects were placed on hold in 2016 in an inactive project pipeline (for lack of available resources) and that, five years later, four of these projects<sup>3</sup>, have not been started and their priority is being re-assessed as part of the 2021 agenda consultation.
- 11 Finally, EFRAG notes that the potential impact of the current developments around Sustainability Reporting and that a new Board to set Sustainability Reporting standards that the IFRS Foundation may establish, can impact the activities of the IASB by drawing on its resources. This potential impact is currently unknown, as acknowledged in the RFI but could further limit the IASB’s capacity and consequently will also limit the focus on the active projects in the current work plan and the PIRs on several major Standards.

#### Question to Constituents

- 12 Do you agree with EFRAG’s initial assessment that for the period 2022-2026 finalisation of the IASB’s existing projects and the planned PIRs of, IFRS 9, IFRS 15, IFRS 16 and IFRS 17 should be prioritised before considering a new project?
- 13 If not; which alternative priorities would you suggest?

#### Criteria for assessing the priority of financial reporting issues that could be added to the IASB’s work plan

##### *Note to constituents*

- 14 *The following criteria (contained in Table 2 of the RFI) are considered by the IASB when deciding whether to add a potential project to its work plan:*
- (a) *The importance of the matter to investors.*
  - (b) *Whether there is any deficiency in the way companies report the type or transaction or activity in financial reports.*
  - (c) *The type of companies that the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others.*
  - (d) *How pervasive or acute the matter is likely to be for companies.*
  - (e) *The potential project’s interaction with other projects on the work plan.*
  - (f) *The complexity and feasibility of the potential project and its solutions.*
  - (g) *The capacity of the IASB and its stakeholders to make timely progress on the potential project.*

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<sup>3</sup> PIR of IFRS 5, Hyper-Inflation (Scope of IAS 29), Pollutant pricing mechanisms and Variable and contingent consideration.

- 15 In addition to the primary criteria listed in paragraph 14, the IASB also considers the work streams of other major standard-setters.

**Question 2 - Criteria for assessing the priority of financial reporting issues that could be added to the Board’s work plan**

- 16 Paragraph 21 discusses the criteria the IASB proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan.
- (a) Do you think the IASB has identified the right criteria to use? Why or why not?
- (b) Should the IASB consider any other criteria? If so, what additional criteria should be considered and why?

*EFRAG’s response*

**EFRAG considers the criteria identified by the IASB in the RFI to be appropriate when deciding whether to add a potential project to its work plan. In addition to the criteria identified by the IASB, EFRAG also suggests considering a number of additional factors, in particular the use of non-GAAP information and whether evidence of structuring opportunities exists and needs to be addressed.**

**EFRAG notes that the IASB is using additional ‘practical’ criteria than the four defined in the Due Process Handbook. We suggest for the sake of transparency to consider whether these additional criteria could be considered for the inclusion into the Due Process Handbook as part of the next consultation that will be conducted on this document.**

**Finally, as mentioned already in EFRAG’s comment letter in response to the IASB’s 2015 Agenda Consultation, it is not always obvious how the IASB applied these criteria for specific projects in defining its work plan. While EFRAG does not advocate the introduction of a formalised assessment, an explanation of how the IASB assesses and reconsiders priorities (in particular in situation in which some but not all of the criteria are met) would be helpful.**

- 17 EFRAG generally considers that the seven criteria identified by the IASB are appropriate.
- 18 EFRAG however observes that only the first four criteria are based on the guidance contained in the Due Process Handbook. The IASB has added criteria (5) to (7) as they were considered to be practical. Although EFRAG considers that the additional criteria are useful, EFRAG is concerned that they are not part of the Due Process Handbook. Since all the criteria are considered in combination one with the other, and no particular weight or priority is assigned to each of them, EFRAG recommends the IASB to consider whether the additional criteria could be considered by the IFRS Foundation as fit for inclusion in the Due Process Handbook.
- 19 EFRAG also suggests to the IASB to consider whether the following factors can be used to prioritise financial reporting issues:
- (a) Whether the proliferation of non-GAAP measures is indicative of the fact that some Standards are not considered to reflect the economic reality of transactions.
- (b) Whether evidence of restructuring opportunities exists to achieve an accounting outcome.

