



# EFRAG UPDATE

APRIL 2021

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 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 take place into electronic format (see below) until further notice;
- 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.

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

## PUBLICATIONS

### Final Endorsement Advice

On 2 April 2021, EFRAG completed its due process regarding *Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* and submitted its [Endorsement Advice Letter](#) to the European Commission.

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

### Final Comment Letter

On 9 April 2021, EFRAG published its [comment letter](#) in response to the IASB's Exposure Draft *ED/2020/4 Lease Liability in a Sale and Leaseback* ('the ED'). The ED specifies how a seller-lessee initially measures the right-of-use asset and liability arising in a sale and



leaseback transaction (including when rents are variable and not based on an index or rate) and how the seller-lessee subsequently measures that liability.

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

### **Draft Comment Letter**

On 13 April 2021, EFRAG published its [draft comment letter](#) on the IASB Exposure Draft *ED/2021/1 Regulatory Assets and Regulatory Liabilities* and seeks constituents' views on the proposals. Comments on the draft comment letter are requested by 28 July 2021.

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

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

### **EFRAG's Discussion Paper *Accounting for Crypto-Assets (Liabilities)***

#### ***Survey***

EFRAG invites its constituents to complete [the survey](#) relating to its Discussion Paper on *Accounting for Crypto-Assets (Liabilities)* ('DP'). Crypto-assets, a by-product of innovation in technology and finance, continue to draw stakeholders' interest. In July 2020, EFRAG published its DP - developed as part of the EFRAG proactive research agenda. The DP is also intended to contribute to a possible future project of the IASB and is open for comment until 31 July 2021.

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

#### ***Podcasts and outreach presentations***

Crypto-assets represent a growing and rapidly evolving market. You can now listen to the EFRAG podcast series with three episodes in which EFRAG Secretariat and experts discuss the issues addressed in the DP and related topics.

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

EFRAG presented the DP at European Accounting Association Virtual workshop and at the IMA conference.

### **JOINT ONLINE OUTREACH EVENT ON THE IASB'S POST-IMPLEMENTATION REVIEW OF IFRS 10, IFRS 11 AND IFRS 12**

On 20 April 2021, the Accounting Standards Committee of Germany (ASCG) and EFRAG discussed the preliminary views regarding the application of IFRS 10, IFRS 11 and IFRS 12 during the joint online outreach event. The event was held in German.

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



## SAVE THE DATE - RATE-REGULATED ACTIVITIES: *Regulatory Assets and Regulatory Liabilities* – Italian perspective - 6/05/2021

On 6 May 2021, EFRAG will participate in the OIC public online webinar. The panel discussions will explore the Italian perspective to the IASB proposals and EFRAG preliminary views. The event will mainly take place in Italian.

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

## CALL FOR CANDIDATES

### NEW DEADLINE: Academics with corporate reporting expertise to apply for academic fellow at EFRAG by 15 May 2021

EFRAG is seeking an academic fellow with experience in financial reporting and IFRS Standards, or sustainability reporting and a good understanding of broader corporate reporting to work with EFRAG during a sabbatical leave period of between 6 months and two years.

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

## OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Draft Endorsement Advice on <i>Definition of Accounting Estimates (Amendments to IAS 8)</i>	7 June 2021
EFRAG Draft Endorsement Advice on <i>Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i>	7 June 2021
EFRAG Draft Comment Letter on the IASB Discussion Paper DP/2020/2 <i>Business Combinations under Common Control</i>	30 July 2021
EFRAG Discussion Paper <i>Accounting for Crypto-Assets (Liabilities) - Holder and Issuer Perspective</i>	31 July 2021
EFRAG survey on <i>Accounting for Crypto-Assets (Liabilities)</i>	31 July 2021
EFRAG Draft Comment Letter on the IASB Exposure Draft ED/2021/1 <i>Regulatory Assets and Regulatory Liabilities</i>	31 July 2021

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



## EFRAG BOARD

### Webcast meeting

The EFRAG Board held a webcast meeting on [14 April 2021](#) and discussed the following topics:

- Final report PTF-NFRS: Proposals for a relevant and dynamic EU sustainability reporting standard setting; and
- Final report on ad personam mandate: Potential need for changes to the governance and funding of EFRAG.

For further details of this meeting see the EUROPEAN REPORTING LAB section.

### Webcast meeting

The EFRAG Board held a webcast meeting on [7 April 2021](#) and discussed the following topics:

#### **IASB Project *Rate-regulated Activities***

The EFRAG Board discussed and approved the draft comment letter recommended by EFRAG TEG, subject to wording changes agreed during the meeting.

