EFRAG
European Financial Reporting Advisory Group

ANNUAL REVIEW 2019

THOUGHT LEADERSHIP, TRANSPARENCY AND PUBLIC ACCOUNTABILITY

ABOUT EFRAG

EFRAG - European Financial Reporting Advisory Group - is a private not-for-profit association established in 2001 with the encouragement of the European Commission to serve the public interest. EFRAG's member organisations are European stakeholder organisations and national organisations with an interest in financial and corporate reporting and a commitment to EFRAG's public interest mission.

MISSION STATEMENT

EFRAG's mission is to serve the European public interest by developing and promoting European views in the field of financial reporting and ensuring these views are properly considered in the IASB standard-setting process and in related international debates. EFRAG ultimately provides advice to the European Commission on whether newly issued or revised IFRS Standards meet the criteria in the IAS Regulation for endorsement for use in the EU, including whether endorsement would be conducive to the European public good. EFRAG stimulates innovation in corporate reporting through the European Corporate Reporting Lab's work in sharing good practices, which also complements and contributes to our work on financial reporting.

EFRAG seeks input from all stakeholders, and obtains evidence about specific European circumstances, throughout the standard-setting process and in providing our endorsement advice. Our legitimacy is built on transparency, governance, due process (which may include field tests, impact analyses and outreaches), public accountability and thought leadership. This enables EFRAG to speak convincingly, clearly and consistently, and be recognised as the European voice in financial reporting.

EFRAG Statutes and Internal Rules

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INTERVIEW WITH THE EFRAG BOARD PRESIDENT AND THE EFRAG CEO

Cecile Etevenot interviews EFRAG Board President Jean-Paul Gauzes and EFRAG CEO Saskia Slomp

Let's start with the current scary and unprecedented circumstances of the COVID-19 crisis: how is EFRAG coping?

Jean-Paul Gauzès: Indeed, 2020 so far has been deeply disturbed by the spread of the COVID-19, reaching in a few weeks the level of global pandemic. In March, it became clear that Europe was hit by the disease. It soon meant radical lockdown measures by governments all over Europe. The COVID-19 pandemic is affecting every organisation and making all of us rethink how we work and live. It has rapidly upturned our economy and our expectations of normal family life. The anxiety it has created is tangible and impacts individuals' resilience, employment and continuity of businesses. We will face a period in which health, above all, remains the key priority for the coming months and beyond. It will be the biggest challenge we have faced during the last decades, not forgetting the economic downturn it will trigger.

Saskia Slomp: Our first measures at EFRAG were to ensure the health and safety of our staff and members, by shifting all physical meetings into webcast meetings. Furthermore, to ensure the continuity of EFRAG's activities, in the safest conditions possible, the EFRAG Secretariat is working from home, thanks to our electronic support system, internet connections and webcasting facilities.

We also offered more flexibility in the time allocated to constituents to respond to our consultations and proposed webinars to stakeholders who had expressed their interest in our spring-early summer scheduled events.

In the peculiar circumstances in which we are living, we have asked the IASB to extend some of the consultation periods on their documents that are not time critical. It would provide constituents with additional time and allow them to obtain the required feedback through outreaches and other events. We welcome the responsiveness of the IASB.

As EFRAG Secretariat, we are confident that we can maintain our support for EFRAG's activities and contribute to the development of high-quality deliverables and positions during this difficult period.

Back to the core activities of EFRAG: what are the main projects on which EFRAG has been influential in 2019?

Jean-Paul Gauzès: I would like to firstly mention the IASB project on the amendments to IFRS 17 *Insurance Contracts*. In 2018, a list of issues was brought to the attention of the IASB by EFRAG and other stakeholders. The issues had been discussed during the preparation of the endorsement advice on IFRS 17 and identified during the implementation of the Standard. Subsequently, the IASB proposed amendments to IFRS 17 in an Exposure Draft issued in June 2019 on which EFRAG commented. Furthermore, I would like to signal that EFRAG's work on IFRS 17 has been highlighted by the European Commission in its report to the European Parliament and Council of October 2019 as one of EFRAG's key achievements.

Another element worthwhile mentioning is the work we have undertaken at the request of the European Commission on the accounting for long-term equity instruments. After issuing our advice, published in January 2020, the European Commission has written to the IASB in March 2020 requesting a review of the non-recycling treatment of equity instruments within IFRS 9 *Financial Instruments*.

Additionally, I would like to mention our thought leadership exercised through our research work contributing to European and global discussions, notably our research projects on intangibles and crypto-assets and liabilities.

Saskia Slomp: We should also mention our new activity in the non-financial information domain. The European Lab has, during 2019, worked on its first project on

climate-related reporting. The Project Task Force has published its report on good reporting practices in the beginning of February 2020, in time for the 2019 climate reporting exercise by most companies. By sharing good practices, the European Lab hopes to have an impact on the reporting of companies, in particular companies that are less advanced in this domain. We also noted that out of the 150 companies reviewed, there were no companies scoring a good mark on all aspects of climate-related reporting. Many companies can therefore benefit from the European Lab report.

How does EFRAG ensure that the European voice is heard in the corporate reporting world?

Saskia Slomp: First of all, if we want to be heard, we need to provide high quality documents expressing our positions. These positions are developed after consultation with EFRAG's stakeholders through a transparent public due process. In this way the diversity of accounting, economic models and views in Europe are considered when developing EFRAG's positions. EFRAG's due process also includes field tests, impact analyses, early stage analyses and outreaches to obtain input from a wider range of stakeholders. With our research work we provide thought leadership influencing the European and global debate. Strong relationships with key stakeholders in Europe but also at international level are essential in bringing European views to the international debate. In this way, EFRAG expresses the European voice in financial reporting. Also, the work of the European Lab complements and contributes to our work in financial reporting. Then there is of course the question of how to communicate to the wider range of stakeholders.

Jean-Paul Gauzès: As EFRAG Board President, communication is one of my key responsibilities. I am committed to ensure a broad visibility of EFRAG's views in the field of corporate reporting. I believe effective communication is a crucial element to success and we make continuous efforts in developing and improving our communication. In 2019 we increased our visibility on social media. Our followers increased substantially. A more recent novelty for EFRAG were the two videos we published, one entitled *EFRAG in 100 seconds* setting out the EFRAG mission and EFRAG's main activities. The second video, launched in February 2020, was an animation video illustrating the European Lab and its activities. To capture the attention of social media users interested in financial reporting, we also regularly produce brief videos presenting our work and asking them to provide their comments.

In 2019, we organised with success two public conferences. In March, EFRAG planned the launching event of the European Corporate Reporting Lab @ EFRAG, with the presence of Executive Vice-president Valdis Dombrovskis. In November, EFRAG gathered high-level speakers to discuss financial reporting and regulation for a conference entitled *IFRS & Regulation: Searching for Common Ground*. EFRAG's webcasting system allows participants from all over the world to follow the event on-line.

Public conferences, workshops and outreach events are valuable instruments for EFRAG to fulfil its mission: making the European voice in financial reporting heard and recognised.

As mentioned above, the European Lab became fully operational in 2019. Has it met your expectations?

Jean-Paul Gauzès: The European Lab was established within the framework of the European Commission 2018 Action Plan for Sustainable Finance. In February 2019, the European Lab launched its first project undertaken by the Project Task Force on Climate-related Reporting. I am proud to say that the Project Task Force members committed with enthusiasm to their tasks and fulfilled their mission in less than a year with the publication of *How to improve climate-related reporting? A summary of good practices in Europe and beyond*. The European Lab published its report in an environment-friendly, interactive and digital form, which invites readers to navigate through the content and zoom in on the 58 identified examples of good reporting practices. I would like to thank all Project Task Force members for making it possible, delivering a high-quality project within one year.

Saskia Slomp: It is important to mention that the European Lab carried out a public consultation on its future agenda to which a wide range of stakeholders responded. Also, the feedback from a well-attended outreach event in Brussels, in which a large number of persons participated, physically and on-line, was influential. On the basis of these results, the European Lab Steering Group decided that the second project would address the reporting of non-financial risks and

opportunities, and linkage to the business model. This project will start in the second quarter of 2020.

Jean-Paul Gauzès: The European Lab has brought us into the sustainability reporting domain. I want to underline that we are very honoured by the invitation of Executive Vice-President Dombrovskis, in his speeches in January and February 2020, for EFRAG to begin preparatory work for a process to develop European non-financial reporting standards as quickly as possible. We are looking forward to undertaking further steps in the non-financial reporting domain with our wide experience in financial reporting and the initial experience with the European Lab activities.

How does EFRAG ensures its independence?

Jean-Paul Gauzès: Since the Maystadt reform EFRAG has a two-tier model. The EFRAG Board takes decisions on all EFRAG positions and EFRAG TEG provides its technical advice to the EFRAG Board. Indeed, the question raised from time to time is whether EFRAG remains sufficiently independent from industry and other interests.

I personally strongly believe that EFRAG is independent and should be independent from all stakeholder groups and European Institutions.

EFRAG's governance and notably the composition of the EFRAG Board combined with the robust EFRAG due process, and operating on a consensus basis, safeguards the independence of the EFRAG Board. Only if EFRAG is independent can it bring respected European views to the international standard setting process and be a reliable technical advisor to the European Commission.

However, one should realise that in contrast with EFRAG TEG, a group of technical experts who pledge acting in full independence, the EFRAG Board is composed of representatives nominated by EFRAG's member organisations. EFRAG Board members represent not only the position of their organisation but work also in the European public interest. In arriving at our positions, it is essential that we listen to all stakeholders from all industries and professional backgrounds. My personal opinion is that the EFRAG Board, operating by consensus and its composition mirroring the wide range of EFRAG stakeholders, ensures the independence of EFRAG.

How can EFRAG ensure, as a public interest organisation, its funding?

Jean-Paul Gauzès: EFRAG's legitimacy is built on transparency, governance, due process, public accountability and thought leadership. EFRAG operates in the public interest. Many of EFRAG's activities including the meetings of the EFRAG Board and EFRAG TEG, the agenda papers and supporting documents for these meetings, (Draft) Comment Letters, (Draft) Endorsement Advices and our Discussion Papers are in the public domain. This level of transparency supports EFRAG's credibility and is essential in bringing the European voice to the IASB and the international standard setting process.

Saskia Slomp: I would like to add that it also means that all stakeholders have access to almost all of EFRAG's activities and documents. But this would not be possible without funding. EFRAG operates under a public and private funding model. The European Commission provides the public funding. European Stakeholder Organisations and National Organisations provide the private funding. Ideally all EEA countries should, through National Organisations and all European stakeholder organisations with an interest in corporate reporting, be involved in EFRAG's activities and contribute to its funding. In the current European context, we are aware that Brexit will have implications. EFRAG calls on the European Commission and the European Parliament to stimulate and support the extension of EFRAG's membership, thus ensuring that EFRAG has a wider geographical spread.

Jean-Paul Gauzès: We are working on the future finance structure of EFRAG to ensure a longer-term equitable funding structure for EFRAG. The steps EFRAG is taking in the non-financial reporting domain will also be considered in the search for EFRAG's finance structure going forward. Through this process, we are confident to ensure EFRAG 's activities in the financial reporting and non-financial information domain.

In 2019 EFRAG saw quite some changes in its management team, how did this impact the organisation?

Jean-Paul Gauzès: In 2019, we experienced a renewal of our management team. Andrew Watchman had to leave his role as EFRAG TEG Chair and CEO at the end of March 2019, after a three-year mandate. I am very grateful for his valuable contribution to EFRAG and regret that he had to leave because of Brexit.

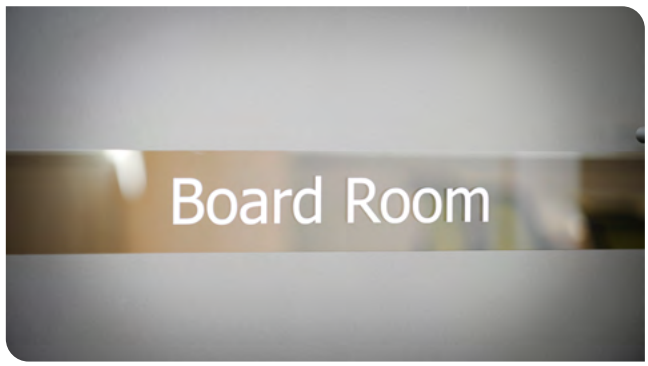
It gave us the opportunity to redesign our management team. The roles of EFRAG TEG Chair and EFRAG CEO are now split as foreseen in the EFRAG Statutes. In April 2019, Chiara Del Prete assumed the role of EFRAG TEG Chairwoman on a full-time basis for a three years term. She is responsible for leading EFRAG's technical activities. Saskia Slomp has been promoted to the CEO position. Working in a tandem and together with me, we provide the leadership and support to the wide range of EFRAG's activities.

Saskia Slomp: We saw in 2019 the departure of both our Research Director and our Technical Director. We are very appreciative of their contributions. Patricia McBride decided to retire at the end of November after having been almost 6 years at EFRAG in the role of EFRAG Technical Director. In November we welcomed Kathrin Schöne as Project Director. In 2020 we hope to welcome a second Project Director. Especially in times of the COVID-19 crises, the good cooperation in place in the management team and the commitment and dedication of the EFRAG staff is ensuring the smooth operations of EFRAG in these difficult circumstances.

What is coming next for EFRAG?

Jean-Paul Gauzès: I mentioned several of these elements and developments already. For 2020, the IASB has an ambitious agenda with consultation papers on a wide range of financial reporting issues. Also, with extended deadlines due to the COVID-19 crisis it will be a challenge for EFRAG to obtain the input of its stakeholders, since we also plan to undertake outreaches and early impact analyses for the major projects. Input of the stakeholders in Europe is essential for developing the EFRAG positions and thus for presenting the European voice in the international standard setting process.

Of course, we should also mention the endorsement advice on IFRS 17 *Insurance Contracts* which will be on



almost every, if not all, EFRAG Board meeting agendas in 2020.