- 20 These factors may be included in the consideration of the existing criteria without creating new ones in particular criterion (2) ‘Whether there is any deficiency in the way companies report the type or transaction or activity in financial reports’.
- 21 EFRAG also suggest the IASB emphasises the importance of the relevance and urgency of the matter to preparers as well as the consideration of the importance to investors.
- 22 Finally, As mentioned in EFRAG’s comment letter in response to the IASB’s 2015 Agenda Consultation, it is not always obvious how the IASB applied these criteria for specific projects in defining its work plan. While EFRAG does not advocate the introduction of a formalised assessment, an explanation of how the IASB assesses and reconsiders priorities (in particular in situation in which where some but not all of the criteria are met) would be helpful.

### Financial reporting issues that could be added to the IASB’s work plan

#### *Note to constituents*

- 23 *The RFI seeks feedback on which financial reporting issues the IASB could add to its work plan for 2022 to 2026 that would result in new IFRS Standards or major amendments to IFRS Standards.*
- 24 *In preparation of this agenda consultation, the IASB has conducted outreach (mainly with its advisory bodies and standing consultative groups) to identify potential projects to describe in the RFI. Appendix B of the RFI lists these identified potential projects (including an estimate of its size) and Appendix C of the RFI lists financial reporting issues suggested by only a few stakeholders, which are not described in detail in the RFI.*
- 25 *Appendix B of the RFI also includes some projects that arose from the 2015 Agenda Consultation but have not been started yet (PIR of IFRS 5, Inflation, Pollutant pricing mechanisms and Variable and contingent).*

### **Question 3 - Financial reporting issues that could be added to the IASB’s work plan**

- 26 *Paragraphs 24–28 of the RFI provide an overview of financial reporting issues that could be added to the IASB’s work plan.*
- (a) *What priority would you give each of the potential projects described in Appendix B of the RFI—high, medium or low—considering the IASB’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The IASB is particularly interested in explanations for potential projects that you rate a high or low priority.*
- (b) *Should the IASB add any financial reporting issues not described in Appendix B of the RFI to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the IASB’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the IASB analyse the feedback, when possible, please explain:*
- (i) *the nature of the issue; and*
- (ii) *why you think the issue is important.*



*EFRAG’s response*

**EFRAG provides in Attachment A to this letter its assessment of all the high priority projects which are also identified in the RFI (subject to the considerations contained in our response to the first question about the priority to be given to the execution of the current active work plan and the planned PIRs).**

**In addition, EFRAG suggest that the IASB considers in the possible list of additional projects (with high priority) on (a) Accounting for reverse factoring; (b) Digitisation; and (c) Connectivity between financial and non-financial reporting.**

**Furthermore, EFRAG provides in Attachment B an assessment of the priority on other projects identified in the RFI.**

- 27 Subject to the considerations in its answer to Question 1 about the IASB’s activities and the availability of resources, EFRAG has assessed the priority of the 22 possible additional projects suggested in the RFI.
- 28 Attachment A to this letter contains EFRAG’s assignment of all high priority projects which are also identified in the RFI. Attachment B to this letter contains EFRAG’s priority assignment (high, medium or low) to each of the other potential projects described in the RFI; to be considered for inclusion into the IASB’s work plan for 2022 to 2026.
- 29 EFRAG has assessed in particular that following projects, presented in the RFI, should be given high priority (projects are presented in alphabetical order):
- (a) Climate-related risks;
  - (b) Cryptocurrencies and related transactions;
  - (c) Discontinued operations and disposal groups (PIR of IFRS 5);
  - (d) Government grants;
  - (e) Intangible assets;
  - (f) Other comprehensive income;
  - (g) Reverse Factoring (not included in the RFI as a separate project but possibly as part of the Statement of Cash Flows project);
  - (h) Statement of cash flows and related matters; and
  - (i) Variable and Contingent Consideration;
- 30 In addition to the priorities given to the projects presented in the RFI, EFRAG also identifies the following financial reporting issues which were not included in the IASB’s list (or included with a different scope):
- (a) Reverse factoring;
  - (b) Digitisation;
  - (c) Connectivity between financial and non-financial information;
  - (d) Hedge accounting for insurers; and
  - (e) Dynamic risk management for corporates.
- 31 The scopes of the above project are described in Attachment A.

