



EFRAG UPDATE

JULY 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 take place in the form of 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 in 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 still mainly working from home but is gradually coming back to the office and is contactable by email, Teams or phone.

The EFRAG offices are open for visitors.

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

PUBLICATIONS

Final Endorsement Advice

Definition of Accounting Estimates (Amendments to IAS 8)

On 8 July 2021, EFRAG completed its due process regarding *Definition of Accounting Estimates (Amendments to IAS 8)* and has submitted its Endorsement Advice Letter to the European Commission.

The Endorsement Advice Letter to the European Commission can be found [here](#).

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



Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

EFRAG has completed its due process regarding *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* and has submitted its Endorsement Advice Letter to the European Commission.

The Endorsement Advice Letter to the European Commission can be found [here](#).

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

Draft Endorsement Advice

On 14 July 2021, EFRAG published its draft endorsement advice letter and a separate invitation to comment on *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* relating to the endorsement for use in the EU of the Amendments. Comments are requested by **30 September 2021**.

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

Draft Comment Letter

On 28 July 2021, EFRAG published its draft comment letter in response to the IFRS Practice Statement Exposure Draft *ED/2021/6 Management Commentary* and seeks constituents' views on the proposals. Comments are requested by **15 November 2021**.

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

Deadline Extension

At its July 2021 meeting, the IASB decided to exceptionally extend the comment period for its Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach* to 290 days until 12 January 2022. Consequently, EFRAG is:

- Extending the period to conduct its field-testing with preparers until **25 October 2021**. Interested preparers (corporates, banks or insurers) are invited to register to participate in the field test by emailing disclosureinitiative-pilot@efrag.org by **10 September 2021**.
- Extending the comment period of its Draft Comment Letter until **4 January 2022**. The draft comment letter can be found [here](#).

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



WEBINARS AND ON-LINE OUTREACHES

Upcoming events

SAVE THE DATE: EFRAG, Accountancy Europe, BusinessEurope, EFFAS and IASB joint webinar - *the IASB's Third Agenda Consultation and EFRAG's Proactive Research Agenda* - 9 September 2021

On 9 September 2021 (16:00 - 18:00 CET), EFRAG, Accountancy Europe, BusinessEurope, EFFAS and IASB will host a joint outreach event on the IASB's Third Agenda Consultation and EFRAG's Proactive Research Agenda.

The programme of the event can be consulted [here](#).

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

July events

EFRAG webinar: *Accounting for Crypto-assets (Liabilities)* - 6 July 2021

On 6 July 2021, EFRAG held an outreach event related to the EFRAG Discussion Paper on *Accounting for Crypto-assets (Liabilities)*. A panel of speakers discussed the practical application issues in current reporting and the options for addressing IFRS related requirements for crypto-assets (liabilities) proposed in the EFRAG Discussion Paper. Preparers', standard setters', users' and market experts' views on crypto-related market developments and the possible implications for accounting requirements were shared.

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

***Business Combinations Under Common Control: Perspectives from Portugal* - 8 July 2021**

On 8 July 2021, EFRAG, with the Comissão de Normalização Contabilística (CNC-Portugal), the Ordem dos Revisores Oficiais de Contas (OROC) and the IASB held a joint outreach event to consider the Portuguese and European Stakeholders' views on the IASB's Discussion Paper *Business Combinations Under Common Control*.

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

EAA EFRAG ICAS Joint Webinar: *The Price of Time: Discounting in Financial Reporting* – 9 July 2021

On Friday 9 July 2021, EAA, EFRAG and ICAS hosted a joint webinar, in which academics and experts debated the issue of discounting in financial reporting. Three new academic studies were presented in this event, as input to the debate.

The recordings of the event are available [here](#).

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



EFRAG EFFAS ABAF/BVFA IASB WEBINAR: *Improving Reporting for Rate-regulated Entities – User Perspective* - 12 July 2021

On 12 July 2021, EFRAG in cooperation with EFFAS ABAF/BVFA and the IASB held a webinar in which the panellists provided a user perspective on the proposals in the IASB Exposure Draft *Regulatory Assets and Regulatory Liabilities* aiming to improve reporting for rate-regulated entities.

The meeting took place in a closed environment to allow an open expression of views by the panellists and interaction with stakeholders.