I already mentioned the further steps EFRAG is invited to undertake in the non-financial information domain that has attracted increasing attention in the European Commission's Green Deal. Also, the second project of the European Lab on non-financial risks and opportunities and linkage to the business model will be undertaken in 2020.

Saskia Slomp: From a more governance and strategy-oriented perspective 2020 will be an important year. The unforeseen and scary circumstances we are living in at present will have major consequences for the economy, and all of us involved. We will also experience the implications of Brexit and need to consider the implications for EFRAG's governance and operations. We will be looking at our mission and strategy together with our member organisations and develop our Strategic Plan 2021-2024 in relation to our renewed finance structure.

The EFRAG management would like to take this opportunity to thank our member organisations, all members of our EFRAG Board, EFRAG TEG, European Lab Steering Group, the committees, working groups, task forces and advisory panels, our stakeholders and the EFRAG Secretariat for their valuable contributions and hard work. We need the contributions of all of you to make EFRAG influential and successful now and in the future.

After working for several years in good cooperation with the Director General at DG FISMA, Olivier Guersent, and following his departure, EFRAG is looking forward to a fruitful collaboration with his successor John Berrigan.

REPORT FROM THE EFRAG TEG CHAIRWOMAN

Since 1 April 2019, Chiara Del Prete assumes the role of EFRAG TEG Chairwoman on a full-time basis. During her term she is responsible for leading EFRAG's technical activities.

With broad professional experience in financial reporting – as auditor, preparer and advisor – Chiara Del Prete was previously a Partner at Mazars. From 2011 to 2016, she was responsible for the accounting principles and disclosure of a listed and internationally active banking group. Over the past 10 years Chiara has been an active player and contributor in senior fora on financial reporting and standard setting at international level and engaged in technical dialogues with regulators and standard setters.

Dear stakeholders,

I am writing this report after my first intense and rewarding year as EFRAG Chairwoman, since April 2019 when I succeeded Andrew Watchman. I feel excited but yet respectful of the key responsibilities that accompany this new role, particularly as I believe that EFRAG has a central role to play in serving the public interest, and providing relevant contributions to the development of IFRS Standards that meet the European needs.

This annual report describes the key achievements of EFRAG in 2019, with the main highlights discussed below.

EUROPE SPEAKING WITH ONE VOICE

EFRAG expressed a consensus view in response to the IASB Exposure Draft issued in September 2019 on the Amendments to IFRS 17 *Insurance Contracts*, after a thorough due process. The diversity of views, which in turn reflects the peculiarities of the different markets and jurisdictions, is an invaluable European asset. However, to be influential in the international debate Europe needs to speak with a single voice, particularly when approaching the end of the standard setting process. During this phase, EFRAG has consistently focused on the major challenges that exist in Europe, with the ultimate goal of achieving a robust and operable high-quality Standard, that lasts and is able to reflect the peculiarities of the different markets. Users, preparers and the entire financial reporting community are committed to this common goal. This achievement has been possible thanks to the constructive dialogue of all the parties involved and to the development of a comprehensive evidence-based technical assessment.

SERVING OUR STAKEHOLDERS

During 2019 we have had, on a monthly basis, a full-day of technical discussions with insurance industry experts (preparers, auditors, users) notably the EFRAG Insurance Accounting Working Group, followed by a debate at EFRAG TEG and an update at the EFRAG Board of the feedback and evidence obtained. At the same time, the multiple surveys and ongoing outreach initiatives undertaken by the EFRAG insurance team along the year, has helped to gather the evidence needed for EFRAG's endorsement process. All these efforts provide tangible evidence of an ongoing and high-quality dialogue with our stakeholders.

I would also like to mention the unprecedented short consultation period and supporting Endorsement Advice that EFRAG has been able to deliver on the IASB Exposure Draft on the Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* (the Amendments). These Amendments respond to the potential risk of accounting disruption resulting from the IBOR reform. The Exposure Draft was issued in May 2019, and the final Amendments in September. Adopting an exceptionally short due process and thanks to the cooperation of all the stakeholders involved (EFRAG, IASB, banking community, European Commission, European Parliament), the European Commission completed its endorsement process in January 2020; in time to allow European entities to benefit from the collective reliefs offered by the Amendments in preparing their 2019 financial statements.

RESEARCH THAT MATTERS

The research work undertaken in 2019, resulted in EFRAG publishing in January 2020 its advice to the European Commission, on alternative accounting treatments to measurement at fair value through profit or loss for equity and equity-type instruments held in a long-term investment model, together with the Feedback Statement of EFRAG's public consultation. As part of the Action Plan on *Financing Sustainable Growth* adopted by the European Commission in March 2018 - a topic that ranks top of the European and international agenda - EFRAG issued on a consensus basis its technical advice. In May and June 2019, EFRAG conducted a public consultation to gather input for the research. The number of responses received confirmed that this is a topic that generates considerable interest in Europe, specifically, but not exclusively, within the financial sector.

Regarding other research projects, the EFRAG Secretariat has been highly involved in preparatory work on two major research projects that resulted from the 2018 EFRAG Agenda Consultation. Both these research projects reflect how accounting may have to evolve, if we want IFRS reporting to maintain relevant. The EFRAG research project on *Better information on Intangibles* aims at providing insights on possible new approaches that could help entities to meet investor information needs on how entities create, maintain and improve their value. While being linked to the IASB current project on the Management Commentary Practice Statement, this research provides, amongst other things, the opportunity to test, from the perspective of financial reporting, the boundaries between non-financial risks and opportunities, and financial information. We expect that the topic on Intangibles may soon be considered as a possible new IASB project, and EFRAG is therefore paving its way to contribute to this important debate. The second EFRAG research project relates to *Accounting for Crypto-Assets (Liabilities): Holder and Issuer Perspective*, an area where EFRAG has observed fast-moving developments in financial and technological innovation, that may soon result in new accounting challenges. During 2019, the EFRAG Secretariat has researched and reached out to crypto industry experts to better understand this new asset class, related market developments, its economic characteristics, and the regulatory frameworks that govern crypto-assets, including cryptocurrencies.

EVIDENCE-BASED DEBATE AND IMPACT ASSESSMENTS

Providing evidence-based input to support EFRAG's discussions in all the relevant stages of its due process, continues to be at the heart of EFRAG's technical activities. In addition to the surveys and outreaches conducted in 2019, already mentioned above, EFRAG undertook an Early Stage Analysis to illustrate the expected impacts of the IASB proposals in its Exposure Draft *General Presentation and Disclosures*. This early analysis has helped informing the EFRAG discussions and the development of the EFRAG Draft Comment Letter, issued in February 2020, responding to the proposals in the Exposure Draft.

2020 AND BEYOND

We have planned a particularly intense 2020, for outreach activities and consultations, given that major IASB consultation documents are expected as a result of multiple projects, including General Presentation and Disclosure, Goodwill and Impairment, and Rate Regulated Activities: dialogue with the relevant stakeholders and preparatory activities are already underway. COVID-19 measures are now imposing the need for an adaptation of our consultation strategy and I am confident that, leveraging on the opportunities of online events, webinars and focused discussion groups, we will manage to get the desired inputs. The challenges of this pandemic may, indeed, mark a step into a future where we make a smarter use of technology in EFRAG's dialogue with its stakeholders.

Phase 2 of IBOR will be demanding in the first half of 2020, with the due process on the IASB Exposure Draft, and in the second half with another ambitious fast-track endorsement procedure. Similarly, EFRAG is ready to react to the need of additional fast-track processes that may emerge due to the present COVID-19 processes, such as the recent Amendments to IFRS 16. At the same time, the activities on EFRAG's two major ongoing research projects, Intangibles and Crypto-assets, discussed above, will come to fruition as the projects reach their final phase of development, with EFRAG planning to publish separate discussion papers in 2020 to contribute to the debate on these topics.

Finally, the development of the EFRAG endorsement advice on IFRS 17 *Insurance Contracts* (including the fast-track endorsement in the second half of 2020 of the postponement of the effective date of IFRS 9) will

continue to be a demanding process in terms of efforts for the EFRAG Secretariat as well as EFRAG TEG and the EFRAG Board. Our key focus will be the execution of the different activities planned on the Endorsement Advice.

THANKS

I would like to thank our stakeholders for their invaluable ongoing inputs, which are essential ingredients to accomplish EFRAG's mission of expressing representative, up to date and evidence-based technical opinions.

A special thank you and acknowledgment goes to those serving on EFRAG TEG's Working Groups and Advisory Panels and, obviously, to EFRAG TEG members for their excellent and continuous contributions, for making it possible to have a rich and insightful debate on the different points of view, that exist within EFRAG TEG, and for being responsive to the directions provided by the EFRAG Board. I wish to equally thank the EFRAG Board members, for their dedication and sense of cooperation, and the EFRAG Board President for his vision and support.

I would like to warmly thank Patricia McBride for her excellent leadership and generosity, which allowed me a rapid learning curve, and Kathrin Schoene, our new Project Director, for her dedication in the transition phase in her management role in the organisation.

Last, but surely not least, I am grateful to Saskia Slomp and all the members of the EFRAG Secretariat, not only for another year of high quality work, but for having welcomed me in the EFRAG family and for their openness to adopt a more structured project management organisation, while continuing at the same time to meet all the relevant deadlines.

Chiara Del Prete
EFRAG TEG Chairwoman

EFRAG OVER 20 YEARS 2001 – 2020

Stig Enevoldsen: It has been fascinating being part of the EFRAG journey from the start in 2001 to 2020. We started as a part-time committee without any secretariat support to develop endorsement advices for the entire set of International Accounting Standards as at year 2000. Today EFRAG is one of the most influential accounting groups in the world with a large Secretariat and a strong governance. From the early days, the intention was to create a due process organisation with full transparency. It was also the plan to publish only via the internet, which was new in 2001. EFRAG was dependent on support and help from its founding organisations, the big standard setters and the large accounting firms. They provided meeting rooms, offices and sometimes staff.

When I started as full time Chairman in 2004 the budget was very low and only enough to pay for a staff of 4 to 6 persons excluding the Chairman, who was paid by Deloitte. From 2004, EFRAG got its own offices and hired top quality staff, and EFRAG soon got the reputation of a high quality, transparent, due process organisation, which is still the reputation today. The secretariat was run on a shoestring budget and everyone, had to deal with many different tasks, and life was a constant battle against time.

EFRAG went through many enhancements improving the governance and the funding structure. With the European Commission funding from 2010, EFRAG got the support to get a more powerful secretariat, to increase research activities and to enhance the quality and to open the meetings to the public. EFRAG moved in 2009 to the present offices, furnished on a tight budget, but it still is very accommodating with attractive bright colours.

EFRAG started as the "little brother", but grew up to be the leading group in Europe with the big country's National Standard Setters wanting to be members of the EFRAG Board in 2014 in connection with the Maystadt reform. The reform was a big change as EFRAG TEG became an adviser to the EFRAG Board and the whole process moved from being purely technical to much more political including European public good considerations.

Originally, the endorsement advices were one-pagers, where they now sometimes are on up to 100 pages including an impact analysis.

EFRAG has survived the endorsement advice of IAS 39 which was very difficult, but even the carved-out version of IAS 39 got a positive endorsement advice from EFRAG. EFRAG worked with the IASB and the European Commission to get an amendment to IAS 39 endorsed when the financial crisis was at its worst. IFRS 9 also got a positive endorsement advice after long and troublesome negotiations. The present big hurdle is IFRS 17, and it will be interesting to see whether the decision will be based on technical reasons to the benefit of the EU capital markets.

The future of EFRAG lies also in engaging in the more recent important topics for Europe, namely sustainability and other non-financial reporting, and I believe EFRAG is the natural potential standard setter on these subjects in Europe, because it is already working as a high-quality transparent and open due-process organisation on reporting matters.

Saskia Slomp (EFRAG CEO), Jean-Paul Gauzes (EFRAG Board President), Stig Enevoldsen (EFRAG Board member), Chiara Del Prete (EFRAG TEG Chairwoman)

Jean-Paul Gauzès commented: "We will be missing Stig's valuable contributions to the EFRAG Board. I am however glad that it is not a complete farewell. EFRAG will continue to benefit from Stig's many years of experience with EFRAG and thoughtful insights, as Danish representative in the EFRAG General Assembly and in the EFRAG GA Nominating Committee from 1 January 2020."

EUROPEAN REPORTING LAB@EFRAG

FOREWORD BY EUROPEAN LAB SG VICE-CHAIR

Alain Deckers: In my capacity as Vice-Chair and the European Commission's representative on the European Lab Steering Group, I wish to underline the good progress that the European Lab has made over its first year. The results of the first project on climate-related reporting are high quality. We expect they will have a positive impact on how European companies report climate information. We are especially grateful to the women and men who invested so much time to ensure the success of this first project.

The European Commission supports the decision to focus the next project on risk and opportunity reporting, and on links with the business model. Today, few companies really meet the needs and expectations of users when reporting about these concepts. That is the conclusion of many analyses of current non-financial reporting practices – including analyses carried out by national supervisors and enforcement authorities.

It is evident that sustainability and other non-financial issues are increasingly relevant to understanding the financial value of companies and the risk to which they are exposed. This explains the huge rise in demand on the part of investors for comparable and reliable non-financial information from investee companies.

In this context it is ever more important to build bridges between the worlds of financial and non-financial reporting. EFRAG was already well established as a recognised centre of EU expertise on financial reporting. The work of the European Lab has rapidly helped to expand EFRAG's experience in the field of non-financial reporting. By working at this intersection, EFRAG will be in a strong position to respond to Vice-President's Dombrovskis invitation to begin preparatory work for the development of future European non-financial reporting standards.