*Reasons for the suggestions*

- 32 EFRAG has considered a number of factors to identify priority projects:
- (a) Emerging/rising issues and changes in economic conditions or business patterns that are nor or not adequately addressed in current IFRS (Climate-

- related risks; Cryptocurrencies, Intangibles, Digitisation, connectivity between financial and non-financial reporting);
- (b) Known areas of deficiencies in existing standard as evidenced by previous IASB agenda consultation (IFRS 5 – Discontinued operations) and recent research undertaken by EFRAG (Cryptocurrencies, Statement of Cash Flows, Variable and contingent consideration);
  - (c) Identified needs for improvement in practice (IFRS 5 – Discontinued operation; and
  - (d) Gaps or known inconsistencies in existing guidance (Accounting for reverse factoring, Government Grants, Other comprehensive income – recycling criteria).
- 33 Research conducted by EFRAG and other organisations can usefully inform the IASB on many of the above-listed projects and we encourage the IASB to consider collaboration whenever possible. EFRAG has performed research, on variable and contingent considerations, crypto-assets, statement of cash flows, intangibles, non-exchange transactions. In this way the IASB could leverage its own process and create synergies.
- 34 These projects are also included in Attachment A. In case of a different scope proposed by EFRAG, an alternative scope description is provided below.

*Climate-related information*

- 35 The EFRAG Secretariat suggests a more ambitious project than the proposals in the RFI would address more holistically the interconnection between IFRS Standards and sustainability related information. A more holistic approach is supported by the following:
- (a) In the EC consultation on the renewed sustainable finance strategy one question asked whether stakeholders ‘see any further areas in existing financial accounting rules (based on the IFRS framework) which may hamper the adequate and timely recognition and consistent measurement of climate and environmental risks’. The following in particular could be considered:
    - (i) Disclosure on the alignment of the assumptions used for impairment and amortisation of fixed assets with the implications of the Paris Agreement.
    - (ii) Disclosures about how companies factor climate-related risks into the best estimate of provisioning amounts.
    - (iii) (iii) Assessment of IFRS rules on provisioning for future risks, considering (i) the broader implications of climate transition risk and (ii) significant climate-related contingent liabilities and (iii) the impact of biodiversity.
  - (b) A report recently issued by a group of Investors<sup>4</sup> called for company accounts to be ‘aligned with the objectives of the Paris Agreement on climate change. The report notes that ‘there is growing evidence that company accounts are leaving out material impacts linked to accelerating climate change and the associated regulatory response – namely, efforts to decarbonise our economies by 2050 in line with the Paris Agreement on climate change. This means there are risks that both capital and profits associated with activities that are harmful to the climate are overstated, driving excessive investment into damaging activities.’

- 36 The project could investigate the reasons for the omissions and whether further standard setting could provide a solution.

*Connectivity between financial and non-financial reporting*

- 37 Developments in the non-financial reporting area are occurring at both the European and global level including the revision of the Non-financial Reporting Directive (NFRD) and the European Union’s sustainable finance initiatives.
- 38 The issue of interconnection between financial and non-financial reporting will require greater attention in providing a full picture of companies’ reporting. Synergies between financial and non-financial reporting could be explored and may pave the way towards a more holistic and integrated reporting system.
- 39 The perspective of such a technical discussion would still be within the scope of the financial reporting. For example, there is growing momentum in sustainable or responsible investments and the question is to what extent IFRSs accommodate the needs of this growing category of primary users (providers of financial capital). In addition, the project could investigate how financial reporting requirements and in particular disclosure could evolve to facilitate the contextualization or reconciliation with selected key performance indicators generally used to report the outcome of an entity’s policies on ESG matters.

*Digitisation*

- 40 EFRAG has recommended that the IASB better considers the effect on technology in standard setting in several of its recent comment letters<sup>5</sup>. Developments are taking place rapidly with ESEF and other forms of digitisation. Digitisation of reporting information could be considered to be part of the assessment of IFRS Standards, aiming at incorporation.
- 41 To a certain extent we may say that the use of technology is so pervasive in financial reporting that the technologic usability of a given information (from the users’ side) and the complexity of incorporating a new datapoint into the existing financial reporting systems (from the preparers’ side) may already be considered as relevant aspects in assessing the impacts of proposed new standards or amendments. As such, a technical discussion on how to better structure this assessment would support to better incorporate the digitisation angle in the IASB due process and, in general, in standard setting.