#### **IASB Project *Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)***

The EFRAG Board discussed and approved the final comment letter recommended by EFRAG TEG, subject to wording changes agreed during the meeting.

### **Next meeting**

The EFRAG Board will hold a next webcast meeting on [5 May 2021](#).

### April 2021 written procedures

The EFRAG Board has not approved any documents using written procedures in April.

### Expected May 2021 written procedures

The EFRAG Board is not expected to approve any documents using written procedures in May.

## EFRAG TECHNICAL EXPERT GROUP (TEG)

### Webcast meeting

EFRAG TEG held a webcast meeting on [8 April 2021](#) and discussed the following topics:



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

EFRAG TEG considered a Bulletin on the potential impact of the IASB proposals included in its discussion paper ('DP') *Business Combinations under Common Control*. Members suggested a few changes to the document with respect to its title, clarifying some of the examples and adding an explicit disclaimer that the views expressed reflect EFRAG Secretariat's understanding of how the DP's proposals might be applied.

No decisions were taken at the meeting.

### **EFRAG Research Project *Variable and Contingent Consideration***

EFRAG TEG discussed the first chapters of an outlined EFRAG Discussion Paper on variable consideration. EFRAG TEG will continue its discussions at a future meeting.

No decisions were taken at the meeting.

### **[Webcast meeting](#)**

EFRAG TEG held a webcast meeting on [22 April 2021](#) and discussed the following topics:

#### **IASB Project *Disclosure Initiative-Targeted Standards-level Review of Disclosures***

EFRAG TEG agreed to recommend a draft comment letter, for the consideration of the EFRAG Board subject to drafting improvements.

In its draft comment letter, EFRAG supports the objective of the project to improve the way the IASB develops disclosure requirements and test whether those improvements would be effective. EFRAG welcomes the development of a rigorous methodology to define objective-based disclosure requirements, with the same level of depth and scrutiny as requirements for recognition and measurement.

However, EFRAG expressed concerns that the objective-based disclosure proposals in the ED, without requiring disclosure of specific items, risks application and enforcement challenges and may ultimately impair comparability of information. EFRAG, therefore, recommends that a comprehensive outreach and field testing of the proposals are undertaken, to assess these challenges.

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

EFRAG TEG discussed the EFRAG Secretariat Briefing *Business Transfers under Common Control*. Members made a few suggestions to improve the document. The EFRAG Secretariat Briefing is published at the end of April 2021. This document, which is part of EFRAG's outreach activities, is intended to provide insights on the practical impacts of the IASB proposals on *Business Combinations Under Common Control* and ultimately support constituents to provide a better feedback.

#### **IASB Third Agenda Consultation and EFRAG's Proactive Agenda Consultation**

EFRAG TEG agreed to recommend a draft comment letter, for the consideration of the EFRAG Board subject to drafting improvements.



From a list of 14 priority projects, EFRAG TEG members agreed on the six projects that would have the highest priority in the response to the IASB's Request for Information (Climate-related information; Crypto-assets and related transactions; Discontinued operations and disposal groups; Intangible assets; Statement of cash flows and related matters; Variable and contingent consideration). Members also agreed on the projects that would have the highest priority when selecting topics for EFRAG's own proactive research agenda (in addition to projects in response to the IASB's Request for Information ultimately not selected by the IASB: Connectivity between financial and non-financial reporting; Digital reporting; Improving segment disclosures and Reverse factoring).

### **EFRAG Research Project *Better Information on Intangibles***

EFRAG TEG continued its discussion from the 30 March 2021 EFRAG TEG meeting on EFRAG's discussion paper on *Better Information on Intangibles*. A revised version of the draft discussion paper will be discussed at a future meeting.

No decisions were taken at the meeting.

### **Next meeting**

EFRAG TEG will hold a next webcast meeting [19-20 May 2021](#).

## **JOINT EFRAG TECHNICAL EXPERT GROUP (TEG) AND EFRAG USER PANEL**

### [Webcast meeting](#)

EFRAG TEG and EFRAG User Panel held a webcast meeting on [21 April 2021](#) and discussed the following topics:

### **IASB Project *Rate-regulated Activities***

EFRAG TEG and EFRAG User Panel received a presentation on the proposals included the IASB discussion paper *Regulatory Assets and Regulatory Liabilities* and the EFRAG tentative views on these proposals included in its draft comment letter.

Members commented that it was necessary to obtain evidence that the scope definition was sufficient to avoid structuring regulatory agreements by entities to obtain certain outcome. If otherwise, additional criteria should be considered when defining the scope, such as limited competition and defining the regulator.

