



# EFRAG UPDATE

SEPTEMBER 2020

The EFRAG Update is published on a monthly basis to inform constituents about due process publications, public technical discussions held and decisions taken during that month.

## Coronavirus – Update on EFRAG’s meetings and events

EFRAG will continue to monitor the impact of COVID-19 pandemic on its activities recognising the circumstances and priorities of our stakeholders and adapt its activities accordingly:

- All EFRAG public meetings of the EFRAG Board, EFRAG TEG and EFRAG CFSS are still turned into webcast meetings until further notice. Due to the particular circumstances, the meetings have been shortened and the frequency has been increased. Digital access to these public meetings is provided as usual;
- All EFRAG public events and outreaches until further notice have been turned into electronic format (see below) or postponed;
- EFRAG has adjusted the timelines of several of its projects taking into account the priorities of its stakeholders during the pandemic and is flexible in obtaining input through outreaches, field tests and other means, recognising the availability and individual circumstances of the stakeholders concerned. Input of stakeholders is an essential part of EFRAG’s due process as public interest organisation.

EFRAG staff is mainly working from home and is contactable by email, Teams or phone. The EFRAG offices are open during working hours.

You can find contact details [here](#).

## PUBLICATIONS

### Final Endorsement Advice

On 14 September 2020, EFRAG announced that it has completed its due process regarding the IASB Amendments *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* and has submitted its Endorsement Advice Letter to the European Commission.

For more details, please see the [EFRAG website](#).

### Draft Endorsement Advice

On 30 September 2020, EFRAG issued its Draft Endorsement Advice Letter and a separate Invitation to Comment relating to the endorsement for use in the EU of IFRS 17 *Insurance Contracts* as resulting from the June 2020 Amendments.



For more details, please see the [EFRAG website](#).

### **Successful launch of the project on preparatory work for the elaboration of possible EU non-financial reporting standards**

On 30 September 2020, EFRAG announced that the Project Task Force (PTF-NFRS) started its ambitious mission of undertaking preparatory work for the elaboration of possible EU non-financial reporting standards with a kick-off meeting on 11 September 2020 and a second plenary meeting on 28 September 2020.

For more details, please see the [EFRAG website](#).

### **Invitation to contribute to the ad personam mandate of EFRAG Board President Jean Paul Gauzès on non-financial reporting standard setting**

EFRAG Board President Jean-Paul Gauzès invites all interested stakeholders to contribute views related to his ad personam mandate from the European Commission to develop proposals for possible changes to the governance and funding of EFRAG. These proposals will be subject to further public consultation.

Responses are requested by 30 October 2020.

For more details, please see the [EFRAG website](#).

## **WEBINARS AND ON-LINE OUTREACHES**

### **Preparers Roundtable on *Primary Financial Statements***

On 1 September 2020, EFRAG in cooperation with Business Europe and the IASB, held a webinar to discuss the application of the IASB proposals for preparers and their experiences of the field testing of the IASB Exposure Draft *General Presentation and Disclosures (Primary Financial Statements)*. The objective of the event was to collect input from the community of interested preparers that were unable to participate in the earlier field-tests organised by EFRAG.

For more details, please see the [EFRAG website](#).

### **EFRAG summary report of the Preparers Roundtable**

On 25 September 2020, EFRAG issued a report that summarises the findings received from participants in its Preparers Roundtable on the IASB Exposure Draft *General Presentation and Disclosures* on 1 September 2020.

For more details, please see the [EFRAG website](#).

### **EFRAG & DASB Joint Outreach Event on *Primary Financial Statements***

On 16 September 2020, EFRAG held the online joint outreach event co-hosted by the Dutch Accounting Standards Board (DASB) and the IASB. This event presented Dutch stakeholders' views on the IASB's ED General Presentation and Disclosures.



For more details, please see the [EFRAG website](#).