EFRAG Podcast: IASB’s future agenda and EFRAG’s proactive research agenda

You can now listen to the EFRAG podcast on [Spotify](#) or [YouTube](#) on EFRAG’s Joint consultation on IASB’s future agenda and EFRAG’s proactive research agenda.

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

Past events

Recordings and Summary Report of EFRAG IASB joint webinar: *Targeted Disclosure: How would it work in practice? Blueprint for future IFRS disclosures* – 30 June 2021

The [recordings](#) and the [Summary Report](#) of the EFRAG IASB joint outreach event: *Targeted disclosure: how would it work in practice? Blueprint for future IFRS disclosures* have been released. At the event, European stakeholders with different backgrounds shared their views on the proposals in the IASB ED *Disclosure Requirements in IFRS Standards—A Pilot Approach* and related practical issues.

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

Summary Report - *Rate-regulated Activities: Regulatory Assets and Regulatory Liabilities – Italian Perspective* – 6 May 2021

The summary [report](#) of the OIC IASB EFRAG joint event: *Rate-regulated Activities: Regulatory Assets and Regulatory Liabilities – Italian Perspective*, held on 6 May 2021, is now available.

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



OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Draft Comment Letter on the IASB Exposure Draft <i>ED/2021/4 Lack of Exchangeability (proposed Amendments to IAS 21)</i>	26 August 2021
EFRAG Public Consultation Paper <i>Due Process Procedures for EU Sustainability Reporting Standard-setting</i>	15 September 2021
EFRAG joint consultation on the IASB's future agenda and on EFRAG's Proactive Research Agenda	17 September 2021
EFRAG Survey relating to the IASB's future agenda and EFRAG's Proactive Research Agenda	17 September 2021
EFRAG Draft Endorsement Advice on <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	30 September 2021
EFRAG Draft Comment Letter on the IASB Exposure Draft <i>ED/2021/6 IFRS Practice Statement 1: Management Commentary</i>	15 November 2021
EFRAG Draft Comment Letter and invitation to participate in field-test on <i>ED/2021/3 Disclosure Requirements in IFRS Standards—A Pilot Approach</i>	4 January 2022

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

EFRAG BOARD

Webcast meeting

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

IASB Project *Disclosure Initiative – Subsidiaries that are SMEs*

The EFRAG Board received a presentation about the project by the IASB and discussed its scope. EFRAG Board recommended to consider the effects of endorsement of this reduced disclosure IFRS Standard in Europe, as Member States currently use different options in respect of permitting or requiring IFRS Standards in the annual accounts of listed entities and for non-publicly traded entities as part of the assessment of the IASB proposals. EFRAG Board requested to clarify how the definition of 'public accountability' in this standard differs from the definition of 'public interest entity' used in Europe. EFRAG Board noted that some European



jurisdictions may be interested in having a broader scope, i.e. to include all the entities without public accountability, irrespective of the fact that their parent company prepares IFRS consolidated financial statements and discussed why insurance companies were out of the scope of this project.

No decisions were taken at the meeting.

IASB Publication *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

EFRAG Board was informed about the IASB's next steps with regards to the *Classification of Debt with Covenants as Current or Non-current* project.

No decisions were taken at the meeting.

EFRAG Research Project *Better Information on Intangibles*

EFRAG Board approved the Discussion Paper *Better Information on Intangibles – Which is the best way to go?* subject to some drafting changes. The Discussion Paper will be published in the third quarter of 2021 with a comment period until the end of June 2022.

Update of workplan and any other matters

The EFRAG Board approved the technical work plan.

Next meeting

The EFRAG Board will hold a next webcast meeting on [7 September 2021](#). This meeting will be a joint meeting with EFRAG TEG.

July 2021 written procedures

The EFRAG Board approved the following documents, using written procedures in July:

- EFRAG's Endorsement Advice on *Definition of Accounting Estimates (Amendments to IAS 8)*;
- EFRAG's Endorsement Advice on *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*; and
- EFRAG's Draft Comment Letter on the IASB Exposure Draft *ED/2021/6 IFRS Practice Statement 1: Management Commentary*.

Expected August 2021 written procedures

The EFRAG Board is expected to approve the following document using written procedures in August:

- EFRAG's Draft Comment Letter to the IASB ED *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*.