BACKGROUND

The European Corporate Reporting Lab @EFRAG (European Lab) was established by EFRAG during 2018, in response to the call in the European Commission March 2018 Action Plan on Financing Sustainable Growth, with the objective to stimulate innovation in the field of corporate reporting in Europe by identifying and sharing good practices, with initial focus on non-financial reporting. EFRAG welcomed the opportunity to use its wide experience in financial reporting and to build on its widely respected financial reporting work.

The multi-stakeholder European Lab Steering Group (European Lab SG) is responsible for setting the agenda of the European Lab, appointing the members of project task forces, monitoring project implementation, promoting the European Lab and mobilising networks. In the beginning of 2019 the European Lab SG set the scope of the first project on climate-related reporting that started in February 2019 with the appointment of the respective Project Task Force on Climate-related Reporting (PTF-CRR). The European Lab SG monitored the project progress throughout 2019. In July 2019, the European Lab SG launched a public consultation on future projects of the European Lab.

PUBLIC CONSULTATION ON FUTURE AGENDA

A public agenda consultation that took place during the second half of 2019, on a shortlist of three projects identified, discussed and agreed by the European Lab SG, seeking views on their prioritisation as well as input on any alternative project that respondents believed would be more important and urgent for the European Lab to undertake. The outreach process included a roundtable event at the EFRAG offices during September 2020, that allowed the European Lab SG to present their proposed projects and participating stakeholders to share their views as input to the public consultation. This public consultation led to

the selection of the second project of the European Lab to address Reporting of non-financial risks and opportunities, and linkage to the business model.

The European Lab SG will decide on a third project at a later point in time, taking into consideration the feedback to its public agenda consultation, lessons learnt from the first two European Lab projects, and due timeframe to allow project deliverables to be effectively and constructively used within preparers' reporting cycles.

REPORTING OF NON-FINANCIAL RISKS AND OPPORTUNITIES, AND LINKAGE TO THE BUSINESS MODEL PROJECT

The second project of the European Lab has started in March 2020 with a public call for candidates for the project task force. Due to the COVID-19 circumstances the deadline was extended and the project task force is expected to become operational in June 2020. The project will bring the European Lab into the wider domain of non-financial reporting beyond climate related reporting, aiming at identifying good reporting practices by identifying companies that have managed to connect the material information of their business model to risks and related opportunities and have reported on it. The project is expected to consider the information needs and expectations of a wide range of users and other stakeholders, how that information is consumed, the extent to which such information needs are addressed by current reporting practices and the challenges faced by companies in providing the information.

CLIMATE-RELATED REPORTING PROJECT

Since its appointment, the PTF-CRR worked on assessing the current state of play by European companies, and the current and potential use of climate-related information by investors and other users. The methodology applied, the sample of corporate reports reviewed, the format and timing of outreach activities, and the form, content and timing of the final project output, were decided by the PTF-CRR.

The project addressed climate-related reporting by companies in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD recommendations) and climate-related reporting elements of the EU Non-Financial Reporting Directive (Directive 2014/95/EU) as elaborated in the associated European Commission non-binding guidelines. Special focus was placed on scenario analysis. The work of the PTF-CRR involved reviews of the climate-related reporting of a sample of mainly European companies, and deliberations involving the experts comprising the PTF-CRR. Several PTF-CRR plenary meetings in Brussels as well as numerous conference calls took place. Interviews with a multitude of external stakeholders were also carried out following an open call for interest to participate in outreach activities to obtain feedback on the preliminary project output.

The deliverables of the first European Lab project, in the form of three electronically navigable documents in digital format – a main report supported by two supplements, were published in the beginning of February 2020 during a launch event with a keynote speech from Pascal Canfin, MEP, Chair of the European Parliament ENVI Committee. The main report explains how the project was conducted and elaborates on the key findings. The two supplements include examples of identified good climate-related reporting practices from a selection of company reports, together with outlines of preparer and user perspectives highlighting respective positive aspects as well as indicating potential areas of improvement. Summaries of reporting practices to avoid are also included. One of the two supplements is dedicated specifically to scenario analysis, and includes detailed information aimed to inspire companies in implementing the TCFD recommendations.

6 February 2020 – Launch of How to improve climate-related reporting – A summary of good practices | Brussels | Keynote speakers: Michèle Lacroix (European Lab – PTF CRR Chair), Pascal Canfin (MEP – ENVI Committee Chair), Saskia Slomp (EFRAG CEO), Alain Deckers (European Lab SG Vice-Chair).

EUROPEAN LAB CONFERENCE

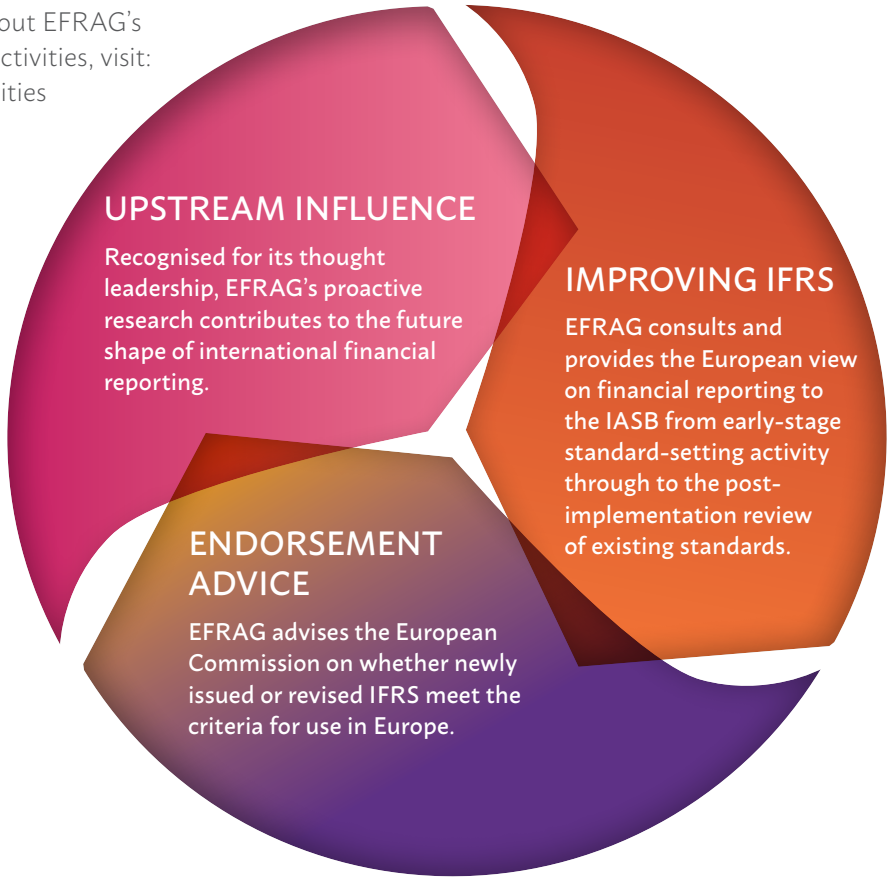
To mark the launch of the European Lab, a high-level conference took place in March 2019 on *Fostering innovation in corporate reporting – what is the role of the European Lab*, featuring distinguished keynote speakers European Commission Vice-President Valdis Dombrovskis and at the time International Integrated Reporting Council (IIRC) CEO and former MEP Richard Howitt amongst others. It also included two panel discussions with prominent panellists addressing overcoming challenges in corporate reporting and achieving innovation in financial reporting.

Valdis Dombrovskis (European Commission Vice-President – currently Executive Vice-President of the European Commission for an Economy that Works for People)

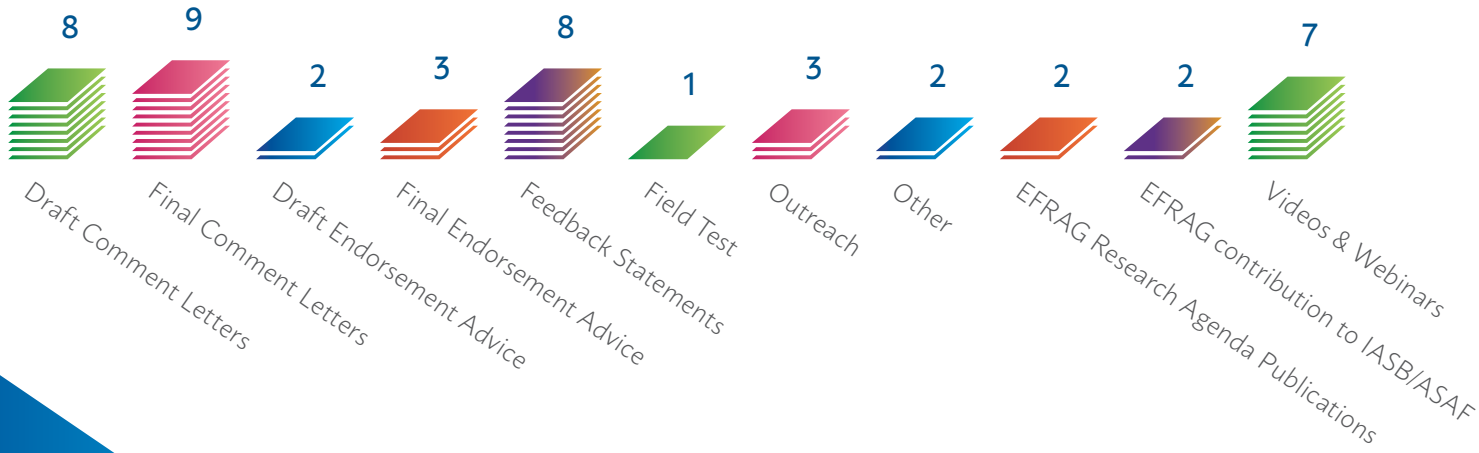
EFRAG FINANCIAL REPORTING ACTIVITIES

CORE ACTIVITIES OVERVIEW

To find out more about EFRAG's financial reporting activities, visit: www.efrag.org/activities



EFRAG PUBLICATIONS IN 2019



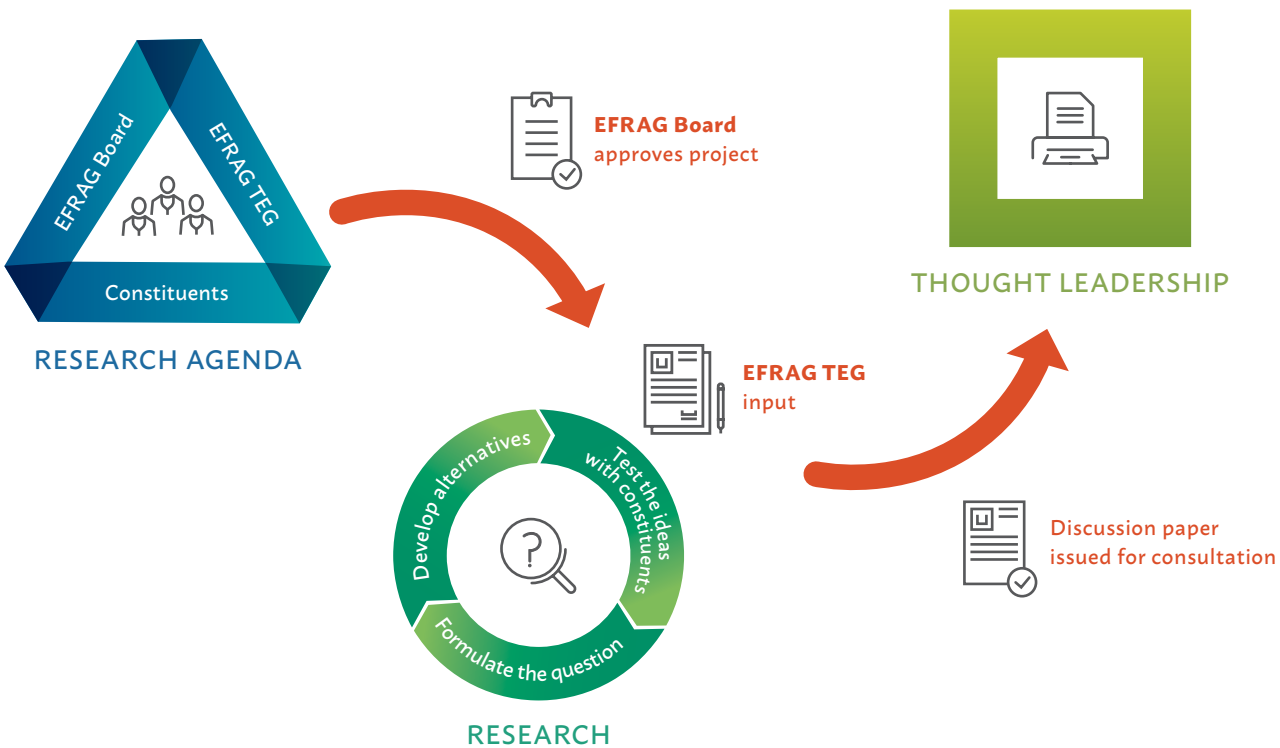
UPSTREAM INFLUENCE

Since its origins, research has been an essential part of the EFRAG activities. Some of EFRAG's contributions have made a significant impact. The 2012 Discussion Paper *Towards a Disclosure Framework for the Notes* was instrumental in persuading the IASB to start its Disclosure Initiative project. The 2016 publication *What do we really know about goodwill and impairment* provided helpful evidence to inform the long running discussion on the accounting for goodwill. More recently, other contributions were made to topics currently on the IASB agenda, like FICE and pension benefits that depend on asset returns.

Research activities have also been an opportunity to work with others in the financial reporting community and strengthen EFRAG's international reputation. EFRAG also serves the interests of the international financial reporting community by stimulating the debate on emerging issues that may pave the way for near future standard setting.

So, how to achieve success? Innovative thinking is an important factor. The alternatives examined need to be developed in sufficient detail and of high quality. Suggestions that are too generic are unhelpful and asking for free elections or exceptions is incompatible with principle-based standards. At the same time, as a facilitator, EFRAG's focus should be to clearly articulate advantages and disadvantages of different alternatives rather than advocating for one specific solution.