### **EFRAG summary report of the field-test workshop on *Primary Financial Statements***

On 21 September 2020, EFRAG issued a report that summarises the findings from the companies involved in the field-test on the IASB proposals in the Exposure Draft *General Presentation and Disclosures*. The workshop took place on 24 August 2020 - in close coordination with European National Standard Setters and the IASB, where different companies (corporate and financial institutions) discussed potential implementation and application concerns, whether there is a need for additional guidance and the efforts required to implement and apply the IASB proposals.

For more details, please see the [EFRAG website](#).

### **Improving Information Regarding Business Combinations and Subsequent Accounting For Goodwill – Which Way to Go? – 16 October 2020**

On 30 September 2020, EFRAG announced a joint online outreach event on the application of the IASB's proposals to improve disclosures regarding acquisitions and impairment testing on goodwill, as well as the question whether goodwill amortisation should be reconsidered, organised by EFRAG, in cooperation with the IASB. The event on the IASB Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment* will take place on 16 October 2020 from 10:00 to 13:00 (CEST).

For more details and to register to the event, please see the [EFRAG website](#).

## OPEN CONSULTATIONS

| Title and description                                                                                                                     | Closing date                            |
|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| EFRAG questionnaire <i>How Could Accounting for Goodwill be Improved?</i>                                                                 | 26 October 2020                         |
| Invitation to contribute to the ad personam mandate of EFRAG Board President Jean Paul Gauzès on non-financial reporting standard setting | 30 October 2020                         |
| EFRAG Draft Comment Letter on IASB Discussion Paper <i>DP/2020/1 Business Combinations — Disclosures, Goodwill and Impairment</i>         | 30 November 2020                        |
| EFRAG Draft Endorsement Advice on Amendments to IFRS 17 <i>Insurance Contracts</i>                                                        | 29 January 2021                         |
| EFRAG Discussion Paper on <i>The Accounting for Crypto-Assets (Liabilities) - Holder and Issuer Perspective</i>                           | 31 July 2021 (earlier input is welcome) |

For more information please see [EFRAG's consultations page](#).



## EFRAG BOARD

### Webcast meeting

The EFRAG Board held a webcast meeting on [10 September 2020](#) and discussed the following topic:

#### **IFRS 17 Insurance Contracts**

The EFRAG Board held a webcast meeting to discuss and approve the draft endorsement advice on IFRS 17 *Insurance Contracts*, as resulting from the June 2020 Amendments.

The EFRAG Board has concluded on a consensus basis that, apart from the requirement to apply annual cohorts to intergenerationally-mutualised and cash-flow matched contracts, all the other requirements of IFRS 17, on balance (i) meet the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship, raise no issues regarding prudent accounting, and that they are not contrary to the true and fair view principle; and (ii) are conducive to the European public good.

Solely with reference to the requirement to apply annual cohorts to intergenerationally-mutualised and cash-flow matched contracts, EFRAG Board members do not have a consensus. Nine EFRAG Board members believe that the annual cohorts requirement meets the above endorsement criteria, whereas seven EFRAG Board members believe it does not.

The draft endorsement advice provides preliminary conclusions on a number of specific issues that the European Commission and/or the European Parliament considered in their request for endorsement of IFRS 17.

In this meeting, EFRAG Board members also agreed for a four months consultation period, until the end of January 2021.

The EFRAG Board instructed the EFRAG Secretariat to amend the questionnaire Invitation to Comment that supports the consultation on the Draft Endorsement Advice, in order to reflect the structure and contents of the Cover Letter and to issue the Draft Endorsement Advice and the Invitation to Comment after inputs by EFRAG TEG on the latter.

The link to the consultation on the EFRAG draft endorsement advice on IFRS 17 *Insurance Contracts*, as resulting from the Amendments June 2020 can be found [here](#).

### Webcast meeting

The EFRAG Board held a webcast meeting on [14 September 2020](#) and discussed the following topic:

#### **IASB Project *Interest Rate Benchmark Reform - Phase 2***

EFRAG Board approved the Final Endorsement Advice on the IASB Amendments to *Interest Rate Benchmark Reform Phase - 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*.



The EFRAG Board will hold a next webcast meeting on [8 October 2020](#).

