

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG-CFSS. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG-CFSS. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

Third IASB Agenda Consultation and EFRAG Proactive Research Agenda

Issues Paper

Objective and structure of the discussion

- 1 The objective of the session is to seek inputs of CFSS members on EFRAG initial views on the IASB's agenda consultation RFI. Inputs obtained in the EFRAG CFSS-TEG session will help us to prepare EFRAG's comment letter in response to the IASB's RFI. Comments already provided by members at EFRAG TEG-CFSS 16 June meeting will be taken into consideration in EFRAG's comment letter.
- 2 For ease of discussion, this session will be divided into three parts:
 - (a) Strategic direction – selection criteria used;
 - (b) Financial reporting issues to be added to the IASB's work plan; and
 - (c) EFRAG's proactive research agenda consultation.

Background

- 3 The IASB is required to undertake a public consultation on its work plan every five years. The [RFI](#) was published on 30 March 2021 and covers the IASB's activities over the period 2022-2026.
- 4 The primary objective of the IASB's agenda consultation is to seek public comments on:
 - (a) the strategic direction and balance of the IASB's activities;
 - (b) the criteria for assessing the priority of financial reporting issues that may be added to the IASB's work plan; and
 - (c) priority projects i.e., financial reporting issues that should be given priority in the IASB's work plan.
- 5 The following timetable is envisaged:

Date	Activity
27 September 2021	Request for Information comment deadline

28 September 2021	EFRAG TEG to recommend a final comment letter to the EFRAG Board
8 October 2021	EFRAG Board to approve a final comment letter
Q4 2021	Start of IASB Board deliberations
Q2 2022	Finalise 2022–2026 work plan and issue feedback statement

- 6 EFRAG is combining its public consultation on its tentative response to the IASB’s RFI with its own proactive research agenda consultation to foster synergies and alleviate the burden for respondents. Both the IASB and EFRAG are consulting on their future agendas based on their current roles and scope of activities in financial reporting and assuming current level of resources will remain substantially unchanged over the considered period. The consultations do not anticipate on future possible roles of the respective organisations in sustainability reporting.
- 7 EFRAG published a [joint consultation document](#) on 20 May 2021 which is open for public consultation until 17 September 2021. This document includes EFRAG’s draft response to the IASB’s agenda consultation and EFRAG’s request for input on its proactive research agenda consultation. Respondents may provide their reply by responding to an online survey (available [here](#)) or by submitting a formal comment letter.
- 8 On 27 July, EFRAG issued a podcast that provides insights on EFRAG’s Joint consultation on IASB’s future agenda and EFRAG’s proactive research agenda.
- 9 EFRAG held an outreach event on 9 September together with Accountancy Europe, BusinessEurope, EFFAS and the IASB. The objective of the event was to encourage responses on the joint consultation document.
- 10 At the moment of writing this paper, 2 comment letters have been received to the consultation. At the meeting, the EFRAG Secretariat will provide a short oral summary of the letters received till the date of the meeting.

EFRAG’s preliminary views

EFRAG’S DRAFT RESPONSE TO THE IASB’S AGENDA CONSULTATION

Strategic direction and balances of the IASB’s Activities

- 11 On the strategic direction and balance of the IASB’s activities, EFRAG’s preliminary view is that the balance of activities, as indicated in the RFI, is appropriate and should not be substantially modified over the 2022–2026 period. EFRAG also considers that the priorities for the IASB should be to finalise the projects on its active work plan and conduct on a timely basis the planned Post-implementation Reviews of major standards.
- 12 EFRAG believes that the activities in relation to digital reporting could be increased as the current 5% of resources devoted to the ‘supporting digital financial’ seems to be low due to the importance of technology-based use of financial statements. EFRAG is also of the view that the connectivity between financial reporting and sustainability reporting should be identified as an additional and separate area of activity of the IASB to address the connectivity between sustainability reporting and financial reporting.

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

- 13 EFRAG considers the four criteria contained in the Due Process Handbook are appropriate when deciding whether to add a potential project to its work plan. EFRAG understands that the criteria for adding a potential project to the work plan (paragraph 5.4 of the Due Process Handbook) are to be differentiated from the criteria that are used when holding an Agenda Consultation. Hence, the latter criteria can be broader in nature.
- 14 EFRAG recommends that, before using criteria other than those identified in paragraph 5.4 of the Due Process Handbook, these criteria are first submitted to a proper due process as part of a review of the Due Process Handbook. Alternatively, only the criteria mentioned already in paragraph 5.4 of the Due Process Handbook are to be used..
- 15 EFRAG also suggests considering secondary additional factors, in particular the use of non-GAAP information as it may indicate that a Standard does not reflect the economic reality of transactions and whether evidence of structuring opportunities exists to achieve an accounting outcome. These factors could be included as part of the existing criteria.

Question for EFRAG CFSS

- 16 Do members have comments on EFRAG's preliminary views on strategic direction and balances of the IASB's activities?
- 17 Do members have comments on EFRAG's preliminary views on the IASB's criteria for assessing the priority of financial reporting issues that could be added to its work plan?

