



EFRAG UPDATE

SEPTEMBER 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 the 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 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. The input of stakeholders is an essential part of EFRAG’s due process as a public interest organisation.

EFRAG staff is 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 Comment Letter and Feedback Statement

Regulatory Assets and Regulatory Liabilities

On 10 September 2021, EFRAG published its Final Comment Letter on the IASB’s Exposure Draft *ED/2021/1 Regulatory Assets and Regulatory Liabilities* on the accounting for regulatory assets and regulatory liabilities. EFRAG welcomed the IASB’s efforts to address a long-standing gap in current IFRS reporting for entities subject to rate regulation. EFRAG identified several concerns with the proposals in the ED which could result in significant operational challenges for preparers. The main concerns relate to the clarity of the proposed scope, returns earned on assets not yet available for use not forming part of total allowed compensation, recognition when there is high level of uncertainty, discounting of regulatory assets applying the concept of a minimum interest rate and the level of detailed proposed disclosure requirements.



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

Lack of Exchangeability

On 14 September 2021, EFRAG published its Comment Letter on the IASB's Exposure Draft *ED/2021/4 Lack of Exchangeability*. EFRAG agreed with the IASB's proposals to amend IAS 21 *The Effects of Changes in Foreign Exchange Rates* in order to address the issue of insufficient guidance applicable to situations where a currency lacks exchangeability. EFRAG considered that the proposals would lead to a reduction of divergence in practice and an increase in transparency about what method is applied. However, EFRAG raised several requests to clarify the proposals.

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

Draft Comment Letters

On 30 September 2021, EFRAG published its [Draft Comment Letter](#) in response to the IASB's Exposure Draft *ED/2021/7 Subsidiaries without Public Accountability: Disclosures*. In the ED, the IASB proposes that eligible subsidiaries can provide reduced disclosure requirements together with the recognition, measurement and presentation requirements in IFRS Standards.

EFRAG seeks constituents' views on the proposals, including the scope of the project. Comments on the Draft Comment Letter are requested **by 26 January 2022**.

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

Call for an academic study and literature review on the likely developments in financial reporting

As part of its proactive research activities, EFRAG is launching a [call for tender](#) to produce a holistic assessment of IFRS Standards (strengths, weaknesses, long-term considerations, topics still to be addressed and European needs and requirements). Applications are welcome by **15 October 2021**.

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

WEBINARS AND ONLINE OUTREACHES

Upcoming events

SAVE THE DATE: Autumn Joint Outreach Events *Disclosure Requirements in IFRS Standards*

On 5 and 7 October 2021, EFRAG invites you to [webinars](#) on the IASB ED *Disclosure Requirements in IFRS Standards – A Pilot Approach – Proposed Amendments to IFRS 13 and IAS 19* and IASB ED on *Subsidiaries without Public Accountability: Disclosures*.

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



Speakers announced: EFRAG DI FSR IASB public webinar *Disclosure requirements in IFRS standards*

Find out more about the eminent speakers who will participate in the joint outreach event held by EFRAG in cooperation with Confederation of Danish Industry (DI), FSR – Danish Auditors and the IASB on disclosure requirements in IFRS standards, on **5 October**. Read the [programme](#) and [register now](#).

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

September events

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, EFRAG, Accountancy Europe, BusinessEurope, EFFAS and the IASB organised an online outreach event on The IASB's Third Agenda Consultation and EFRAG's Proactive Research Agenda. The aim of the outreach event was to stimulate the discussion and to receive input from constituents.

In this joint webinar panellists discussed (i) the strategic direction and balances of the IASB's activities and the appropriateness of proposed selection criteria (ii) financial reporting topics that should be added to the IASB work program as a priority and (iii) EFRAG's proactive research agenda.

The panel discussion provided views from users, preparers and auditors. Throughout the discussion, the audience could provide their views through online polling and questions to the speakers.

For more details, please see the EFRAG website.