Important new challenges lie ahead for financial reporting. Europe's place is at the forefront of the accounting debate and EFRAG is in a unique position to do so.



2019 RESEARCH ACTIVITIES

Following the 2018 public EFRAG research agenda consultation, EFRAG's research activities were in 2019 focused on:

- Intangibles
- Crypto-assets and liabilities
- Variable and contingent consideration
- Pension Plans with an asset-return promise

In addition, EFRAG was requested by the European Commission to provide advice on possible alternative accounting treatments to fair value measurement for long- term investment portfolios of equity and equity-type instruments.

INTANGIBLES

The objectives of the EFRAG research project on *Better information on intangibles* are to:

- Explain how entities report on creating, maintaining and/or improving the value of intangibles
- Explain how users consume information on creating, maintaining and/or improving the value of intangibles, and the extent to which current reporting addresses their needs
- Provide suggestions on how information on creating, maintaining and/or improving the value of intangibles can be provided in financial reports in a manner that is useful for decisions on providing resources to the entity

The project covers intangibles in the wider sense, which would include those that do not meet the definition of an asset.

During 2019, EFRAG conducted interviews with various types of stakeholders to gain a better understanding of the different issues around the reporting of intangibles and hear suggestions on how they could be resolved. Differing views on the topic emerged from this process.

EFRAG also commissioned an academic literature review on intangibles and the resulting report was issued in January 2020. There is considerable literature on intangibles and many different suggestions on how to report on them. However, only limited studies have been published in academic journals on how users use information on intangibles and the extent to which current reporting addresses users' needs. EFRAG will therefore seek to gain insight into this aspect in the next phases of the project.

EFRAG issued a call for candidates for the EFRAG Advisory Panel on Intangibles in January 2020. The Panel was established in March 2020 comprising users and preparers from different industries, with a view to provide suggestions on the reporting of information on creating, maintaining and/or improving the value of intangibles. The EFRAG Advisory Panel on Intangibles will also be a platform for joint dialogue of users and preparers, where possible solutions, including those proposed by other National Standard Setters, will be tested.

The project deliverables are expected to include the following:

- A first discussion paper on problem definition providing a review of perceived issues with the information on intangibles reported in financial reports. Publication is expected to occur in the second half of 2020
- A second discussion paper on possible solutions to identified issues

EFRAG's research project on better information on intangibles also provides the opportunity to gather input and insights that could feed into other projects including:

- The in-progress IASB consultation on its Discussion Paper *Business Combinations — Disclosures, Goodwill and Impairment*
- The IASB consultation on the revision of IFRS Practice Statement 1 *Management Commentary* (expected to be issued in December 2020)
- The IASB 2020 Agenda Consultation, in particular the need for an IASB project on intangibles and its possible areas of focus
- The developments at EU level on the reporting of non-financial information

CRYPTO-ASSETS (LIABILITIES)

The EFRAG research project on crypto assets (liabilities) provides an accounting perspective on a topic characterised by rapidly evolving market developments. Due to the ongoing evolution, significant growth, unique, risky and diverse nature of crypto-assets (liabilities), there has been interest of stakeholders in the topic including from National Standard Setters, accountancy firms and several influential regulatory and policy making institutions.

In 2019 and 2020, several organisations including the European Parliament, European Commission, European Central Bank, European Banking Association and European Securities and Markets Authority, Bank of International Settlements, Financial Stability Board, International Monetary Fund and OECD have issued publications highlighting the key economic and technological features, business models, risks and regulatory aspects of crypto-assets (liabilities).

The EFRAG research project encompasses both a problem definition and consideration of proposals for clarifying or updating IFRS requirements on the accounting for crypto-assets (liabilities). The problem definition assesses accounting gaps and factors that influence the development of accounting requirements (e.g. significance of crypto-related activities; economic characteristics, rights and obligations; and regulatory requirements).

The research was conducted in two main phases:

- A **"desktop research"** phase during which the EFRAG research team conducted a review of related IASB and National Standard Setters, accounting firms, regulatory, legal, academic and other specialist literature**; and**
- An **"outreach to experts"** phase that occurred in the second half of 2019 to corroborate and enhance the research findings. The outreach involved participation of experts with diverse functional backgrounds from 13 jurisdictions including from leading markets

A discussion paper will be the deliverable of the EFRAG research project and it will be issued in the second quarter of 2020 or early part of the third quarter. This discussion paper combines the issuance and holding of crypto-assets (liabilities) as there are several areas of symmetry in the issues relating to the accounting by holders and issuers. The focus on holders and issuers encompasses issues that will be relevant for IFRS reporting entities.

VARIABLE AND CONTINGENT CONSIDERATION

The objectives of EFRAG's project on variable and contingent consideration are to:

- to identify the accounting issues around variable and contingent consideration
- to outline the information needs for users of financial statements in regard to variable and contingent consideration based on the objectives of general-purpose financial reporting in the IASB's Conceptual Framework for Financial Reporting and consultation with the EFRAG User Panel
- to summarise and compare the requirements in IFRS Standards and assess the rationale (or lack thereof) for any differences
- to develop accounting alternatives and illustrate their relevant strengths and limitations
- to consider improvements in presentation and disclosure

In order to identify accounting issues related to variable and contingent consideration, the EFRAG Secretariat organised conference calls with experts from accounting firms in the first part of 2019. The input received from these calls has subsequently been considered by EFRAG TEG.

In addition, possible relevant guidance in existing IFRS Standards, Interpretations (and IFRS IC agenda decisions) has been examined. This guidance will be assessed and the rationale (or lack thereof) for any differences will be analysed. In 2019, EFRAG TEG also considered how it would define 'variable and contingent consideration' and discussed the scope of the project.

EFRAG expects to publish a discussion paper in 2020/21.

PENSION PLANS WITH AN ASSET-RETURN PROMISE

In May 2019, EFRAG issued the Discussion Paper *Accounting for Pension Plans with an Asset-Return Promise* with a six months deadline. Under these plans, the employer promises the employee the higher of a guaranteed return and the actual return on plan

assets. According to IAS 19 *Employee Benefits*, these plans should be accounted for as defined benefit plans although they include characteristics of both defined contribution and defined benefit plans. In many of these plans the guaranteed return is very low. The expected return generally depends on the actual return on plan assets. Concerns have been expressed that the current requirements do not reflect the link between the plan assets and the pension obligation when measuring the (net) pension liability. The Discussion Paper explores and assesses various alternatives to account for pension plans with an asset-return promise.

The Discussion Paper was presented at the July 2019 meeting of ASAF (Accounting Standards Advisory Forum). To stimulate comments, EFRAG produced two short videos introducing the Discussion Paper.

After analysing the contributions received from constituents, EFRAG issued a feedback statement in the first part of 2020. The IASB has recently started a project on Pension Benefits that Depend on Asset Returns and the findings of EFRAG research contributes to and EFRAG trusts will bring valuable insights into the IASB project.

ADVISING THE EUROPEAN COMMISSION ON EQUITY INSTRUMENTS

The accounting for long-term investments in equity instruments has been an important subject of discussion in Europe in the last few years and, considering the linkage with sustainable finance, ranks at the top of European priorities.

As part of its March 2018 Action Plan on Sustainable Finance, in June 2018 the European Commission requested EFRAG to explore potential alternative accounting treatments to fair value measurement for long-term investment portfolios of equity and equity-type instruments, particularly those related to sustainable activities. Sustainable growth aims at mobilising more private capital for sustainable projects (such as transport, energy and resource management infrastructure) and considers that availability of private capital plays a key role to reach the objectives set out in the Action Plan. Investments in infrastructure are financed through multiple channels. Direct and indirect equity holdings by institutional investors (including insurance entities and banks) play a relevant role in this context. EFRAG's research activities in 2019 on equity instruments, aimed to respond to this request. The research was a follow-up to previous research conducted by EFRAG in 2018 to answer to a previous European Commission's request on equity instruments.

In 2015, EFRAG issued its positive endorsement advice on IFRS 9 *Financial Instruments* as an improvement over is predecessor IAS 39 *Financial Instruments: Recognition and Measurement*. At the time, EFRAG highlighted two issues that were not optimal: the default requirement to measure all equity investments at FVPL (Fair Value through profit or loss) may not reflect the business model of long-term investment business model; and the absence of recycling upon disposal or impairment could limit the relevance of the information provided to users of financial statements.

At the time, the European Parliament in the endorsement process expressed concerns that a lack of recycling could potentially drive some entities away from long-term investment in equity instruments. As a result, in 2017 the European Commission asked EFRAG to provide quantitative information on long-term investments in equity instruments, evaluate the possible impact of IFRS 9 on these investments, and identify possible improvements to the way they are accounted for under IFRS 9 for .

In 2018, EFRAG concluded that:

- the amount of equity instruments classified as available for sale by long-term investors was substantial but fairly concentrated in a number of entities
- the asset allocation decisions of long-term investors are driven by many factors
- to reintroduce recycling the IASB would need to develop a robust impairment model
- EFRAG had not gathered sufficient evidence to recommend the reintroduction of recycling

In order to collect evidence for the June 2018 European Commission's request for advice, in May 2019 EFRAG launched its public consultation to gather constituents' views on whether alternative accounting treatments to those in IFRS 9 are needed to portray the performance and risks of equity and equity-type instruments held in long-term investment business models. EFRAG received feedback from more than 60 respondents.

Several respondents noted that there is no formal definition for "sustainable activities" and considered that sustainable activities should not be a distinguishing feature in accounting, even if they supported the aim of encouraging sustainable activities. Similarly, some noted that there is no accounting definition for 'long-term investment business model' (LTIBM) and acknowledged the challenges of defining it. Those that provided a definition of LTIBM expressed different views on what they consider to be a LTIBM.

When questioned where there is a need for an alternative accounting treatment for long-term equity investments in IFRS 9, the majority of the respondents, approximately 70%, mainly from the financial sector, considered that there is a need for an alternative accounting treatment in IFRS 9. In addition the majority of these respondents would favour a FVOCI (Fair Value through Other Comprehensive Income) model with recycling and impairment, without making differentiations on whether investments are related to sustainable activities or not.

Most of the remaining respondents were not convinced that there is a need to identify a LTIBM nor an alternative accounting treatment for long-term equity investments in IFRS 9. For example, some mentioned that IFRS 9 has only been in effect since January 2018 (although most European insurance firms have exercised the option to not apply IFRS 9 until 2021 or later) and the issues investigated in this request would be best considered through the IASB's post-implementation review of IFRS 9.

In January 2020, EFRAG advised the European Commission to recommend to the IASB an expeditious review of the non-recycling treatment of equity instruments within IFRS 9, testing whether the IASB's Conceptual Framework would justify the transfer to profit or loss of fair value gains and losses accumulated in other comprehensive income on such instruments when realised. If recycling is to be reintroduced, the IASB should consider the features of a robust impairment model, including the reversal of impairment losses.

Following EFRAG's advice, in March 2020 the European Commission wrote to the IASB requesting a review of the view non-recycling treatment of equity instruments within IFRS 9, especially in the light of the investment priorities set out in the European Green Deal.

EFRAG ACADEMIC PANEL

EFRAG values the contribution of the academic community to the financial reporting debate. In 2017, EFRAG stepped-up the quality and frequency of interaction with academia, notably with the creation, as technical advisor to EFRAG TEG, the EFRAG Academic Panel and an Academic Network. The Academic Panel allows EFRAG to follow the latest research on accounting and financial reporting and bring academic

input into EFRAG technical activities, aiming at better evidence-based or theory-based standard setting.

The EFRAG Academic Panel met twice in 2019 and provided input on the EFRAG projects, including the goodwill impairment test; climate-related reporting; better information on intangibles and crypto assets (liabilities). The Academic Panel also discussed how its involvement in studies sponsored by EFRAG could be improved; whether EFRAG could make use of textual analyses; how EFRAG should categorise stakeholders in relation to Comment Letter analyses; and whether there is a role for a public policy objective in accounting. At the Academic Panel meetings, current research in the area of financial reporting which could be interesting

Gunther Gebhardt – Academic Panel Chairman and Honorary Member of the Academic Panel

As of December 31, 2019, I stepped down as the academic member of EFRAG TEG and as EFRAG Academic Panel Chair. I would like to take the opportunity for a personal look back at the development of the cooperation between EFRAG and the academic community.

At the 2004 Annual Congress of the European Accounting Association (EAA) the Financial Reporting Standards Committee (EAA FRSC) was launched with the aim to contribute academic research related to standard setting issues to the newly formed IASB and EFRAG. I was the founding Chair of the EAA FRSC and we tried to initiate closer interactions with both the IASB and EFRAG. The EAA FRSC prepared a series of Comment Letter and papers published in Accounting in Europe for both the IASB and EFRAG. The involvement of the academic community only after issuance of IASB Discussion Papers and Exposure Drafts was late as at that point views had already been formed by the IASB. Ideally, the involvement of academics should already take place in the development process.

Since 2014 the IASB increased its outreach to the academic community for example by commissioning literature reviews or through a series of IASB Research Forum conferences where academics and IASB staff and Board members present and discuss research papers on topics on the IASB's agenda. This happened as a response to the request for more evidence-based standard setting.

Similarly, in recent years EFRAG intensified its research activities by not only following the IASB research agenda but also by initiating own pro-active research projects. Recognising the knowledge potential of the academic community, in 2017 EFRAG issued a very successful call for candidates for a new Academic Panel. The first meeting of the Academic Panel was held in Valencia in May 2017 during the EAA Annual Congress, where EFRAG also sponsored a symposium on impact assessment of IFRS Standards. EFRAG continued sponsoring symposia on the role of business models for financial reporting (EAA Milan 2018) and on better information on intangibles (EAA Paphos 2019).