### September 2020 written procedures

The EFRAG Board approved the following document, using written procedures in September:

- Questionnaire *Invitation to Comments* that supports the consultation on the Draft Endorsement Advice on Amendments to IFRS 17 *Insurance Contracts*.

### Expected October 2020 written procedures

The EFRAG Board expects to approve the following documents using written procedures in October:

- Draft Endorsement Advice on *the Classification of Liabilities as Current or Non-current, Amendments to IAS 1 Presentation of Financial Statements and Classification of Liabilities as Current or Non-current—Deferral of Effective Date, Amendments to IAS 1*, which were issued by the IASB on 23 January 2020 and 15 July 2020, respectively;
- Final Endorsement Advice on Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts — Cost of Fulfilling a Contract*;
- Final Endorsement Advice on Amendments to IFRS 3 *Business Combinations, Reference to the Conceptual Framework*;
- Final Endorsement Advice on Amendments to IAS 16 *Property, Plant and Equipment, Proceeds before Intended Use*; and
- Final Endorsement Advice on *Annual Improvements to IFRS Standards 2018–2020*.

## EFRAG TECHNICAL EXPERT GROUP (TEG)

### Webcast meeting

EFRAG TEG held a webcast meeting on [2-3 September 2020](#) and discussed the following topics:

#### **IFRS 17 *Insurance Contracts***

EFRAG TEG members met to discuss and express a preliminary vote on the recommendation to the EFRAG Board of the Draft Endorsement Advice (DEA) of IFRS 17 *Insurance Contracts*, in preparation of a second decision making session on the same topic planned for the 16 September.

EFRAG TEG members approved to recommend to the EFRAG Board for issuance Appendix 1, Appendix 2, Appendix 3 and Annex 1 of the DEA of IFRS 17, subject to editorial changes.

EFRAG TEG members discussed the DEA, including the Cover Letter drafted by the EFRAG Secretariat following the directions of the EFRAG Board. Eight EFRAG TEG members supported the issuance of the DEA as currently drafted; one of them positioned himself in the group that supports the application of the annual-cohorts requirement to the intergenerationally-mutualised and cash-flow matched contracts; seven of them positioned



themselves in the group that does not support the application of annual-cohorts requirement to the intergenerationally mutualised and cash-flow matched contracts. Seven EFRAG TEG members, while supporting an endorsement of the standard as issued by the IASB (and resulting from the Amendments), dissented from the approval of the Cover Letter as drafted and provided their reasoning for dissent.

### **IASB Project *Goodwill and Impairment***

EFRAG TEG discussed two tax-related issues that have an impact on goodwill and impairment testing, in preparation of the discussion of the EFRAG final comment letter on the IASB discussion paper *Business Combinations — Disclosures, Goodwill and Impairment* during the next meetings.

The first issue related to the use of post-tax cash flows and post-tax discount rates in estimating value-in-use. EFRAG TEG members noted that the practical issues raised were valid but too detailed to be addressed in standard-setting. After consideration of the overall balance of issues addressed in the EFRAG's Draft Comment Letter, it was decided to mention the issue without going into detail, encouraging the IASB to emphasise the conceptual consistency needed between different building blocks of determining value-in-use.

The second issue related to the deferred tax liabilities recognised in the course of a business combination and their impact on subsequent measurement of goodwill. It was proposed not to include this issue in the comment letter at this stage. Instead, EFRAG TEG may reconsider this issue when discussing the direction to be taken in the comment letter on amortisation versus impairment-only approaches, depending on the direction of that discussion.

No decisions were taken at the meeting.

### **IASB Project *Primary Financial Statements***

EFRAG TEG members received a presentation of the feedback got from EFRAG outreach activities and field-testing on the IASB's project *Primary Financial Statements* conducted so far.

EFRAG TEG members welcomed the feedback received from EFRAG's stakeholders in the outreach activities. In particular, some EFRAG TEG members acknowledged that the proposed scope on management performance measures seemed to be narrow, as it was limited to subtotals of income and expenses and excluded ratios or indicators of the financial position and cash flows.