EFRAG User Panel members supported view 1, expressed in the EFRAG DCL, to apply the regulatory discount rate when discounting regulatory cash flows.

Furthermore, they agreed that regulated entities should not recognise revenue for capital work-in-progress (assets under construction) until the asset was operational to avoid any volatile profit streams and significant price increases when this asset was put in operation.

Finally, they considered that regulatory interest income and regulatory interest expense belonged to the operating category of the statement of profit or loss and not to the financing category.



### **IASB Project *Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12***

EFRAG TEG and EFRAG User Panel members discussed the issues that should be raised in the response to the IASB's Request for Information on Post-implementation Review of IFRS 10, IFRS 11, and IFRS 12. The discussion has been supplemented by the IASB's and EFRAG presentation of the application issues already received from constituents.

### **IASB Project *Disclosure Initiative-Targeted Standards-level Review of Disclosures***

EFRAG TEG and EFRAG User Panel discussed the overall and specific disclosure objectives to improve the disclosure requirements in IFRS 13 and IAS 19. The members provided comments on potential issues when preparers apply judgement in deciding what to disclose. The members also provided comments on potential outreach activities.

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

EFRAG TEG and EFRAG User Panel considered a case study illustrating the application of the proposals included in the IASB discussion paper *Business Combinations under Common Control*. Members agreed with the application of a book-value method to transactions involving group restructuring in preparation for an initial public offering. Additionally, when a book-value method was applied, members supported retrospective restatement of pre-combination information from the beginning of the earlier comparative period presented.

### **IASB Third Agenda Consultation and EFRAG's Proactive Agenda Consultation**

EFRAG TEG and EFRAG User Panel discussed the list of the priority projects to be recommended in response to the IASB's Request for Information: Third Agenda Consultation as well as the list of the priority projects to be included in EFRAG's own proactive research agenda consultation. From a tentative list of 14 priority projects, EFRAG User Panel members provided an indication of the projects with highest priority for the IASB and for EFRAG respective agendas.



## EUROPEAN REPORTING LAB

### Development of EU sustainability reporting standards

On 21 April 2021, the European Commission adopted an ambitious and comprehensive package of measures to channel funding towards sustainable activities. This package includes a proposal for a Corporate Sustainability Reporting Directive (CSRD) aiming – over time – to bring sustainability reporting on a par with financial reporting. The European Commission’s CSRD proposal envisages the adoption of EU sustainability reporting standards. The draft standards would be developed by EFRAG; they will be tailored to EU policies, while building on and contributing to international standardisation initiatives.

On 14 April 2021, the EFRAG Board received presentations of the [two reports](#) submitted to the European Commission and published by EFRAG on 8 March 2021, setting out recommendations on the development of EU sustainability reporting standards. The first report was presented by Patrick de Cambourg, Chair of the multistakeholder Project Task Force that undertook the preparatory work leading to a proposed roadmap for the development of a comprehensive set of EU sustainability reporting standards. The second report was presented by EFRAG President Jean-Paul Gauzès, covering his proposed reforms to EFRAG’s governance structure and funding (if it were to become the EU sustainability reporting standard setter), to ensure that future EU sustainability reporting standards are developed using an inclusive and rigorous process.

For more information, please see the EFRAG website on the [non-financial reporting standards](#) and the [ad personam governance mandate](#).

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

During April, the PTF-RNFRO carried on with the drafting of the final report, which is expected to be issued in early summer. Furthermore, the RNFRO will be hosting two stakeholder outreach events in May to obtain feedback on the key findings. A private event will be held on May 21 primarily targeted at respondents to a Stakeholder survey conducted in January-February 2021. The [second outreach event will be held on May 25](#) and will be open to public.

### Other involvement in sustainability reporting – Platform on Sustainable Finance (PSF)

In April 2021, EFRAG attended the seventh plenary meeting of the PSF in which:

- updates and progress reports from the different Subgroups were presented by their respective rapporteurs; and





- the Subgroup on Data and Usability (SG5) presented its draft response to the joint consultation of the European Supervisory Authorities on Taxonomy-related sustainability disclosures.

EFRAG also participated in meetings and breakout sessions of SG5 and of the ‘Accounting’ work stream.

### **Next steps**

A plenary meeting of the PTF-NFRS is scheduled to take place on 4 May 2021, for members to be informed by the European Commission on their adopted CSRD proposal. The Commission is expected to inform the PTF-NFRS on possible next steps for EFRAG in the context of the CSRD proposal.

A plenary meeting and two stakeholder outreach meetings of the PTF-RNFRO are scheduled for May 2021.

The next meeting of the European Lab Steering Group is scheduled on 10 June 2021.