*Accounting for reverse factoring*

- 42 IFRS Standards do not provide specific to address reverse factoring and other forms of supply chain financing., although some existing standards may be relevant in determining the appropriate accounting policies (IFRS 9, IAS 1 *Presentation of Financial Statements*, IAS 7). Applying these standards requires significant judgement, particularly, as reverse factoring arrangements can differ significantly.
- 43 In its 2020 comment letter in response to the IASB’s exposure draft ED/2019/7 *General Presentation and Disclosures*, EFRAG called for further guidance in particular:
- (a) on the presentation of the liabilities arising from such transactions (trade payables versus financial debt/borrowing) in the statement of financial position.
  - (b) The presentation in the cash flow statement as an operational cash flow or a financing cash flow in the statement of cash flows.

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<sup>5</sup> For instance, EFRAG’s comment letter in response to the IASB’s Principles of Disclosure DP.

- 44 The IASB’ RFI describes the Statement of Cash Flows project would be limited to cash flow presentation. EFRAG suggested that scope should be broader.

*EFRAG’s assessment of the projects in the RFI list*

- 45 Attachment B contains the other projects described by the IASB with their proposed scopes that are not considered 'high priority' by EFRAG.

The EFRAG has assessed their level of priority (as either medium or low and indicates (with a tick mark) which of the scope alternatives proposed in the RFI we would recommend if the project were to be selected by the IASB (recommended scope is underline and in bold).

**Question 4 – Other comments**

- 46 *Do you have any other comments on the IASB’s activities and work plan? Appendix A of the RFI provides a summary of the IASB’s current work plan.*

*EFRAG’s response*

**EFRAG invites the IASB to reconsider whether the 5 -year consultation cycle is still appropriate and allows the IASB to manage its work plan dynamically.**

- 47 EFRAG observes that after its 2015 Agenda Consultation the IASB changed the frequency of its consultation from 3 to 5 years. The change was made in consideration of the fact that it usually takes longer than three years to complete a major research project and then a subsequent major Standards-level project; and consequently, many of the major projects that form the basis of discussion for one Agenda Consultation will still be on the work plan three years later.
- 48 EFRAG refers to its 2015 comment letter in response to IASB’s Request for Views regarding its comments relating to the IASB’s agenda consultation cycle which expressed reservations about the change.
- 49 EFRAG saw merits in having a triennial indication of support for its work plan would assist the IASB in rendering accountability to the public at large and to those that provide the finance of the IFRS Foundation.
- 50 In- between agenda consultations could allow the IASB to manage its work plan dynamically to address promptly, when needed, new issues and changes in economic circumstances, change priorities if needed to remain in tune with priorities identified by constituent, and provide transparency on these changes. Requests for such changes could also be made by constituents.
- 51 EFRAG suggest that the IASB could reconsider the appropriateness of the frequency of its consultation based on the ‘return of experience’ of the last five year period.

## Attachment A: EFRAG’s identification of priorities for the IASB’s projects described in the RFI

**Note to EFRAG TEG members**

The input to be received from the discussion at the TEG-User Panel joint meeting on 21 April (on the list of priority projects and their scope) is not yet included in the below table. It will be considered in the final drafting.

- 1 The table below presents the high priority projects identified by EFRAG. For each project, the table indicates the possible scopes identified by the IASB in its RFI and the EFRAG Secretariat suggested scope.
- 2 The last column of the table indicates the EFRAG Secretariat’s recommended scope (signalled by a tick mark) when the RFI proposed different options