EFRAG TEG members also acknowledged the application challenges related to the descriptions of analysis of expenses by function and by nature (e.g. impairment of goodwill). Finally, on the distinction of integral and non-integral associates and joint ventures, it was noted that management will always have to use judgement when applying IFRS Standards; however the level of debate generated by this topic seemed to confirm that there was lack of clarity on the concept behind the definition of "integral" investments and this in turn seemed to confirm a lack of clarity on the concept of "main business activity" that underpins the perimeter of the operating subtotal.



EFRAG TEG members proposed to consider the examples and practical suggestions got during the consultation when finalising the comment letter.

No decisions were taken at the meeting.

### **IASB Project *Rate Regulated Activities***

EFRAG TEG discussed the key messages to be reflected in EFRAG's Draft Comment Letter in response to the IASB forthcoming proposals on the accounting for regulatory assets and regulatory liabilities, prepared on the basis of the IASB Staff papers and the IASB tentative decisions; further changes will be done once the final wording of the Exposure Draft will be available.

EFRAG TEG members expressed some additional concerns to those already described in the Agenda Paper for discussion, on specific aspects of the proposals. EFRAG TEG was also presented with the proposals on the initial outreach plan and effects' analysis work to be undertaken by the EFRAG Secretariat. Due to time constraints EFRAG TEG members were asked to integrate their comments in writing.

No decisions were taken at the meeting.

### Webcast meetings

EFRAG TEG held a webcast meeting on [14 September 2020](#) and discussed the following topics:

#### **IASB Project *Interest Rate Benchmark Reform - Phase 2***

EFRAG TEG discussed and agreed to recommend for the approval to the EFRAG Board the final endorsement advice on the IASB Amendments on *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*.

EFRAG TEG held a webcast meeting on [16 September 2020](#) and discussed the following topics:

#### **IFRS 17 *Insurance Contracts***

EFRAG TEG members considered changes made to the IFRS 17 Draft Endorsement Advice package after its meeting on 3 September 2020 and confirmed their vote on the IFRS 17 Draft Endorsement Advice package - as expressed on 3 September 2020. In addition, EFRAG TEG provided drafting comments and agreed to recommend to the EFRAG Board for issuance the *Invitation to Comment*.

EFRAG TEG held a webcast meeting on [24 September 2020](#) and discussed the following topics:

#### **IASB Project *Primary Financial Statements***

EFRAG TEG received an overview on the feedback obtained from EFRAG outreach activities and field-testing on the IASB project *Primary Financial Statements* with the objective of



identifying possible improvements to EFRAG DCL. In particular, the EFRAG Secretariat referred to the following outreach events:

- *Input on the IASBs Exposure Draft General Presentation and Disclosures*: Online joint outreach event hosted by EFRAG, FSR – Danish Auditors, the Confederation of Danish Industry (DI) and the IASB (14 May 2020). For more details, please click [here](#);
- *Time for a facelift? A new look for the income statement (Presentation)*: Online users joint outreach event hosted by EFRAG, EFFAS, BVFA/ABAF and the IASB (19 May 2020). For more details, please click [here](#);
- *Time for a facelift? A new look for the income statement (Disclosures)*: Online users joint outreach event hosted by EFRAG, EFFAS, BVFA/ABAF and the IASB (26 May 2020). For more details, please click [here](#);
- *Changing the Income Statement – Norwegian perspectives*: Online joint outreach event hosted by EFRAG, NASB, the NFF and the IASB (17 June). For more details, please click [here](#);
- *Field-Test Workshop on 7 July with preparers of financial statements – corporates* - For more details, please click [here](#);
- *Field-test workshop on 7 July with preparers of financial statements – Financial Institutions* – for more details, please click [here](#);
- *Field-test workshop on 24 August with preparers of financial statements – Financial Institutions and Corporates* - For more details, please click [here](#);
- *Preparers roundtable on Primary Financial Statements (webinar)*: Online joint outreach event hosted by EFRAG, BusinessEurope and the IASB (1 September). For more details, please click [here](#);
- EFRAG/DASB Online Joint Outreach event on the IASB ED on 16 September. For more details, please click [here](#); and
- EFRAG presentation at IFASS meeting on 30 September of EFRAG's preliminary views on the IASB Exposure Draft and feedback from the outreaches and field-tests.