The Academic Panel also discussed research by Panel members relevant for EFRAG's activities. Prime aim of the discussions is to identify useful academic evidence and academics with special competence – not only Panel members but also in the wider academic community. The content of the discussions is communicated to EFRAG TEG. Panel members help with defining, monitoring and evaluating academic studies and literature reviews commissioned by EFRAG. Further, they initiate academic presentations to EFRAG TEG e.g. by Thorsten Sellhorn on Empirical Goodwill Research in March 2020.

The Academic Panel was also helpful in finding my successor as academic EFRAG TEG member: Erlend Kvaal is a member of the Academic Panel and succeeded me as its chair. I am convinced that the interactions between EFRAG and the academic community will further improve in the coming years as the mutual benefits are obvious.

for EFRAG, was presented and discussed, including: study on how users use financial statements; analysis of stakeholders submitting Comment Letter to the IASB and EFRAG; how targeted disclosure requirements can be used to influence the behaviour of entities; and how to report on intangibles. At the end of 2019, the Academic Panel Chair and EFRAG TEG member Günther Gebhardt retired from EFRAG TEG and is now Honorary Member of the EFRAG Academic Panel. The Norwegian Academic Erlend Kvaal, who became EFRAG TEG member in January 2020, was appointed as Günther Gebhardt's successor.

EFRAG also takes part in academic community events. EFRAG sponsored a symposium on Better Information on Intangibles at the main European Accounting Association's 42th Annual Congress in Paphos, Cyprus. The EFRAG CEO spoke at the symposium on Accounting and Politics at the same congress. In June 2019, the EFRAG Research Director participated in a panel discussion on economic impact and effects analysis at the 8th International Workshop on Accounting and Regulation in Siena. In August 2019, the EFRAG TEG Chairwoman participated to the panel discussion "Who can afford IFRSs" at the WU EUFIN 2019 event in Vienna. In September, an EFRAG Senior Manager presented at the EIASM conference in Coimbra, Portugal.

EFRAG is committed to developing evidence-based research. Recent EFRAG public tenders include the academic literature review on intangibles. EFRAG is also sponsoring a study together with the Institute of Chartered Accountants of Scotland on the purpose of discounting in financial reporting. The academic team is expected to complete its work in 2020 and there are plans to organise an event about the conceptual and practical challenges of selecting discount rates for reporting purposes.

EARLY STAGE ANALYSIS

In the past, EFRAG has called on the IASB to assess the impact of new IFRS Standards or major Amendments not only when they are issued by the IASB but also during the standard setting phase, when a change of direction is still possible. In 2018, EFRAG started its first early analysis at IASB Discussion Paper stage. The objective of the early stage analysis is to assess the wider effects and potential unintended consequences of the changes proposed earlier in the process, i.e. during the consultation phase, in order to reduce the risk of problems emerging in the endorsement phase. In addition, the early impact analysis helps constituents better understand the proposed new IFRS Standards and Amendments to Standards and promotes a timely engagement of the relevant stakeholders in the development of IFRS Standards.

EFRAG published in early 2019 a pilot early stage analysis carried out for the IASB's research project on Financial Instruments with Characteristics of Equity (FICE). This early stage analysis received a warm welcome from stakeholders, as evidenced in the feedback statement published by EFRAG in July 2019. Thanks to the early stage analysis, the discussions on the IASB's proposals on FICE were better informed on the probable costs and benefits of the proposed changes to the classification and disclosures of financial instruments with characteristics of equity. In its feedback statement, EFRAG also identified a number of suggestions provided by its constituents for the enhancement of future early stage analyses, including focusing more on the impacts that can be identified by company-specific evidence and desktop-based aggregated empirical evidence.

The next step of early stage analysis at EFRAG: Primary Financial Statements

In 2019, EFRAG conducted an early stage analysis when forming its initial views on the IASB's Exposure Draft General Presentation and Disclosures that is intended to replace IAS 1 Presentation of Financial Statements. This early stage analysis will be updated and improved during the consultation period. Adapting to the peculiar circumstances of COVID-19, EFRAG will conduct workshops, field tests, surveys and dialogues with stakeholders in the first half of 2020 in order to assess the impacts in terms of costs and benefits for both preparers and users of the proposals.

IMPROVING IFRS STANDARDS

A BUSY YEAR WITH IFRS 17 *INSURANCE CONTRACTS*

As a result of EFRAG's case study and other outreach activities in 2018 and after listening carefully to the concerns raised by stakeholders, the EFRAG Board identified six issues with IFRS 17 that merited further consideration by the IASB. The EFRAG Board wrote in September 2018 to the IASB to signal these issues. The IASB has since agreed to revisit the Standard and issued a new Exposure Draft in June 2019.

Therefore, the first half of the year was devoted to preparing a Draft Comment Letter in anticipation of an IASB Exposure Draft amending IFRS 17. The EFRAG Draft Comment Letter was published on 15 July 2019 with a comment period until 2 September 2019. A user outreach was also undertaken in August and in the first week of September, following a public invitation for participation of users of financial statements of insurance entities to obtain a wide as possible range of views. In September, just before the IASB deadline, the EFRAG Final Comment Letter was approved and published, together with a summary of comments of constituents.

In the last quarter of 2019, the planning of endorsement activities was resumed, in order to finalise the Draft Endorsement Advice soon after issuance of the amended IFRS 17 expected in June 2020. The preparatory work by EFRAG was intensified even further, with continuous dialogues and outreaches with European insurance experts from different stakeholder groups represented in the EFRAG Insurance Accounting Working Group. In addition, selected topics have been addressed through specific surveys with broader groups. In the last part of the year, the focus has been on the detailed planning and execution of the preparatory work needed for the endorsement of the Standard, including interaction of IFRS 9 and IFRS 17, hedge accounting for insurance liabilities, updating of the economic study, updating the case studies and discussing the different technical topics that will be covered in the Draft Endorsement Advice. The work in preparation of the endorsement continues to be a focus of EFRAG's activity also in 2020, including a fast-track endorsement process for the postponement of the effective date of IFRS 9 to 2023 for European insurers.

INTEREST RATE BENCHMARKS (IBOR) REFORM: A FAST AND EFFICIENT PROCEDURE

Interest rate benchmarks (such as EURIBOR, etc) play a key role in financial markets. These benchmarks index trillions of euros in a wide variety of financial products, from derivatives to residential mortgages. Currently such benchmarks are being replaced by alternative, nearly risk-free rates, which are based to a higher extent on transaction data.

The discontinuation of interest rate benchmarks has a significant and widespread impact across financial markets, as well as in other areas where such benchmarks are used. In this context, stakeholders considered the unintended effect a discontinuation

The EFRAG Financial Instruments Working Group (EFRAG FIWG) has made an important contribution to the IBOR discussions and other topics relevant for financial institutions. The EFRAG FIWG was led by EFRAG TEG member Andrew Spooner for four years, from 2016 till end-March 2020. In April 2020 he handed over the chairmanship of the EFRAG FIWG to Jens Berger, newly appointed EFRAG TEG member and former EFRAG FIWG member, when he retired from EFRAG TEG.

Andrew Spooner, EFRAG TEG member and Chairman EFRAG Financial Instruments Working Group

This year the EFRAG FIWG has reflected on past, present and future.

The 'past' has been a look back at the accounting for equity investments already accounted for under IFRS 9. Part of that work was considering what alternative measurement bases may be possible as part of formulating EFRAG's response to the request from the European Commission.

The 'present' has been the accounting implications of the IBOR reform. Although only one aspect of the reforms, the accounting implications have proved to be very significant. As the IASB has accelerated their timetable to address these issues, so has EFRAG. Although only phase 1 is complete, it was a great relief, and testament to a lot of hard work by many, that the IASB's first part of their amendments were endorsed and available to be applied for December 2019 year ends.

The 'future' has been Financial Instruments with Characteristics of Equity (FICE) and macro-hedging. Although these projects have some way to go, FIWG has been regularly assessing their development and we have had the benefit of the IASB staff joining us to debate these. Long may this continue.

The group's immediate focus for 2020 reverts back to the IBOR reform and expeditiously responding to phase 2 so the accounting aspects do not impinge on market participants as they implement the reforms.

of these benchmark rates could have on financial reporting under IFRS.

To address this question, the IASB started, in the second quarter of 2019, a project on the *Interest Rate Benchmark Reform* and split its work in two phases. The first phase addressed issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate while a second phase, still active in 2020, deals with issues that might affect financial reporting when an existing interest rate benchmark will be replaced with an alternative interest rate.

Given the importance to find a solution to avoid the discontinuation of hedge accounting for the 2019 year-end reporting, EFRAG has worked on this project (phase I) in close cooperation with the IASB, European

Commission and its stakeholders. A very challenging project timeline was developed to ensure the timely endorsement of the Amendments for Europe. EFRAG contributed and was instrumental in the accelerated endorsement process of IBOR phase 1, to ensure that the amendments to IAS 39 and IFRS 9 on financial instruments were in place in time for organisations to use in their 2019 financial statements, avoiding potential accounting disruptions resulting from the IBOR reform.

The IASB issued the Exposure Draft on 3 May 2019 and EFRAG published its Final Comment Letter on 20 June 2019. In its Comment Letter, EFRAG supported the IASB approach of working in two phases and urged the IASB to issue the amendments as soon as possible in order to provide clarity to entities affected by the reform.

The IASB considered the comments received on the Exposure Draft, held an extraordinary meeting dedicated to the project and published the final Amendments to IFRS 9, IAS 39 and IFRS 7 on 26 September 2019. EFRAG's Endorsement Advice on the Amendments was issued on 16 October 2019, less than three weeks after they were published. Such a swift turnaround was possible thanks to the close cooperation with the IASB, European Commission, National Standard Setters and other stakeholders.

Having completed Phase 1, in October 2019 the IASB started its deliberations on Phase 2 of the *Interest Rate Benchmark Reform* project. This phase covers classification and measurement, hedge accounting, interaction with other IFRS Standards, disclosures and any other issues that might arise. In line with Phase 1, Phase 2 of the project will address the issues with a similar level of urgency which would require a close cooperation of all the parties involved.

PRIMARY FINANCIAL STATEMENTS

In December 2019, the IASB published the long-awaited Exposure Draft (ED) *General Presentation and Disclosures* - earlier called Primary Financial Statements (PFS) where it proposes changes to the structure and content of the financial statements prepared under IFRS with the objective of promoting better communication in financial reporting.

EFRAG's early and extensive involvement on the IASB's PFS project enabled it to quickly move to a Draft Comment Letter stage and seek the publication of EFRAG's preliminary views in February 2020 within the first two months of the IASB's six-month comment period.

Given the potential significance of this project on the financial statements of companies reporting under IFRS, including financial institutions, EFRAG decided to set up an extensive outreach campaign, leveraged by its past experience, with the objective of energising the debate around the PFS project and to allow EFRAG to reflect in its Comment Letter to the IASB the full breadth of European views.

For that purpose, EFRAG plans to conduct a series of outreach events throughout Europe, in cooperation with National Standard Setters, users' organisations and

the IASB in the first half of 2020, to stimulate responses to its Draft Comment Letter which EFRAG published in February 2020 and requests comments by 28 September 2020. In addition, EFRAG plans to run a series of field tests in cooperation with the IASB and European National Standard Setters. Workshops and webinars with preparers and users of financial statements are as well planned, for a joint discussion on the outcome, benefits and costs of the IASB's proposed changes.

Due to the COVID-19 crisis, the outreaches and workshops are being re-scheduled or turned into online events or webinars. With the extension of the IASB deadline until 30 September, it is hoped that towards the end of the extended IASB comment period some physical events may take place.

To support the final EFRAG Comment Letter to the IASB, EFRAG is also updating its early-stage analysis of the effects of the proposals in the ED, carried out in 2019, with the objective of better assessing the wider effects and potential unintended consequences of the IASB's proposals in the ED. Such analysis will reduce the risk of problems emerging in the endorsement phase and better inform EFRAG on the probable costs and benefits of the IASB's proposals.

Finally, to raise awareness of both the ED and EFRAG's discussions, EFRAG will continue its ground-breaking efforts for better communication with its stakeholders through the use of social media and videos.

In November 2019, EFRAG welcomed Kathrin Schöne as Project Director. Kathrin leads the technical activities on a portfolio of EFRAG projects. She is an IFRS accounting expert with significant experience in enforcement, consulting and audit activities. She has been a member of the German Financial Reporting Enforcement Panel (FREP) for ten years.

GOODWILL AND IMPAIRMENT

The IASB research project on goodwill and impairment responds to concerns reported during the IASB's post-implementation review (PIR) of IFRS 3 *Business Combinations*. EFRAG published its first research paper on goodwill accounting in 2014, together with the Italian and Japanese Standard Setters. This was followed by a quantitative study on trends in goodwill and impairment over ten years, published in 2016. In June 2017, EFRAG issued its third research publication: Discussion Paper *Goodwill test: can it be improved?* which examined a series of potential amendments to the goodwill and impairment test. In this way EFRAG has been instrumental in influencing and providing input to the IASB research project.

The EFRAG Consultative Forum of Standard Setters (EFRAG CFSS), EFRAG TEG and its working groups and advisory panels monitored and discussed the developments in the IASB research project during 2019 to gather the views and contributions to help develop the EFRAG Draft Comment Letter on the expected IASB proposals. The IASB Discussion Paper *Business Combinations-Disclosures, Goodwill and Impairment* was published in March 2020.

Throughout the development of the IASB research project, EFRAG has engaged in various forms of outreach activities, including consultations on EFRAG Discussions Papers (published jointly with its partners) that examined different aspects of goodwill and impairment and sought solutions to the issues identified. To respond to the IASB's Discussion Paper, EFRAG will continue its outreach efforts, adjusted as necessary due to the COVID-19 crisis, to better understand the implications of the IASB tentative decisions and whether they bring a satisfactory response to the concerns reported by preparers and users of financial statements on the accounting for goodwill impairment and the information value it conveys.