	<b>Project name</b> (alphabetical order)	<b>IASB proposed scope (if applicable and estimation of project size (S—small, M—medium, L—large))</b>	<b>EFRAG Secretariat suggested scope</b>
1	<b>Climate-related risks<sup>6</sup></b>	<ul style="list-style-type: none"> <li>• Lower the threshold for disclosure of information about sources of estimation uncertainty, including the effect that climate-related risks have on that uncertainty (M)</li> <li>• Broaden the requirements in the Standard on impairment for cash flow projections to be used in measuring value in use when testing assets for impairment (S)</li> <li>• Develop accounting requirements for pollutant pricing mechanisms (L)</li> </ul>	Proposed alternative scope description in paragraph 35 to 36.
2	<b>Connectivity between financial and non-financial reporting</b>	<ul style="list-style-type: none"> <li>• N/A (not included in the IASB RFI list)</li> </ul>	Proposed scope description in paragraph 37 to 39.
3	<b>Cryptocurrencies and related transactions</b>	<ul style="list-style-type: none"> <li>• Develop educational materials</li> <li>• Develop additional disclosure requirements for information on the fair value of cryptocurrencies (S)</li> <li>• Permit cryptocurrencies to be measured at fair value and consider whether recognition of changes in fair value in the statement of profit or loss is appropriate in some circumstances (M)</li> <li>• Consider amending the scope of the Standards for financial instruments to include cryptocurrencies (M)</li> <li>• Develop a Standard for a range of non-financial tangible or intangible assets held solely for investment purposes (L)</li> </ul>	√
4	<b>Digitisation</b>	n/a	Proposed description in paragraph 40 to 41.

	<b>Project name</b> (alphabetical order)	<b>IASB proposed scope (if applicable and estimation of project size (S—small, M—medium, L—large))</b>	<b>EFRAG Secretariat suggested scope</b>
5	<b>Discontinued operations and disposal groups</b>	<ul style="list-style-type: none"> <li>• Reconsider the single line item presentation of discontinued operations and the disclosure requirements (M)</li> </ul>	Undertake a Post-considering a potential expansion in the role of the Board on the possible creation of a new board to develop sustainability reporting of discontinued operations and the

PART A – EFRAG’s response to the IASB Third Agenda Consultation

		<ul style="list-style-type: none"> <li>Undertake a comprehensive review of the Standard (M)</li> </ul>	implementation review
6	<b>Government grants</b>	<ul style="list-style-type: none"> <li>Undertake a comprehensive review of the accounting for government grants (M)</li> </ul>	√
7	<b>Intangible assets</b>	<ul style="list-style-type: none"> <li>Require improved disclosures about intangibles not recognised as assets (M)</li> <li>Require disclosures about the fair value of some intangible assets, especially those held for investment (M)</li> <li>Undertake a comprehensive review of the intangible assets Standard, including the recognition and measurement requirements (L)</li> </ul>	√
8	<b>Other comprehensive income</b>	<ul style="list-style-type: none"> <li>Consider whether to amend the requirements for income and expenses that are classified in other comprehensive income (L)</li> </ul>	√
9	<b>Reverse factoring</b>	<ul style="list-style-type: none"> <li>Not included as a separate project (possibly considered as part of the Statement of Cash Flows project)</li> </ul>	<ul style="list-style-type: none"> <li>Proposed description in paragraph 42 to 44.</li> </ul>
10	<b>Statement of cash flows and related matters</b>	<ul style="list-style-type: none"> <li>Develop more effective disclosures about ongoing maintenance expenses and growth expenditure (S)</li> <li>Consider whether to remove the requirement for financial institutions to produce a statement of cash flows (S)</li> <li>Undertake a targeted project to improve aspects of the statement of cash flows, including information about non-cash movements, such as arising from supply chain financing arrangements (M)</li> <li>Seek to develop a statement of cash flows for financial institutions (M)</li> <li>Undertake a comprehensive review of the Standard for cash flow statements (L)</li> </ul>	√ √ <sup>7</sup>
11	<b>Variable and contingent consideration</b>	<ul style="list-style-type: none"> <li>Make targeted changes to the Standards that describe the accounting for transactions that involve variable or contingent consideration (M)</li> <li>Develop a consistent approach to reporting variable and contingent consideration for all IFRS Standards (L)</li> </ul>	√
12	<b>Hedge Accounting</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	Hedge accounting for insurers
13	<b>Hedge Accounting</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	Dynamic risk management for corporates

<sup>7</sup> In its response to ED on *General Presentation and Disclosures*, EFRAG encouraged the IASB to undertake a separate project on IAS 7 *Statement of Cash Flows* to improve consistency with the new content and structure of the statement of profit or loss.

## Attachment B: EFRAG’s assessment on the other projects proposed by the IASB

- 1 The table below contains the other projects described by the IASB with their proposed scopes that are not considered ‘high priority’ by EFRAG
- 2 The EFRAG Secretariat has assessed their level of priority (as either medium or low) and indicates (with a tick mark) which of the scope alternatives proposed in the RFI we would recommend if the project were to be selected by the IASB .