EFRAG TECHNICAL EXPERT GROUP (TEG)

Webcast meeting

EFRAG TEG held a webcast meeting on [14-15 July 2021](#) and discussed the following topics:

IASB Project *Disclosure Initiative – Subsidiaries that are SMEs*

EFRAG TEG discussed a number of sweep issues identified by the IASB Staff when balloting the exposure draft of a future reduced-disclosure IFRS Standard and the key messages for the EFRAG Draft Comment Letter.

EFRAG TEG agreed with the IASB's tentative decision to incorporate the recent amendments on disclosure of 'material accounting policy information' and those related to the interest rate benchmark reform. However, EFRAG TEG expressed concerns on the IASB's approach to include a list of all disclosure requirements in other IFRS Standards that an entity is exempt from ('Appendix A').

In general, EFRAG TEG members agreed with the key messages proposed by the EFRAG Secretariat, however members agreed to provide cautious support on the scope of the project.

No decisions were taken at the meeting.

IASB Project *Business Combinations Under Common Control*

EFRAG TEG was provided with preliminary feedback on outreach activities conducted on the IASB's Discussion Paper *Business Combinations under Common Control*.

Some EFRAG TEG members considered that the underlying criterion of when to apply each measurement method to business combinations under common control ('BCUCC') should be based on the economic substance of the transaction while others agreed with the IASB proposal on practical grounds.

Some members supported the IASB proposal on how to apply the acquisition method to BCUCC. Regarding the application of a book-value method, members, in general, were in favour of an accounting policy choice between applying the book values of the transferred company and using the ultimate parent's carrying amounts. In addition, members were split on the IASB proposal on how to report pre-combination information. Some members proposed having an accounting policy choice on whether to restate pre-combination information or not, while other members supported the IASB proposal.

No decisions were taken at the meeting.

IFRS Practice Statement 1 *Management Commentary*

EFRAG TEG unanimously recommended a draft comment letter to Exposure Draft *IFRS Practice Statement 1 Management Commentary*, subject to some drafting improvements, for the consideration of the EFRAG Board, which approved the letter by written procedure. EFRAG generally agrees with the proposed guidance in the Exposure Draft.



IASB Project *Rate-regulated Activities*

EFRAG received an update on preliminary outreach findings on the three different topics to which the EFRAG's draft comment letter on the IASB Exposure Draft *Regulatory assets and Regulatory Liabilities* did not present a conclusive EFRAG position. EFRAG also discussed the EFRAG Secretariat recommendations on each of the topics for developing the EFRAG final comment letter which will be discussed and presented for approval at the joint EFRAG Board-EFRAG TEG meeting in early September 2021.

Regarding the proposed requirements for Construction work-in-progress (CWIP)-regulatory returns, the majority of EFRAG TEG members indicated taking a tentative position against the IASB proposal on the basis that the outcome would not reflect the economic substance.

Regarding the proposed requirements for discounting of regulatory assets and regulatory liabilities, the majority of EFRAG TEG members supported the IASB proposal to use the regulatory interest rate. However, these EFRAG TEG members expressed reservations with requiring the application of the minimum rate for regulatory assets given the practical difficulty of determining a minimum rate.

The majority of EFRAG TEG members supported the proposed exception from IFRS 3 *Business Combinations* requirements.

No decisions were taken at the meeting.

IASB Project *Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendments to IFRS 17)*

EFRAG TEG unanimously agreed to recommend a draft comment letter to the EFRAG Board, subject to non-substantial changes from the IASB's exposure draft when it will be published. This recommendation was also subject to improvements suggested by EFRAG TEG. EFRAG TEG suggested including the concerns regarding aligning the scope of the classification overlay with that of the deferral under IFRS 4 *Insurance Contracts*. Also EFRAG TEG suggested to include that entities need to be able to apply the expected credit loss model to derecognised financial assets.

IASB Research Project *Post-implementation Review of IFRS 9—Classification and Measurement*

EFRAG TEG discussed a list of issues for which the IASB is to be asked for standard setting in the context of the PIR of IFRS 9 *Financial Instruments*. EFRAG TEG members considered the inputs from EFRAG Financial Instruments Working Group and rejected its advice to remove some items from the list.

An updated version of the issues will be brought back in September 2021.

No decisions were taken at the meeting.