RATE- REGULATED ACTIVITIES

EFRAG, in collaboration with its Rate-regulated Activities Working Group (EFRAG RRAWG), has been actively monitoring and considering the IASB discussions on the accounting model for rate-regulated activities, since EFRAG published its Final Comment Letter on the IASB Discussion Paper *Reporting the Financial Effects of Rate Regulation* (DP) in January 2015.

In September 2019, the IASB completed its discussions on the accounting for regulatory assets and regulatory liabilities that stem from rate-regulated activities. A final discussion on sweep-issues concerning the accounting model was held by the IASB in March 2020. The IASB expects to publish an Exposure Draft in the last quarter of 2020.

IFRS ROUND-UP

As well as commenting on the ED Amendments to IFRS 17 and IBOR phase 1, EFRAG prepared in 2019 (Draft) Comment Letters, consulted with Europe's financial reporting community on the following IASB Exposure Drafts and Discussion Papers:

- Financial Instruments with Characteristics of Equity
- Onerous Contracts-Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020
- Proposed amendments to the IFRS Foundation Due Process Handbook
- Reference to the Conceptual Framework (Proposed amendments to IFRS 3)
- Deferred Tax related to Asset and Liabilities arising from a Single Transaction - Proposed amendments to IAS 12
- Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2)

The EFRAG RRAWG, chaired by former EFRAG TEG member Phil Aspin provided input on the various aspects of the accounting model developed so far by the IASB. Phil Aspin stepped down as Chair of the EFRAG RRAWG after three years of chairmanship and Gerard van Santen, already member of the working group, has been appointed as new Chair.

Phil Aspin – EFRAG RRAWG Chairman and former EFRAG TEG member

The EFRAG RRAWG plays an important role in contributing accounting and industry expertise to EFRAG TEG on specific aspects of European rate-regulated industry sectors.

It has been a pleasure and an honour to have served as Chairman of the EFRAG RRAWG since April 2017. Working alongside fellow EFRAG RRAWG members we have sought to draw on experience of our own rate regulated businesses and their unique characteristics, to help inform EFRAG and the IASB.

Over this period the IASB has been developing a new accounting model for regulatory assets and regulatory liabilities aiming to give users of financial statements better information about a company's incremental rights and obligations arising from its rate-regulated activities. I understand that the IASB intends to publish its proposals in an Exposure Draft later in 2020 (probably Q4).

The publication of this much awaited consultation document is a key milestone in the IASB's journey to developing accounting principles for IFRS reporting entities that operate in a rate-regulated environment. I am delighted that the EFRAG RRAWG has been able to provide feedback on the upcoming IASB proposals and I am pleased to report that many of the issues identified in our meetings, discussions and outreach events, have been addressed by the tentative proposals. However, it remains important to see the final wording of these proposals and assess whether they can be applied by entities in a practical and cost-effective manner.

At this exciting moment, I am pleased to pass the role of EFRAG RRAWG Chairman to Gerard van Santen, an active and highly capable member of the EFRAG RRAWG. I wish Gerard and all EFRAG RRAWG members every success going forward.

REFLECTIONS ON ALMOST 6 YEARS AS EFRAG TECHNICAL DIRECTOR

Patricia McBride: After nearly six years at EFRAG, I have taken the opportunity to look back at the changes over that time. I arrived at EFRAG for the conclusion of the endorsement advice on IFRS 9 *Financial Instruments* and retired from EFRAG as the endorsement advice for IFRS 17 *Insurance Contracts* was underway.

What has been achieved over the last few years

My time at EFRAG saw major developments under three Chairs of EFRAG TEG: Françoise Flores, Andrew Watchman and Chiara Del Prete. Françoise saw the Maystadt reform leading to the introduction of the EFRAG Board, Andrew cemented that relationship and upgraded EFRAG's impact assessment and operational capability and, in her first months, Chiara concentrated on high profile projects including insurance, equity instruments and IBOR reform. And not to forget Saskia Slomp taking the function of the first full-time dedicated EFRAG CEO.

The creation of the EFRAG Board led to major change in EFRAG's operations. The EFRAG Secretariat now supports two decision-making bodies with different remits leading to significant additional work supported by the existing resources.

Recent years have seen a significant emphasis on insurance, I worked with the insurance team during the final stages of the IASB's processes leading up to the issue of IFRS 17 in 2017. We then started preparatory work on the endorsement advice, including the case studies which were designed to provide input into the Draft Endorsement Advice and the supporting impact assessment. EFRAG's work attracted substantive input from the insurance industry and significant interest from other stakeholders.

My time at EFRAG encompassed other major developments at the IASB including major new Standards IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. The IASB also undertook an extensive program of support for the implementation of IFRS Standards which kept the staff at the IASB and, consequently, EFRAG busy.

The one constant in all of this change was the quality of the work undertaken by the EFRAG Secretariat. Public focus is usually on the decision-making bodies at EFRAG, whilst a lot of credit should be given to the hard-working people in the EFRAG Secretariat who provide support. The EFRAG Board, EFRAG TEG and the working groups rely on the quality of the analysis, preparation of educational material and draft policy positions prepared by the teams working on each project.

I leave EFRAG with the tasks of completing the endorsement advice on IFRS 17, following IBOR *Phase II* and the continuing difficulties of finding a solution to intractable problems, such as dynamic risk management.

So where to from here?

The next few years will see substantial change for EFRAG.

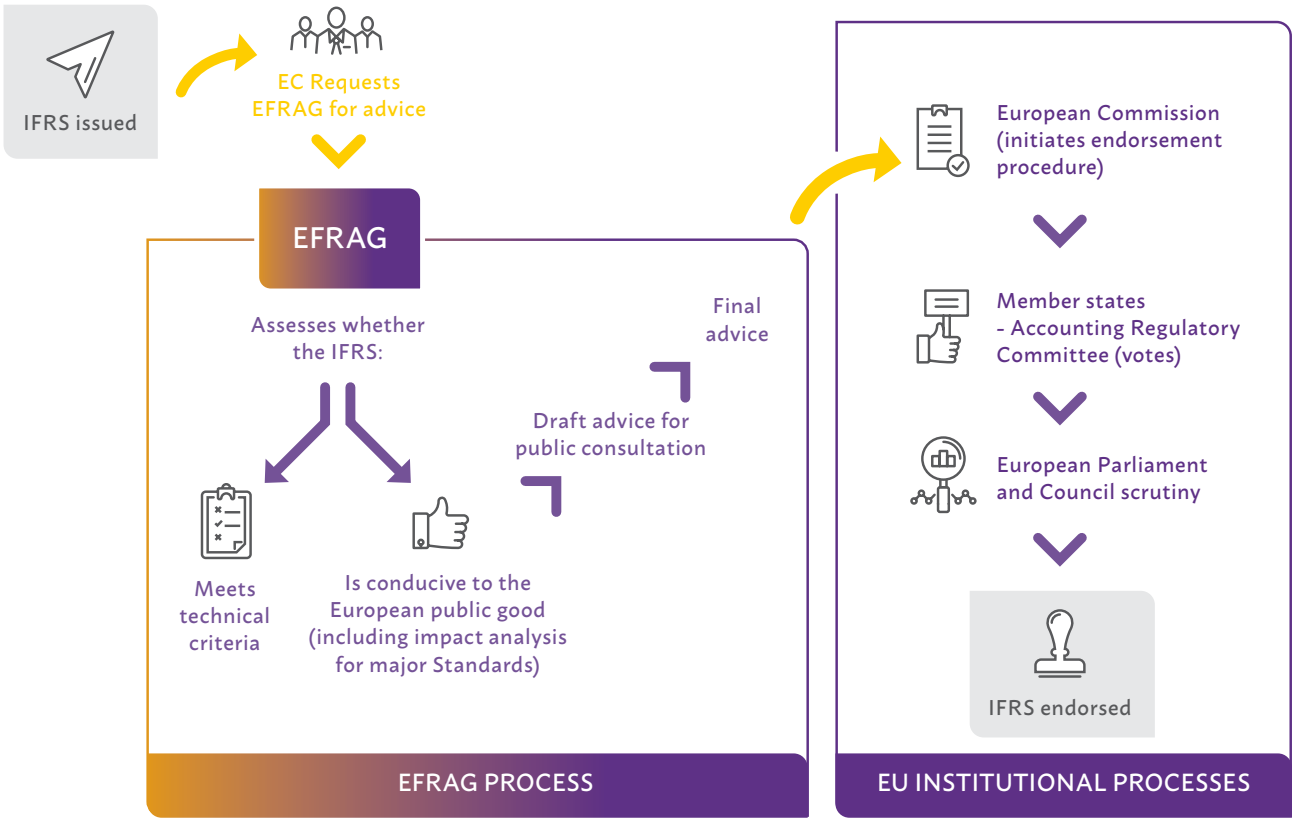
IFRS Standards are relatively stable, and preparers are looking for a time when changes in financial reporting make fewer demands on management than that they have in the recent past. At the same time, users are calling for easily accessible and comparable data. Users' needs will be assisted by the increasing emphasis on technical solutions, such as the IFRS Taxonomy and ESEF – both of which are outside EFRAG's remit.

At present, the IASB's major contribution to non-financial reporting is the Management Commentary Practice Statement. I expect that, over time, it will consider a greater involvement in corporate reporting, although the form of this involvement is not yet clear. The increasing emphasis on non-financial information is likely to lead to an agreed taxonomy and set of standards. EFRAG is moving in this direction and the European Corporate Reporting Lab@EFRAG is well positioned to play a significant role. This is a key opportunity for EFRAG to bring its technical financial reporting strengths to the non-financial reporting debate.

So, my thanks to all who allowed me to contribute to the work at EFRAG – I wish EFRAG well in its exciting future.

ENDORSEMENT ADVICE

The IASB/IFRS Interpretations Committee's documents that have been endorsed in the course of 2019, as well as their effective dates of application in the European Union, the dates of endorsement and of publication in the Official Journal are set out in the table that follows.



	EFRAG Draft Endorsement Advice	EFRAG Endorsement Advice	ARC Vote	When might endorsement be expected	IASB Effective date
IASB AND IFRS IC DOCUMENTS IN PROCESS TO BE ENDORSED					
IFRS 17 *Insurance Contracts* (issued on 18 May 2017)					01/01/2021
Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020)					
IASB AND IFRS IC DOCUMENTS ENDORSED					
Amendments to IFRS 3 *Business Combinations* (issued on 22 October 2018)	14/01/2019	28/03/2019	06/09/2019	Q1 2020	01/01/2021
Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform (issued on 26 September 2019)	30/09/2019	16/10/2019	05/11/2019	15/01/2020	01/01/2020
Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)	12/12/2018	20/02/2019	01/08/2019	29/11/2019	01/01/2020
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	06/07/2018	12/10/2018	01/08/2019	29/11/2019	01/01/2020
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)	26/01/2018	21/03/2018	08/08/2018	14/03/2019	01/01/2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018)	21/03/2018	28/05/2018	08/10/2018	13/03/2019	01/01/2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)	15/12/2017	24/04/2018	31/08/2018	08/02/2019	01/01/2019

GOVERNANCE AND TRANSPARENCY

EFRAG BOARD AND EFRAG TEG

As from 1 April 2019, Chiara Del Prete, EFRAG TEG Chairwoman and Saskia Slomp EFRAG CEO assumed their new functions. As at 1 January 2020 EFRAG welcomed Søren Kok Olsen, who served as EFRAG TEG member until the end of 2019, as new member of the EFRAG Board nominated by the Danish Standard Setter and National Organisation in replacement of Stig Enevoldsen and appointed by the EFRAG General Assembly in December. In September 2019 Olivier Scherer joined EFRAG TEG. The EFRAG Board approved in December 2019 the new EFRAG TEG composition effective from respectively 1 January and 1 April 2020. Jens Berger (accountancy profession), Erlend Kvaal (academic) and Christoph Schauerte (preparer) joined EFRAG TEG on 1 January 2020 and David Prochazka (Central and Eastern Europe) joined on 1 April 2020. Nicklas Grip was reappointed as EFRAG TEG Vice-Chair.

TRANSPARENCY AND PUBLIC EFRAG TRANSPARENCY REGISTER

In March 2018, EFRAG started webcasting the public meetings of the EFRAG Board, EFRAG CFSS and EFRAG TEG. EFRAG's stakeholders can either watch in real-time or afterwards, as the meeting remain available to watch online. With the webcasting complementing the already available meeting documents, EFRAG is practising best-in-class levels of transparency.

The EFRAG Board has approved in July the public EFRAG Transparency Register Policy. EFRAG maintains from 1 September 2019 a public Transparency Register that is regularly updated and covers the meetings of the EFRAG Board President, the EFRAG TEG Chair and the EFRAG CEO. Both the Policy and register are available on the EFRAG website.

EFRAG THANKS ANDREW WATCHMAN

Andrew Watchman joined EFRAG in April 2016 as EFRAG TEG Chairman and CEO. During his three-year mandate, Andrew brought his valuable expertise and experience to the EFRAG activities, enhanced the visibility and credibility of EFRAG and contributed to the success of EFRAG.

Under Andrew's leadership EFRAG delivered the final endorsement advice to the European Commission on IFRS 16 *Leases*; an endorsement advice supported for the first time by a full public good assessment and robust macro-economic impact analysis. He also launched the early impact analysis with the Discussion Paper on *Financial Instruments with Characteristics of Equity* as pilot. Andrew was also supervising EFRAG's research activity and EFRAG's due process resulting in high quality positions and publications.

Andrew was responsible for establishing the European Lab following the request of the European Commission in the 2018 Action Plan *Financing Sustainable Growth* and the establishment of the first Project Task Force on Climate-related Reporting. During his term EFRAG enhanced the cooperation with the European academic community by establishing the EFRAG Academic Panel and the Academic Network.

During his term Andrew enhanced the transparency of EFRAG, by making the EFRAG TEG supporting papers public and by the implementation a webcasting system for public meetings which allowed the public to watch the EFRAG meeting live and also afterwards, as the recordings are being made available on EFRAG's website.