	IASB Project title	IASB’s Scope description and estimation of project size (S—small, M—medium, L—large)	EFRAG’s level of priority		
			High	Medium	Low
1	Borrowing costs	<ul style="list-style-type: none"> <li>• Undertake a targeted project to improve, clarify or simplify aspects of the borrowing costs Standard (S)</li> <li>• Undertake a comprehensive review of the Standard (M)</li> </ul>			√
2	Commodity transactions	<ul style="list-style-type: none"> <li>• Develop requirements for some of the most common types of transactions involving commodities—for example, commodity loans (M)</li> <li>• Undertake a broader project on commodity transactions (L)</li> <li>• Develop a Standard to set out accounting requirements for a range of non-financial tangible or intangible assets held solely for investment purposes (L)</li> </ul>		√	
3	Discount rates	<ul style="list-style-type: none"> <li>• Reconsider discount rate requirements in all IFRS Standards and, when appropriate, eliminate variations in present value measurement techniques (L)</li> </ul>		√	
4	Employee benefits	<ul style="list-style-type: none"> <li>• Review the requirements in the employee benefits Standard on the rate used to discount pension liabilities in the absence of a deep market in high-quality corporate bonds (M)</li> <li>• Develop accounting requirements for hybrid pension plans (L)</li> <li>• Undertake a comprehensive review of the Standard (L)</li> </ul>			√ √
5	Expenses—Inventory and cost of sales	<ul style="list-style-type: none"> <li>• Undertake a comprehensive review of the accounting for inventory costs and cost of sales (L)</li> </ul>		√	
6	Foreign currencies	<ul style="list-style-type: none"> <li>• Undertake a targeted project to improve aspects of the accounting for foreign currencies (M)</li> <li>• Undertake a comprehensive review of the Standard (L)</li> </ul>		√	

PART A – EFRAG’s response to the IASB Third Agenda Consultation

	IASB Project title	IASB’s Scope description and estimation of project size (S—small, M—medium, L—large)	EFRAG’s level of priority		
			High	Medium	Low
7	Going concern	<ul style="list-style-type: none"> <li>• Develop enhanced requirements on how management should assess whether the going-concern basis of preparation is appropriate (M)</li> <li>• Develop enhanced specific disclosure requirements about the going concern assumption (M)</li> <li>• Develop requirements to specify the basis of accounting that applies when an entity is no longer a going concern (L)</li> </ul>		√	
8	Income taxes	<ul style="list-style-type: none"> <li>• Develop educational materials</li> <li>• Develop accounting requirements for emerging types of taxes (S)</li> <li>• Develop enhanced disclosures about income taxes (M)</li> <li>• Undertake a comprehensive review of income tax accounting (L)</li> </ul>			√
9	Inflation	<ul style="list-style-type: none"> <li>• Assess whether accounting requirements for hyperinflationary economies could be extended to economies subject to high inflation (S)</li> <li>• Undertake a comprehensive review of the accounting requirements for hyperinflationary and high-inflation economies (L)</li> </ul>			√
10	Interim financial reporting	<ul style="list-style-type: none"> <li>• Develop enhanced disclosure requirements to provide an update on the latest complete set of annual financial statements (S)</li> <li>• Clarify what transition disclosures are required in interim financial statements in the first year of applying a new Standard or major amendment (S)</li> <li>• Address interim accounting issues in each new IFRS Standard or major amendment as it is developed (M)</li> <li>• Undertake a comprehensive review of Standard (L)</li> </ul>			√
11	Negative interest rates	<ul style="list-style-type: none"> <li>• Develop specific accounting requirements for negative interest rates (M)</li> </ul>		√	
12	Operating segments	<ul style="list-style-type: none"> <li>• Undertake targeted improvements to the segment aggregation criteria and develop enhanced disclosure requirements about operating segments (M)</li> </ul>		√	
13	Pollutant pricing mechanisms	<ul style="list-style-type: none"> <li>• Develop accounting requirements for various types of pollutant pricing mechanisms (L)</li> </ul>		√	
14	Separate financial statements	<ul style="list-style-type: none"> <li>• Develop more disclosure requirements in separate financial statements (S)</li> <li>• Address some of the specific application questions about separate financial statements (M)</li> <li>• Undertake a comprehensive review of the Standard for separate financial statements (L)</li> </ul>			√



