

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

IASB Agenda Consultation and EFRAG Research Agenda Issues Paper

Objective

- 1 The objective of the session is to seek inputs on EFRAG initial views on the IASB's agenda consultation RFI. Inputs obtained in the EFRAG CFSS-TEG session will help us to prepare the discussion at the ASAF meeting on 28-29 June 2021 in which the IASB staff will ask for initial views on the project (agenda paper 07-02 contains the ASAF agenda paper for background only).

Background

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

Date	Activity
March 2021	Publish the Request for Information
27 September 2021	Request for Information comment deadline
Q4 2021	Start of IASB Board deliberations
Q2 2022	Finalise 2022–2026 work plan and issue feedback statement

- 5 EFRAG is combining its public consultation on its tentative response to the IASB's RFI with its own proactive research agenda consultation to foster synergies and

alleviate the burden for respondents. Both the IASB and EFRAG are consulting on their future agendas based on their current roles and scope of activities in financial reporting and assuming current level of resources will remain substantially unchanged over the considered period. The consultations do not anticipate on future possible roles of the respective organisations in sustainability reporting.

EFRAG's preliminary views

- 6 EFRAG published a [joint consultation document](#) on 20 May 2021 which is open for public consultation until 17 September 2021. This document includes EFRAG's draft response to the IASB's agenda consultation and EFRAG's request for input on its proactive research agenda consultation.

EFRAG's draft response to the IASB's agenda consultation

- 7 On the strategic direction and balance of the IASB's activities, EFRAG's preliminary view is that the balance of activities, as indicated in the RFI, is appropriate and should not be substantially modified over the 2022–2026 period. EFRAG also considers that the priorities for the IASB should be to finalise the projects on its active work plan and conduct on a timely basis the planned Post-implementation Reviews of major standards.
- 8 EFRAG considers the four criteria contained in the Due Process Handbook are appropriate when deciding whether to add a potential project to its work plan. However, EFRAG observes that, in addition to these four criteria, the IASB has developed, three additional criteria (the last three in page 19 of the [RFI](#) list) that it considers to be practical filters.
- 9 EFRAG is concerned about this situation as the additional criteria have not been submitted to a proper due process. EFRAG therefore recommends that, in selecting projects for the IASB's agenda, precedence should be always given to the four 'official' criteria as defined in the Due Process Handbook. EFRAG recommends considering whether the additional criteria could be included as part of the next consultation on IFRS Due Process Handbook.
- 10 On the priority projects for the IASB's work plan, EFRAG assessed the 22 projects described in the IASB's RFI and identified a number of additional high priority projects. Overall, EFRAG has assessed that the following six projects should be given the highest priority by the IASB (projects are presented in alphabetical order)
- (a) *Connecting financial and sustainability reporting, starting from climate-related financial implications:*

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

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

EFRAG is currently performing outreach activities on this project and considers it important to have consistent and clear accounting principles for crypto-assets and related transactions. In particular, EFRAG has issued a Discussion Paper and is open for consultation until 31 July 2021.

(c) *Discontinued operations and disposal groups*;

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

(d) *Intangible assets*¹;

EFRAG suggest a comprehensive review of the intangible assets Standard, including the recognition and measurement requirements.

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

EFRAG suggests a comprehensive review of the Standard for cash flow statements, including a review of its cohesiveness with PFS and the effects of existing presentation options. EFRAG intends to issue a Discussion Paper on this issue in Q 2021, discussing the different options available for providing better information on intangibles. EFRAG has also published an academic literature review, which can be found [here](#). A follow up review is expected in the second part of 2021.

(f) *Variable and contingent consideration*¹.

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

- 11 Appendix 1 contains a list of the remaining projects included in the IASB's RFI and other priority projects identified by EFRAG but not included in the RFI. Unlike the projects included in paragraph 10 above, the projects listed in Appendix 1 are not deemed to have the highest priority.

EFRAG's proactive research agenda consultation

- 12 In the Part B of the [joint consultation document](#), EFRAG is consulting on which projects to include on its proactive research agenda. The consultation document suggests that EFRAG should base its decision on the project for which it should undertake proactive work on:

- (a) European constituents' views on the importance of the various projects considered for the IASB's agenda consultation.
- (b) A short list of four projects which are considered important by European constituents and particularly suitable for an EFRAG proactive research project. The consultation document suggests the following projects to be included on that list:
- (i) connecting financial and sustainability reporting, starting from climate related financial implications (scope is explained in paragraph 10(a) above);
 - (ii) digital reporting (scope is explained in the consultation document);
 - (iii) operating segments;
 - (iv) supply chain financing (including reverse factoring).

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

- 13 EFRAG will only be able to select a limited number (in this case less than five) of the projects that would result from (a) and (b) above.
- 14 It follows from the above approach that EFRAG could choose for its own proactive work those projects that will not be selected for inclusion on the IASB's workplan. Therefore, EFRAG would focus on projects that would influence the IASB's work post 2026.
- 15 In the consultation document, EFRAG proposes that it should spend one third of its technical resources on proactive research projects.

Feedback from constituents / outreaches

- 16 EFRAG recognises that some stakeholders may have limited time and resources available to respond to consultation. Consequently, we have made available an online survey (available [here](#)) to allow respondents to provide insight into stakeholder priorities on both the IASB's consultation and EFRAG's own consultation.
- 17 EFRAG expects to host an outreach event during the consultation period to encourage responses on the joint consultation document. National Standard Setters interested in hosting an agenda consultation event or a joint event together with other projects are invited to contact the EFRAG Secretariat.
- 18 We anticipate another session on the IASB and EFRAG agenda consultation in the September CFSS meeting.

Question for EFRAG TEG and EFRAG CFSS

- 19 Do members agree with EFRAG's initial list of six highest priority projects included in paragraph 10 above for the IASB's work plan?
- 20 Do members have any initial comments to the approach outlined in paragraphs 12- 14 for the selection of the projects to be included on EFRAG's proactive research agenda?
- 21 Do members have any other comments on EFRAG's preliminary views included in the joint consultation document?

Appendix 1: EFRAG's assessment on other projects

22 The list below includes other projects suggested in the RFI as well as projects identified by EFRAG different than projects included in paragraph 10 above. EFRAG's level of priority initially assigned to each project is also included below. The description of each project as well as EFRAG suggested scope are included in pages 20 to 22 of EFRAG draft comment letter ([here](#)).

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

² This topic would be addressed as part of EFRAG's suggested high priority project on climate-related information (see paragraph 10(a))