End of March 2019 Andrew left his position of EFRAG TEG Chairman and CEO due to Brexit circumstances.

ACKNOWLEDGEMENTS

EFRAG also thanks its former TEG members Silvia Dinova who stepped down 31 March 2019, Isabelle Grauer-Gaynor stepped down in mid-September and joined ESMA, Gunther Gebhardt, Heinz Hense and Søren Kok Olsen who stepped down as EFRAG TEG members 31 December 2019 and Andrew Spooner who stepped down 31 March 2020. Gunther Gebhardt also stepped down as Chair of the EFRAG Academic Panel and was made honorary member. Phil Aspin, former EFRAG TEG member stepped down as Chair of the EFRAG Rate-regulated Working Group 1 February 2020. Andrew Spooner also stepped down as Chair of the EFRAG Financial Instruments Working Group 31 March 2020.

EFRAG would also like to thank all participants in EFRAG bodies and organisations including the EFRAG Board, the European Lab Steering Group and its Project Task Force on Climate-related Reporting, EFRAG TEG and its working groups and advisory panels who give their time voluntarily to EFRAG.

MEMBER ORGANISATIONS

As of 31 December 2019

EUROPEAN STAKEHOLDER ORGANISATIONS

Accountancy Europe
www.accountancyeurope.eu

BUSINESSEUROPE
www.businesseurope.eu

European Association of Co-operative Banks (EACB)
www.eacb.coop

European Banking Federation (EBF)
www.ebf.eu

European Federation of Accountants and Auditors for SMEs (EFAA)
www.efaa.com

European Federation of Financial Analysts Societies (EFFAS)
www.effas.net

European Savings and Retail Banking Group (ESBG)
www.wsbi-esbg.org

Insurance Europe
www.insuranceeurope.eu

NATIONAL ORGANISATIONS

Grouping of five Danish organisations
cbj@fsr.dk

Autorité des normes comptables (ANC) - France
www.anc.gouv.fr

Accounting Standards Committee of Germany (ASCG)
www.drsc.de

Organismo Italiano di Contabilità (OIC) - Italy
www.fondazioneoic.eu

Commission des normes comptables (CNC) - Luxembourg
www.cnc.lu

Dutch Accounting Standards Board (DASB)
www.rjnet.nl

Instituto de Contabilidad y Auditoría de Cuentas (ICAC)
www.icac.meh.es

The Association for Generally Accepted Principles in the Securities Market - Sweden
www.godsedpavpmarknaden.se

Financial Reporting Council (FRC) - UK
www.frc.org.uk

OUR PEOPLE

As of 31 December 2019

EFRAG BOARD

The EFRAG Board is responsible for all decisions made and positions taken at EFRAG. It makes its decisions to the extent possible based on consensus with the objective of Europe speaking with one voice.

It is also responsible for the general oversight over the organisation and reports to the EFRAG General Assembly.

Jean-Paul Gauzès
EFRAG Board President

Andreas Barckow
EFRAG Board Vice-President, President ASCG (Germany)

Rosa Bruguera
Banks

Hans Buysse
User

Patrick de Cambourg
Chairman ANC (France)

Angelo Casò
Chairman OIC (Italy)

Luca Cencioni
Industrial and trading companies

Karin Dohm
Banks

Stig Enevoldsen[1]
Member DASC (Denmark)

Benoit Jaspar
Insurance companies

Roger Marshall
Member FRC Board

Claes Norberg
Industrial and trading companies

Laurence Rivat
Accountancy profession

Peter Sampers
Chairman DASB (Netherlands)

Anders Ullberg
Chairman SFRB (Sweden)

Maria Dolores Urrea Sandoval
Member ICAC (Spain)

Mark Vaessen
Accountancy profession

The European Commission, the European Central Bank, the European Supervisory Authorities (EBA, EIOPA and ESMA) and Better Finance (appointed representative for European organisation representing private investors "end users") are observers with speaking rights on the EFRAG Board, EFRAG TEG and supporting groups and advisory panels.

[1] Per 1 January 2020 Soren Kok Olsen succeeded Stig Enevoldsen as member of the EFRAG Board

EFRAG TEG

The EFRAG Technical Expert Group (EFRAG TEG) is responsible for providing the EFRAG Board with expert advice in financial reporting matters. Its advice takes the form of recommended positions, either in draft form to support public consultation or in final form after having duly considered all input received through EFRAG's due process.

Chiara Del Prete
EFRAG TEG Chairwoman (Italy)

Nicklas Grip
EFRAG TEG Vice-Chairman, Senior Vice-President Handelsbanken (Sweden)

Ana Cortez
Partner KPMG (Spain)

Geert Ewalts
Head of Group Accounting Policies Aegon (Netherlands)

Günther Gebhardt[1]
Professor Emeritus of Goethe Universität Frankfurt am Main (Germany)

Emmanuelle Guyomard
Sanofi

Heinz Hense[2]
Head of Accounting Excellence at ThyssenKrupp (Germany)

Søren Kok Olsen[3]
Partner EY (Denmark)

Olivier Scherer
IFRS Technical leader - PwC (France)

Andrew Spooner
Partner Deloitte (UK)

Ambrogio Virgilio
Partner EY (Italy)

Jed Wrigley
Eight Roads

COUNTRY LIAISON

Anthony Appleton
Director - Accounting and Reporting, Financial Reporting Council (FRC) (UK)

Tommaso Fabi
Technical Director, Organismo Italiano di Contabilità (OIC) (Italy)

Sven Morich
Executive Director, Accounting Standards Committee of Germany (ASCG) (Germany)

Cedric Tonnerre
Technical Director, Autorité des Normes Comptables (ANC) (France)

[1] Per 1 January 2020 Erlend Kvaal succeeded Gunther Gebhardt as EFRAG TEG member
[2] Per 1 January 2020 Christoph Schauerte succeeded Heinz Hense as EFRAG TEG member
[3] Per 1 January 2020 Jens Berger succeeded Soren Kok Olsen as EFRAG TEG member

EFRAG ACADEMIC PANEL

The objective of the Panel, which supports EFRAG TEG, is to contribute to the debate on relevant research topics. It consists of academics specialised in financial reporting (including IFRS Standards) and knowledgeable in different aspects specifically relevant to Europe.

- **Günther Gebhardt**, Chairman, Goethe Universität Frankfurt-am-Main
- **Paul André**, HEC Université de Lausanne
- **Richard Barker**, Oxford University
- **Véronique Blum**, Université Grenoble Alpes
- **Kees Camfferman**, Vrije Universiteit Amsterdam
- **Joachim Gassen**, Humboldt-Universität zu Berlin
- **Niclas Hellman**, Stockholm School of Economics
- **Ann Jorissen**, Universiteit Antwerpen
- **Irene Karamanou**, University of Cyprus, Nikosia
- **Erlend Kvaal**, BI Norwegian Business School, Oslo
- **Andrea Lionzo**, Università Cattolica del Sacro Cuore Milan
- **Araceli Mora**, Universidad de Valência
- **Roberto di Pietra**, Università di Siena
- **Lucia Maria Portela de Lima Rodrigues**, Universidade do Minho, Braga
- **Thorsten Sellhorn**, Ludwig-Maximilians-Universität München
- **Frank Thinggaard**, Aarhus Universitet
- **Alfred Wagenhofer**, Karl-Franzens-Universität Graz

The IASB has been granted observer status.

EFRAG FINANCIAL INSTRUMENTS WORKING GROUP

The Financial Instruments Working Group (EFRAG FIWG) provides support to EFRAG TEG on financial instrument reporting issues. Members of the group have considerable expertise in financial instrument reporting matters and more generally in IFRS Standards issues and practice.

- **Andrew Spooner**, Chairman, EFRAG TEG member
- **Jens Berger**, Deloitte Germany
- **Jannis Bischof**, University of Mannheim
- **Lisa Bomba**, Deutsche Bank
- **David Bradbery**, Barclays
- **Alan Chapman**, Grant Thornton UK
- **Pierre-Henri Damotte**, Société Générale
- **Karin Eisenhut**, DZ Bank AG
- **Maria Erviti Legarra**, BBVA
- **Fabio Goia**, Intesa Sanpaolo S.p.A.
- **Laure Guegan**, EY France
- **Vincent Guillard**, Mazars France
- **Selma Marte**, BNP Paribas
- **Colin Martin**, KPMG UK
- **Riccardo Bua Odetti**, PwC Italy
- **Martin Petrov**, Bulgarian Development Bank
- **Raoul Vogel**, PwC Austria

The European Commission, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), the European Investment Bank (EIB), and the International Swaps and Derivatives Association (ISDA) have been granted observer status.

EFRAG INSURANCE ACCOUNTING WORKING GROUP

The Insurance Accounting Working Group (EFRAG IAWG) provides support to EFRAG TEG on insurance related financial reporting issues. Members of the group have considerable expertise in insurance accounting and more generally in IFRS Standards issues and practice.

- **Ambrogio Virgilio**, Chairman, EFRAG TEG member, EY Italy
- **Alexander Dollhopf**, PwC Sweden
- **Luca D'Onofrio**, EFFAS FAC member – AIAF Board Member
- **Geert Ewalts**, Head of Group Accounting Policies Aegon (Netherlands)
- **Hugh Francis**, Aviva
- **Joachim Kölschbach**, KPMG Germany
- **Jasper Kolsters**, EY Netherlands
- **Malin Löfbom**, Skandia
- **Sophie Massol**, AXA
- **Richard Olswang**, Prudential
- **Jean-Michel Pinton**, EY France
- **Sabrina Pucci**, University of Rome
- **Thomas Ringsted**, Deloitte Denmark
- **Roman Sauer**, Allianz
- **Maxime Simoen**, Mazars France
- **Massimo Tosoni**, Generali
- **Gail Tucker**, PwC UK
- **Carsten Zielke**, Zielke Research Consult GmbH EFRAG User Panel Vice-Chair

EFRAG PENSION PLANS ADVISORY PANEL

The EFRAG Pension Plans Advisory Panel advises and provides input to EFRAG TEG discussions aiming at investigating possible improvement to the accounting requirements in IAS 19 *Employee Benefits*, with a particular focus on plans that promise a benefit linked to the return on specified assets.

- **Nicklas Grip**, Chair, EFRAG Vice Chair
- **Vincent Caire**, Zodiac Aerospace
- **André Geilenkothen**, Aon Hewitt
- **Selim Gogus**, Crédit Suisse
- **Heinz Hense**, ThyssenKrupp, EFRAG TEG member
- **Patrice Kalfon**, Ellis Alliance
- **Anne Laning**, TKP Investments
- **Julián Villanueva Lara**, MAPFRE
- **Gabriel van de Luitgaarden**, Royal Philips N.V.
- **Kazim Razvi**, Fitch Ratings
- **Geert De Ridder**, Deloitte
- **Jean-François Vaccaro**, Nestlé Capital Advisers S.A.

The European Commission, EIOPA, ESMA and PensionsEurope have been granted observer status.

EFRAG RATE-REGULATED ACTIVITIES WORKING GROUP

The EFRAG Rate-Regulated Activities Working Group (EFRAG RRAWG) advises and provides input to EFRAG TEG discussions aiming at developing positions on rate-regulated activities financial reporting issues.

- **Phil Aspin**, Chair, former EFRAG TEG member, United Utilities
- **Nicola Bruno**, Atlantia SpA
- **José Luis Daroca**, Deloitte Spain
- **Isabelle Triquera Gonbeau**, EDF Group
- **Simon Grant**, National Grid plc
- **Cosimo Guarini**, Terna Spa
- **Lieve Kerckhof**, Elia Group
- **Markus Lotz**, 50Hertz Transmission GmbH
- **Thomas Possert**, Energie Steiermark AG
- **Fabien Rock**, SNCF Reseau
- **Gerard van Santen**, EY Netherlands
- **Laura López Sotomayor**, Ferrovial SA
- **Ralph Welter**, PwC Germany
- **Javier Pastor Zuazaga**, Iberdrola SA

The European Commission has been granted observer status.

EFRAG USER PANEL

The EFRAG User Panel provides input, from a user perspective, on important and topical accounting issues that EFRAG TEG is considering.

- **Chiara Del Prete**, Chairwoman
- **Carsten Zielke**, Vice-Chair
- **Andrea Bellucci**, University of Perugia
- **Martijn Bos**, Eumedion
- **Luca D'Onofrio**, EFFAS FAC member – AIAF Board Member
- **Hilary Eastman**, CRUF
- **Javier de Frutos**, Chairman EFFAS FAC
- **Jacques de Greling**, Co-chairman SFAF Accounting Committee, Scope Ratings
- **Sam Holland**, Standard & Poor's
- **Dennis Jullens**, University of Amsterdam
- **Thomas Justinussen**, Danskebank
- **Peter Malmqvist**, Equity Analyst
- **Felipe Herranz Martin**, UAM, Board Member (AECA)
- **Serge Pattyn**, Independant Analyst, EFFAS CFR member
- **Marie-Pascale Peltre**, Independent Financial Analyst
- **Richard Schreuder**, Saemor Capital
- **Jerome Vial**, CPM Advisory
- **Jed Wrigley**, EFRAG TEG member

The European Commission, the IASB, the FRC and the Financial Reporting Lab of the FRC have been granted observer status.

EFRAG CONSULTATIVE FORUM OF STANDARD SETTERS

Meetings with the EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) address current European financial reporting issues, major proposed changes to IFRS Standards and EFRAG's proactive work in the presence of IASB members. These discussions allow EFRAG TEG to have a better understanding of the impact of the proposed amendments on national business practice and national accounting standards.