EFRAG Research Project *Variable and Contingent Consideration*

EFRAG TEG considered some examples of variable consideration that depends on the purchaser's future activity. EFRAG TEG discussed whether and when the purchaser should



recognise a liability and whether and when subsequent adjustments to consideration should be reflected in the measurement of the acquired asset. EFRAG TEG provided different alternatives to account for the variable consideration in the examples. EFRAG TEG will continue its discussion on variable consideration at forthcoming meetings.

No decisions were taken at the meeting.

Next meeting

EFRAG TEG will hold next webcast meetings on [7 September 2021](#) (partly jointly with EFRAG Board) and on [15-16 September 2021](#).

NEW MEMBERS: EFRAG WORKING GROUPS AND EFRAG SECRETARIAT

EFRAG welcomes Didrik Thrane-Nielsen as Project Director

EFRAG is glad to announce the appointment of Didrik Thrane-Nielsen as Project Director. Didrik started with EFRAG on 1 July 2021.

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

New EFRAG TEG Country Liaison member for Germany

The EFRAG Board approved the appointment of Ilka Canitz, ASCG technical staff, as EFRAG TEG Country Liaison member for Germany, effective 7 July 2021.

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

CALL FOR CANDIDATES

EFRAG is calling for candidates for its Technical Expert Group (EFRAG TEG) for the 2022 rotation

EFRAG is looking for [candidates](#) from a wide range of backgrounds and geographical origins and welcomes all applications. EFRAG seeks candidates with banking specialist (banker) background and with a user background. EFRAG strives for geographical and gender balance in the composition of EFRAG TEG. Applications should be sent by **11 October 2021** at the latest.

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



EUROPEAN REPORTING LAB

Development of EU sustainability reporting standards

During July 2021 the Project Task Force on European sustainability reporting standards (PTF-ESRS) had two plenary meetings.

On 8 July 2021 a [press release](#) was issued on the kick-off and progress on the PTR - ESRS work on draft European sustainability reporting standards on a project basis.

During the plenary meeting that took place on 5 July 2021 the PTF-ESRS considered the key steps of its work programme to the end of July and the template to be used for topical standards. The Platform on Sustainable Finance also presented to the PTF-ESRS a preview of their proposals on social matters that were included in reports published for public consultation later in the month.

At the second plenary meeting on 19 July 2021, the PTF-ESRS received a brief update from some of the clusters aiming to share a common understanding of where things stand, the direction taken and the issues identified. The PTF-ESRS also considered the content prototype for two conceptual guidelines – double materiality and quality of information. In addition, a discussion took place on the three levels of reporting as presented in the PTF-NFRS report (sector agnostic, sector specific and entity specific) and articulation with the concepts of double materiality and ‘comply or justify’, with a view to reach a common understanding within the PTF-ESRS.

Working towards international sustainability reporting convergence, the PTF-ESRS and GRI signed a landmark [Statement of Cooperation on 8 July 2021](#). The GRI standards are currently the most commonly used sustainability reporting standards amongst EU companies. Both organisations will share their wealth of expertise to foster the swift development of European sustainability reporting standards and at the same time the progress of converged standards at international level. Each organisation will contribute to key technical projects of its counterpart. Both organisations will have proactive observers in their respective technical groups and will promote the development of specific joint projects of common interest.

The PTF-ESRS looks forward to establishing cooperation arrangements with other leading international initiatives, including the IFRS Foundation.

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

In late June, the PTF-RNFRO co-chairs held a meeting with CSR Europe to get feedback on the envisioned key findings of the PTF-RNFRO report. In early July, the co-chairs updated the



European Lab Steering Group on the progress made in completing the final report and are obtaining the Steering Group's review comments before the report publication commences.

Taking account of the holidays, the report is expected to be launched in September 2021 and a final plenary session is expected to occur around the same time.

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

In June 2021, EFRAG attended the tenth plenary meeting of the PSF in which progress reports were presented by each of the subgroups rapporteurs. The discussion focused on the draft screening criteria developed by the Technical Working Group. Members also received in particular an update from the European Commission on the July 2021 sustainability finance package.

EFRAG also attended several meetings of the subgroup on Data and Usability (SG5) in which members discussed the task allocation and timeline for each of the working groups; interactions with the PTF-ESRS work and next steps on the issue of grandfathering.

Finally, EFRAG also participated in the bi-weekly webcast meetings of the 'Accounting' work stream of SG5.

Next steps

A meeting of the European Lab Steering Group will be scheduled on the second half of September or the beginning of October 2021.