EFRAG TEG observed that on some key topics stakeholders had provided a variety of views, including on the topics that EFRAG had requested for constituents' views, and acknowledged the challenges of seeking a compromise solution.

Some EFRAG TEG members provided suggestions on how to improve EFRAG Draft Comment Letter.

No decisions were taken at the meeting.

### **IASB Project *Goodwill and Impairment***

EFRAG TEG discussed the approach proposed by the International Valuation Standard Council Board in the last of three-part article series for enhancing the goodwill impairment framework (the first two papers were discussed already in previous meetings). EFRAG TEG members generally agreed that the proposals included some valuable positions. However, some commented that the proposed approaches seemed to be too simplistic and had the same



drawbacks as the headroom approach already proposed by the IASB. It was proposed to mention this approach in the comment letter, as an attempt to enhance the impairment model.

No decisions were taken at the meeting.

### **EFRAG Research Project *Crypto-Assets***

EFRAG TEG discussed the approach for the outreach on the Discussion Paper on Crypto-assets (liabilities) with the objective of galvanising input that could inform EFRAG views on the forthcoming IASB agenda consultation.

EFRAG also presented this paper on the IFASS meeting on the 30 September.

No decisions were taken at the meeting.

### **Next meeting**

EFRAG TEG will hold next webcast meetings on [15 October 2020](#) and on [21-22 October 2020](#).

### **September 2020 written procedures**

The EFRAG TEG recommended the following documents for approval to the EFRAG Board, using written procedures:

- Final Endorsement Advice on *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Onerous Contracts — Cost of Fulfilling a Contract*;
- Final Endorsement Advice on *Amendments to IFRS 3 Business Combinations, Reference to the Conceptual Framework*;
- Final Endorsement Advice on *Amendments to IAS 16 Property, Plant and Equipment, Proceeds before Intended Use*; and
- Final Endorsement Advice on *Annual Improvements to IFRS Standards 2018–2020*.

## **EFRAG CFSS AND EFRAG TEG**

### **Webcast meeting**

EFRAG TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) held a webcast meeting on [23 September 2020](#) and discussed the following topics:

### **IASB Project *Goodwill and Impairment***

EFRAG TEG and CFSS members commented the initial feedback received by the IASB in response to its Discussion Paper and how it compared to the EFRAG's preliminary positions in the Draft Comment Letter. The members shared feedback received in their jurisdictions. EFRAG TEG and CFSS members also exchanged information on their plans to further stimulate the debate (outreach events). The members had been encouraged to help by searching for preparers to participate in the field-testing on disclosures proposal.



### **IASB Project *Primary Financial Statements***

EFRAG TEG and CFSS members discussed the results of EFRAG outreach activities in the form of webinars and field-tests regarding the proposed new guidance to primary financial statements.

Members noted that they had received similar feedback from their constituents and provided further input on their jurisdiction-specific issues.

### **IASB Project *Business Combinations under Common Control***

EFRAG TEG and CFSS members discussed possible outreach activities on the project to test the IASB preliminary proposals on *Business Combinations under Common Control*. Interest for conducting outreach was expressed by a few jurisdictions where the impact of the proposals is expected to be significant.

### **FASB Project *Conceptual Framework for Financial Reporting***

EFRAG TEG and CFSS members considered the FASB's Exposure Draft *Concepts Statement No. 8, Conceptual Framework for Financial Reporting, Chapter 4: Elements of Financial Statements*. Members provided some comments particularly to the proposed definition of a liability. As a general comment, it was noted that financial statements prepared under US GAAP should not be too different from those prepared under IFRS, it was necessary that the underlying concepts considered by the FASB and the IASB when preparing standards would be similar.

### **Next meeting**

EFRAG CFSS-TEG will hold a next webcast meeting meet on [2 December 2020](#).



## **EUROPEAN REPORTING LAB**

### **European Lab Steering Group**

The European Lab Steering Group (European Lab SG) held a webcast meeting on 15 September 2020.