- **AFRAC** - Austrian Standard Setter
- **ANC** – French Standard Setter
- **ASCG** - German Standard Setter
- **CFRSB** - Croatian Standard Setter
- **CMF** - Czech Ministry of Finance
- **CNC** - Portuguese Standard Setter
- **CNC / CBN** - Belgian Standard Setter
- **CNC LU** - Luxembourgish Standard Setter
- **DASB** - Dutch Standard Setter
- **DASC** - Danish Standard Setter
- **EASB** - Estonian Standard Setter
- **FAB/KILA** - Finnish Standard Setter
- **GMEF** - Greek Ministry of Economy and Finance
- **HASB**- Hungarian Accounting Standard Setter
- **ICAC** - Spanish Standard Setter
- **ICPAC** - Cyprus Standard Setter
- **LMF** - Latvian Ministry of Finance
- **LMoF** - Lithuanian Ministry of Finance
- **MFSR** - Slovak Ministry of Finance
- **MIA** - Maltese Standard Setter
- **MOFB** - Bulgarian Standard Setter
- **MOPF** - Romanian Ministry of Public Finance
- **NASB** - Norwegian Standard Setter
- **OIC** - Italian Standard Setter
- **PASC** - Polish Standard Setter
- **SFRB** - Swedish Standard Setter
- **SIR** - Slovenian Standard Setter
- State Administration of Liechtenstein
- **UK FRC** - United Kingdom Standard Setter

Observers

- **FER** - Swiss Standard Setter
- **TASB** - Turkish Standard Setter

European Reporting Lab @EFRAG

EUROPEAN LAB STEERING GROUP

The European Corporate Reporting Lab is intended to stimulate innovation in the field of corporate reporting in Europe by identifying and sharing good practices. This initiative follows the call of the European Commission in its Action Plan on Financing Sustainable Growth.

- **Jean-Paul Gauzès**, Chair
- **Alain Deckers**, Vice-Chair, European Commission DG FISMA
- **Hilde Blomme**, Accountancy Europe
- **Ossian Ekdahl**, Första AP-fonden
- **Simonetta Ferrari**, ENI
- **Elisabeth Gambert**, AFEP
- **Sebastien Godinot**, WWF
- **Filip Gregor**, Frankbold
- **Imre Guba**, S&P Global
- **Albert Hasselmeyer**, BASF
- **Esko Antero Kivisaari**, Finanssiala
- **Arlene McCarthy**, AMC Strategy
- **Flavia Micilotta**, Luxembourg Green Exchange
- **J.Jason Mitchell**, Man Group plc
- **Linda Nielsen**, University of Copenhagen
- **Nancy Kamp-Roelands**, EY/University of Groningen
- **Steven Marcus Tebbe**, CDP

European Reporting Lab @EFRAG

PROJECT TASK FORCE ON CLIMATE RELATED REPORTING (PTF-CRR)

The primary focus of the PTF-CRR was on identifying and sharing good reporting practices and assessing the level of maturity in the implementation of the TCFD recommendations, while also taking into consideration the climate-related reporting elements of the EU Non-financial Reporting Directive and the related European Commission non-binding guidelines.

- **Michèle Lacroix** – Chair, SCOR
- **Jean-Francois Coppenolle** - Vice-Chair, Aviva
- **Bertrand Janus** - Vice Chair ,Total
- **Cristina Bage-Friborg**, SSAB
- **Michel Bande**, CSR Europe
- **Piotr Biernacki**, Polish Association of Listed Companies and Foundation of Reporting Standards
- **Eric Dugelay**, Deloitte
- **Aurélie Faure-Schuyer**, Network for Sustainable Financial Markets
- **Elena Flor**, Intesa Sanpaolo
- **Antonio Fuertes Zurita**, Naturgy
- **Andrea Gasperini**, Italian Association for Financial Analysis (AIAF)
- **Giulia Genuardi**, Enel
- **Andreas Horn**, BASF
- **Jane Jagd**, Ørsted
- **Andre Jakobs**, ABN Amro
- **Kristina Jeromin**, Deutsche Börse
- **Anna Lindberg**, Swedbank
- **Alexandra Middleton**, University of Oulu
- **Miroslav Petkov**, PFG
- **Alice Peyrard**, Veolia
- **Nicole Röttmer**, PwC
- **Matthias Schmidt**, Deloitte
- **Michael Zimonyi**, CDSB

EFRAG SECRETARIAT

- **Saskia Slomp**, EFRAG CEO
- **Chiara Del Prete**, EFRAG TEG Chairwoman
- **Kathrin Schöne**, EFRAG Project Director
- **Vincent Papa**, Associate Director
- **Almudena Alcalá**, Technical Manager
- **Filipe Alves**, Senior Technical Manager
- **Didier Andries**, Senior Technical Manager
- **Isabel Batista**, Senior Technical Manager
- **Galina Borisova**, Technical Manager
- **Fredré Ferreira**, Senior Technical Manager
- **Sapna Heeralall**, Technical Manager
- **Joachim Jacobs**, Technical Manager
- **Hocine Kebli**, Senior Technical Manager
- **Ioana Kiss**, Technical Manager
- **Lina Lemessiou**, Technical Manager
- **Rasmus Sommer**, Senior Technical Manager
- **Cécile Etevenot**, Communication and Media Manager
- **Madeleine Kabeya**, Finance and HR Manager
- **Cristina Rodriguez**, Office Administrator
- **Robert Stojek**, Technical Manager and IT Lead
- **Ricardo Torres Ruiz-Olivares**, Technical Manager (seconded by Deloitte)

COMMUNICATION ACTIVITIES

EFRAG CONFERENCE IFRS & REGULATION – SEARCHING FOR COMMON GROUND

On 28 November, EFRAG held the conference IFRS & Regulation – Searching for Common Ground. The event gathered experts to debate whether IFRS Standards should be more rules-based to support enforcement and whether regulators should issue implementation rules for principles-based IFRS Standards. This conference was also available for remote participation.

Guest speakers included:

Michel Prada (former IFRS Foundation Trustees Chairman and former Chairman of the French Regulator, AMF)

Steven Maijoor (Chair of European Securities and Markets Authority (ESMA).

Pervenche Berès (former MEP, member of the AMF committee on Climate and Sustainable Finance)

EFRAG ONLINE ACTIVITIES

A make-over for the webpage

In 2019, the EFRAG home page was made more user friendly and easier to navigate. A new header facilitates access to our core activities. EFRAG's open consultations and information on the European Lab are now easier to find for our constituents. A User Corner has also been created, to provide users with focused information linked to EFRAG's work.

Increased presence on social Media

2019 has been a fruitful year for EFRAG on social media with a solid increase in the number of followers both on Twitter (+55%) and LinkedIn (+24%). It is the result of our effort to share with stakeholders relevant information concerning EFRAG's activities.

Our Youtube channel served well its purpose to share recordings of our events and explainer videos on our projects.

EFRAG Corporate video: EFRAG in 100 seconds

This 100 seconds corporate video presents EFRAG's background, mission and core activities (upstream influence, improving IFRS and endorsement advice), in serving the European public interest by promoting the European views in the field of financial reporting.

Welcome to the European Corporate Reporting Lab @EFRAG!

Discover in 2 minutes how the European Corporate Reporting Lab @ EFRAG (European Lab) stimulates innovation in the field of corporate reporting in Europe, by identifying and sharing good practices.

If you feel like joining EFRAG's community and receive regular updates on our work:

@EFRAG_Org

EFRAG European Financial Reporting Advisory Group

EFRAG

FINANCIAL SUMMARY

Abbreviated financial statements as of 31 December 2019

INCOME STATEMENT	2019 000 EUR	2018 000 EUR
CONTRIBUTIONS		
European Stakeholder Organisations	705	765
National Organisations	1,600	1,600
European Commission	2,864	2,817
Contributions in kind	*1,463*	*1,178*
TOTAL CONTRIBUTIONS	**6,632**	**6,360**
OPERATING EXPENSES		
Human resources	-3,951	-3,956
Building	-359	-336
Travel	-40	-41
Special events	-45	-1
Publications	-42	-21
Outsourcing (economic and academic studies)	-50	-172
Meetings	-51	-59
Other costs	-350	-495
Expenses in kind	*-1,463*	*-1,178*
TOTAL OPERATING EXPENSES	**-6,351**	**-6,259**
Operating surplus	281	101
Financial result	0	5
NET SURPLUS	**281**	**106**

BALANCE SHEET	31/12/2019 000 EUR	31/12/2018 000 EUR
Tangible assets	47	83
Office guarantee	120	121
TOTAL FIXED ASSETS	**167**	**204**
Accounts receivable	805	562
Current investments	0	0
Cash	4,742	4,537
Deferred charges and accrued income	173	132
TOTAL CURRENT ASSETS	**5,720**	**5,231**
TOTAL ASSETS	**5,887**	**5,435**
Equity: Accumulated surplus	4,511	4,229
Liabilities:		
• leasing debt	6	3
• accounts payable	543	244
• taxes, remuneration and social security	506	613
• provision including pension guarantee	305	274
• rent accrual	0	0
• deferred contributions	16	72
• other accruals	0	0
TOTAL EQUITY & LIABILITIES	**5,887**	**5,435**

The financial highlights are based on statutory financial statements audited by BDO, Belgium, who issued an unqualified audit report on those statements on 21 February 2020. The statutory financial statements have been approved by the EFRAG General Assembly on 24 March 2020.

Contributions and expenses in kind

CONTRIBUTIONS IN KIND 2019	000 EUR
TIME AND TRAVEL CONTRIBUTIONS	
EFRAG Board	*253*
EFRAG Technical Expert Group	*711*
Other Committees, Groups and Panels	*352*
European Lab Steering Group and Project Task Force on Climate-related Reporting	*147*
TOTAL CONTRIBUTIONS IN KIND	1,463

NOTE

Guaranteed return on EFRAG's pension fund and other provisions

Belgian law requires that contributions paid on behalf of employees by their employers are subject to a guaranteed a minimum return of 3.25% until 31 December 2015, and 1,75% from 1 January 2016. Since 2013 the minimum return by EFRAG's pension provider has been less than these rates (2% in 2013, 1,5% in 2014 and 2015, 1% in 2016 and 0% in 2017, 2018 and 2019). EFRAG has an obligation for any shortfall at retirement resulting from these differences. The financial statements include a provision arising from past contributions, based on an actuarial estimate. The provision as at 31 December 2019 is 205k€, an increase of 31 k€ since 31 December 2018.

EFRAG receives funding from the European Commission (EC) in accordance with annual grant agreements. EFRAG's grant returns for the year 2015 onwards are subject to future 'on the spot' checks by the EC. Certain matters in the application of those grant agreements are under discussion, which could ultimately result in material adjustments to the amount of grant funding. In the interest of prudence EFRAG has recorded a provision in relation to possible future adjustments.

FINANCIAL STRUCTURE OF EFRAG

EFRAG is a publicly and privately funded organisation working in the European public interest. The European Commission provides the public sector funding.

EFRAG Member Organisations comprise European Stakeholder Organisations and National Organisations. Supported by the European Commission, the Council and the European Parliament, EFRAG is seeking to broaden its membership base.

In addition to cash funding, EFRAG receives contributions in kind provided by the members of EFRAG TEG, the EFRAG Board, European Lab Steering Group, the Committees, Working Groups, Advisory Panels and Project Task Forces as well as in form of free secondments.

The breakdown of contributions by Member Organisation is as follows:

CONTRIBUTIONS 000 EUR	2019	2018
EUROPEAN STAKEHOLDER ORGANISATIONS		
Accountancy Europe	240	300
BUSINESSEUROPE	125	125
INSURANCE EUROPE	75	75
EBF	75	75
ESBG	75	75
EACB	75	75
EFAA	25	25
EFFAS	15	15
TOTAL	705	765
NATIONAL ORGANISATIONS		
France	350	350
Germany	350	350
UK	350	350
Italy	290	290[1]
Sweden	100	100
Denmark	50	50
Netherlands	50	50
Spain	50	50
Luxembourg	10	10
TOTAL	1,600	1,600
EUROPEAN COMMISSION	2,864	2,817
TOTAL CONTRIBUTIONS	5,169	5,182

[1] OIC seconds a technical manager to EFRAG, for part of 2018 the contribution in kind is 35k€

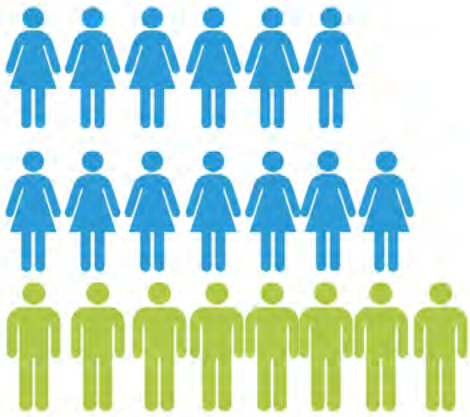
EFRAG SECRETARIAT: FAIR AND SUSTAINABLE PHILOSOPHY

LOCATION - IN THE HEART OF EUROPE:

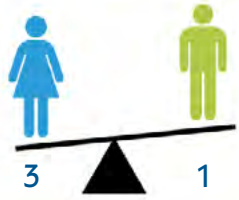
- Walking distance from the European institutions
- Maximum few hours away from our members and key stakeholders

COMPOSITION:

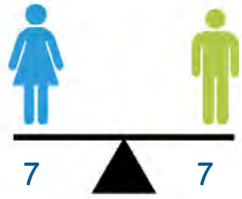
22 persons



MANAGEMENT



TECHNICAL STAFF



14 NATIONALITIES

Exit plastic bottles! Welcome design, glass, reusable bottles for meetings and office use.

Minimum printing policy. *Think before printing* message included in the secretariat signatures.

Webcasting and conference call systems facilitate remote participation, reducing the need to travel.

Our documentation is available on our website and social media channels.

Paper, plastics, batteries are separated for recycling purposes and our purchases are tailored to match the expected consumption.

EFRAG provides continuous professional training in order to maintain their professional competence.

SharePoint and Sharefile CMS facilitate smooth and paperless contributions within EFRAG Secretariat and with our members.

'Working from home' policy to ensure better balance between professional and personal life.

EFRAG
European Financial Reporting Advisory Group

Design by lyon.nu

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Connect with EFRAG