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

- 18 On the priority projects for the IASB's work plan, EFRAG assessed the 22 projects described in the IASB's RFI and identified a number of additional high priority projects. Overall, EFRAG has assessed that the following six projects should be given the highest priority by the IASB (projects are presented in alphabetical order)

- (a) *Connecting financial and sustainability reporting, starting from climate-related financial implications:*

The importance of this project is increasing strongly as both at European and global level initiatives are started to develop/enhance directives for sustainable reporting. The issue of connecting financial reporting and sustainability reporting will require greater attention in providing a full picture of companies' reporting. Synergies between financial and sustainability reporting could be explored and may pave the way towards a more holistic and integrated reporting system. Climate-related financial implications are to be considered as a starting point. However, the aim should be to address environmental, social, and governance (ESG) matters comprehensively. EFRAG therefore suggests a more ambitious project on climate-related financial implications than the proposals in the RFI (see IASB's suggested scope in Appendix B of [RFI](#)). This project would address more holistically the connectivity between IFRS Standards and sustainability reporting.

(b) *Crypto-assets and related transactions*¹;

EFRAG is currently performing outreach activities on this project and considers it important to have consistent and clear accounting principles for crypto-assets and related transactions.

(c) *Discontinued operations and disposal groups*;

EFRAG suggest the IASB to undertake a PIR review of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

(d) *Intangible assets*¹;

EFRAG suggest a comprehensive review of the intangible assets Standard, including the recognition and measurement requirements. EFRAG has issued a Discussion Paper on this issue. It discusses the different options available for providing better information on intangibles and is open for consultation until 30 June 2022. EFRAG has also published an academic literature review, which can be found [here](#).

(e) Statement of cash flows and related matters; and

EFRAG suggests a comprehensive review of the Standard for cash flow statements, including a review of its cohesiveness with PFS and the effects of existing presentation options.

(f) *Variable and contingent consideration*¹.

EFRAG suggests the IASB to develop a consistent approach to reporting variable and contingent consideration for all IFRS Standards. EFRAG is currently working on a Discussion Paper on this issue.

- 19 Appendix 1 contains a list of the remaining projects included in the IASB's RFI and other priority projects identified by EFRAG but not included in the RFI. Unlike the projects included in paragraph 18 above, the projects listed in Appendix 1 are not deemed to have the highest priority.

Question for EFRAG CFSS

- 20 Do members agree with EFRAG's initial list of six highest priority projects included in paragraph 18 above for the IASB's work plan?
- 21 Do members have any comments on EFRAG's level of priority assigned to each of the projects included in Appendix 1?

EFRAG'S PROACTIVE RESEARCH AGENDA CONSULTATION

- 22 In the Part B of the [joint consultation document](#), EFRAG is consulting on which projects to include on its proactive research agenda. The consultation document suggests that EFRAG should base its decision on the project for which it should undertake proactive work on:
- (a) European constituents' views on the importance of the various projects considered for the IASB's agenda consultation.

¹ EFRAG's own proactive work on this project could influence an IASB's project.

- (b) A short list of four projects which are considered important by European constituents and particularly suitable for an EFRAG proactive research project. The consultation document suggests the following projects to be included on that list:
- (i) connecting financial and sustainability reporting, starting from climate related financial implications (scope is explained in paragraph 18(a) above);
 - (ii) digital reporting (scope is explained in the consultation document);
 - (iii) operating segments;
 - (iv) supply chain financing (including reverse factoring).
- 23 EFRAG will only be able to select a limited number (in this case less than five) of the projects that would result from (a) and (b) above.
- 24 It follows from the above approach that EFRAG could choose for its own proactive work those projects that will not be selected for inclusion on the IASB's workplan. Therefore, EFRAG would focus on projects that would influence the IASB's work post 2026.
- 25 In the consultation document, EFRAG proposes that it should spend one third of its technical resources on proactive research projects.

Question for EFRAG CFSS

- 26 Do members have any initial comments to the approach outlined in paragraphs 22- 24 for the selection of the projects to be included on EFRAG's proactive research agenda?
- 27 Do members have any comments on the proposal that EFRAG should spend one third of its technical resources on proactive research projects?
- 28 Do members have any other comments on EFRAG's preliminary views included in the joint consultation document?

Appendix 1: EFRAG's assessment on other projects

29 The list below includes other projects suggested in the RFI as well as projects identified by EFRAG different than projects included in paragraph 18 above. EFRAG's level of priority initially assigned to each project is also included below. The description of each project as well as EFRAG suggested scope are included in pages 20 to 22 of EFRAG draft comment letter ([here](#)).

Projects	EFRAG's level of priority		
	High	Medium	Low
Borrowing costs			√
Commodity transactions		√	
Digital Reporting	√		
Discount rates		√	
Dynamic risk management other than for interest rate by banks	√		
Employee benefits			√
Expenses — inventory and cost of sales		√	
Foreign currencies		√	
Going concern	√		
Government grant		√	
Hedge accounting for insurers	√		
Income taxes		√	
Inflation			√
Interim financial reporting			√
Negative interest rates		√	
Operating segments	√		
Other comprehensive income	√		
Pollutant pricing mechanism ²	√		
Separate financial statements		√	
Supply chain financing (including reverse factoring)	√		

² This topic would be addressed as part of EFRAG's suggested high priority project on climate-related information (see paragraph 18(a))