Members received an update on the progress on the project from the co-chairs of the project task force on Reporting of non-financial risks and opportunities and linkage to the business model (PTF-RNFRO), which held its second plenary meeting on 8 September 2020 (see below), and discussed the proposed scope and work plan of the project.



Members also received a presentation from the chair of the project Task Force on preparatory work for the elaboration of possible EU non-financial reporting standards (PTF-NFRS) which held its first plenary meeting on 11 September (see below), and discussed the proposed scope and work plan for the project.

### **Preparatory work towards possible EU Non-financial Reporting Standards**

Following the request for technical advice issued by the European Commission (EC) mandating EFRAG to undertake preparatory work for possible EU non-financial reporting standards in a revised Non-Financial Reporting Directive, and the relevant call for candidates, the European Lab SG appointed on 1 September 2020 the multi-stakeholder Project Task Force (PTF-NFRS) that will operate the project and act in the public interest.

The PTF-NFRS incorporates a balanced representation of a broad range of stakeholders with a legitimate interest in non-financial information, spanning the public sector, the private sector, SMEs and civil society from across the EU, in line with the EC request for technical advice.

The project is operated within the European Lab under the leadership of appointed Chair Patrick de Cambourg, currently President of the Autorité des normes comptables (ANC) and EFRAG Board member.

A kick-off webcast meeting of the PTF-NFRS took place on 11 September 2020 with the participation of more than 70 people.

The kick-off meeting was addressed by Jean-Paul Gauzès, EFRAG Board President and Chairman of the European Lab SG, and Alain Deckers, Head of Unit, Corporate reporting, audit and credit rating agencies at the European Commission and Vice-Chair of the European Lab SG.

The approved PTF-NFRS workplan and organisation was presented by the Chair and is based on the following three-phase approach:

- Phase 1 – Assessment, will occur until the end of October. For this phase, the PTF-NFRS has been split into six streams, each of them focusing on a specific aspect of the overall scope of work as stated in the mandate.
- Phase 2 – Proposal, will start at the beginning of November and last until the end of December 2020. During this phase, possible scenarios will be designed, detailed recommendations elaborated, and formal outreaches initiated.
- Phase 3 – Outreach and Conclusion, will take place in January 2021 to finalise the recommendations and integrate feedback from key stakeholders before the delivery of the final report by 31 January.

Presentations were also made by representatives of five EC policy departments who presented the EC legislation and initiatives that are relevant for the technical advice the EC is expecting from the PTF-NFRS.

During its second plenary meeting on 28 September 2020, the PTF-NFRS shared progress reports from all streams. The streams confirmed their specific objectives, discussed and agreed their respective workplans and considered interactions across workstreams. They all benefit from the support of a secretariat generously provided by constituents and stakeholders.



The work of the PTF-NFRS is expected to be completed in early 2021 with a progress report to be released at the end of October 2020.

Relevant press releases were published on [4 September](#) and [29 September](#).

### **Reporting of non-financial risks and opportunities and linkage to the business model**

Following the introductory meeting on 10 June 2020 and the appointment of two co-chairs - Mario Abela and Dawn Slevin, the PTF-RNFRO had its second plenary meeting on 8 September 2020. This meeting marked the start of the substantive aspect of the project and the discussions focused on the intended scope and work plan including tentative agreement on the focus and allocation of members into workstreams with the following differing objectives: understanding practice and an assessment framework; understanding stakeholders' needs and expectations; data and technology; structure of the PTF-RNFRO deliverable; and alignment with regulatory landscape/due diligence.

The PTF-RNFRO will be having fortnightly meetings starting from 7 October 2020 where the members will update the scope and workplan and will incorporate the feedback of the co-chairs' update to the European Lab Steering Group.

### **NEXT STEPS**

The European Lab SG will hold its next meeting on 8 December 2020. Additional meetings are being considered over the end of 2020 and early 2021.

The next plenary meetings of the PTF-RNFRO is expected to take place on 7 and 21 October 2020, respectively.

The next plenary meetings of the PTF-NFRS are scheduled to take place on 12 and 26 October 2020, respectively.