***PART B – EFRAG’s REQUEST FOR INPUT ON ITS PROACTIVE AGENDA -***

## **PART B - EFRAG's Request for Input on its Proactive Research Agenda**

### **The purpose of EFRAG's proactive research activities**

- 1 EFRAG undertakes proactive research activities with four strategic aims:
  - (a) Engage with European constituents to ensure we understand their issues and how financial reporting affects them;
  - (b) Influence the development of global financial reporting standards;
  - (c) Provide thought leadership in developing the principles and practices that underpin financial reporting; and
  - (d) Promote solutions that improve the quality of information, are practical, and enhance transparency and accountability.
- 2 EFRAG conducted its prior agenda consultation in 2018. Based on the input received, EFRAG added the following projects to its proactive agenda:
  - (a) Better information on intangibles;
  - (b) Accounting for Crypto-Assets (Liabilities); and
  - (c) Variable consideration.
- 3 As these projects are being finalised, EFRAG will initiate new proactive activities. EFRAG accordingly welcomes views on which projects it should perform proactive activities.

### **Selection of proactive research projects**

- 4 EFRAG initially considers that its decision on which proactive projects to initiate, should be based mainly on European constituents' views on the importance of the various projects considered for the IASB's agenda consultation (that is the projects listed in Attachment A (on page 13 above) and Attachment B (on page 15 above) accompanying EFRAG's (draft) comment letter to the RFI and any additional projects suggested by constituents).
- 5 Among the projects considered most important by European constituents, EFRAG could choose for its own proactive agenda those projects that will not be finally selected for inclusion on the IASB's workplan. In this manner EFRAG would focus its resources for proactive activities mainly on projects that would influence the IASB's post 2026 work. In doing so, EFRAG could provide thought leadership on these areas which could be included on the IASB's future workplan. EFRAG would in any case work on the other projects selected by the IASB in its Agenda as part of EFRAG work on influencing the IASB's activity.
- 6 This approach would mean that new EFRAG proactive research activities would not begin before mid-2022. In the period until mid-2022, EFRAG would focus on the current research projects listed in paragraph 2 above including possible follow-up on published discussion papers on these projects.
- 7 When the IASB has decided which projects to add to its workplan, EFRAG will then add to its proactive research agenda new projects based on the importance for European constituents and to achieve a balance between influencing projects on the IASB's 2022 – 2026 workplan and projects that should influence future workplans and projects of the IASB. EFRAG would first finalise projects that would

## *PART B - EFRAG pro-active agenda consultation*

aim at providing input to the projects to be included on the IASB's 2022 – 2026 workplan.

### **EFRAG resource allocation reactive/proactive work**

The efforts allocated to the proactive research projects normally account for approximately one third of the total internal secretariat staff. In 2020 several parallel consultation processes by the IASB (including big projects such as on the ED *General Presentation and Disclosure* and on the DP *Business Combinations, Disclosures and Goodwill Impairment*) resulted in the need for EFRAG to intensify the efforts to run outreaches and engage in dialogue with stakeholders, also in consideration of the pandemic conditions. Urgent and not planned projects such as the IBOR Phase 2 and the Amendments to IFRS 16 Covid related rental concessions absorbed as well resources, as well as the activities required for the urgent finalization of the endorsement of IFRS 17. As a result, the effort dedicated to proactive research activities has recently been lower than usual. EFRAG considers that the target of one third share should be confirmed also for the future.

#### **Questions to constituents**

- 8 Do you agree that the most important projects for which EFRAG should perform proactive activities, would be among the projects European constituents consider most important to address in relation to the IASB's agenda consultation (that is the projects listed in Attachment A (on page 13 above) and in Attachment B (on page 15 above)? If not, what projects would be more/less important to add to EFRAG's proactive agenda than to the IASB's workplan?
- 9 Do you agree that EFRAG should follow the procedure described in paragraphs 5 - 7 when selecting projects to be included on its proactive agenda? If not, why?
- 10 On average, what do you think the ratio between resources EFRAG spend on proactive work and reactive work should be?