Past events

SUMMARY REPORT & RECORDINGS: EFRAG webinar *Accounting for crypto-assets (liabilities)*

The [summary report](#) of EFRAG's webinar: Accounting for crypto-assets (liabilities), held on 6 July 2021, as well as the [recordings](#) of the event, are now available.

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

CALL FOR CANDIDATES

REMINDER: EFRAG TECHNICAL EXPERT GROUP (EFRAG TEG) 2022 ROTATION: Call for applicants closes on 11 October 2021

EFRAG is looking for [candidates](#) from a wide range of backgrounds and geographical origins and welcomes all applications.



EFRAG seeks candidates with a banking specialist (banker) background and with a user background.

EFRAG strives for geographical and gender balance in the composition of EFRAG TEG.

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/2021/6 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
EFRAG Draft Comment Letter on the IASB's Exposure Draft <i>ED/2021/7 Subsidiaries without Public Accountability: Disclosures</i>	26 January 2022
EFRAG Discussion Paper <i>Better Information on Intangibles – Which Is the Best Way to Go?</i>	30 June 2022

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

EFRAG BOARD-TEG

Webcast meeting

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

IASB Project *Regulatory Assets and Regulatory Liabilities*

EFRAG TEG recommended the proposed Final Comment Letter for approval to the EFRAG Board, subject to drafting and editorial comments. The EFRAG Board approved the Final Comment Letter subject to the changes proposed by EFRAG TEG and additional comments raised by EFRAG Board members.

Next meeting

The EFRAG Board will hold its next webcast meeting on [6 October 2021](#).



September 2021 written procedures

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

- EFRAG Final Comment Letter on the IASB Exposure Draft *ED/2021/4 Lack of Exchangeability*; and
- EFRAG Draft Comment Letter on the IASB Exposure Draft *ED/2021/7 Subsidiaries without Public Accountability: Disclosures*.

Expected October 2021 written procedures

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

EFRAG TECHNICAL EXPERT GROUP (TEG)

Webcast meeting

EFRAG TEG held a webcast meeting on [7 September 2021](#) and discussed the following topics:

IASB Project *Subsidiaries without Public Accountability*

EFRAG TEG received an update on EFRAG User Panel discussions and discussed the remaining key messages for EFRAG Draft Comment Letter.

EFRAG TEG members acknowledged that there were both arguments in favour of the current scope and arguments in favour of widening the scope to include all entities without public accountability. It was decided to ask a question to constituents to see if there was an appetite in Europe to enlarge the scope of the project.

No decisions were taken at the meeting.

IASB Project *Lack of Exchangeability*

EFRAG TEG discussed an analysis of feedback received on EFRAG's Draft Comment Letter on the IASB's Exposure Draft *Lack of Exchangeability* and the recommendations of the EFRAG Secretariat to finalise the EFRAG Comment Letter.

EFRAG TEG agreed to recommend the proposed Final Comment Letter for approval to the EFRAG Board, subject to drafting and editorial comments, whereas two members dissented on a particular aspect.

EFRAG TECHNICAL EXPERT GROUP (TEG)

Webcast meeting

EFRAG TEG held a webcast meeting on [15-16 September 2021](#) and discussed the following topics:



IASB Project *Business Combinations under Common Control*

EFRAG TEG members considered the feedback obtained from outreach and comment letters received in response to the EFRAG Draft Comment Letter on the IASB's Discussion Paper *Business Combinations under Common Control*.

Members discussed the EFRAG draft Final Comment Letter and agreed to recommend it to the EFRAG Board for approval, subject to a number of drafting suggestions. The letter welcomes the project and expresses a cautious support for the proposed decision tree to select the measurement method to be applied by the receiving entity. The letter also makes a few suggestions for the IASB to consider when deciding how to apply the acquisition method and a book-value method to such transactions.

IASB Project *Supplier Finance Arrangements*

EFRAG TEG members received an update on the IASB's project *Supplier Finance Arrangements* and referred to the issues that had not been yet addressed by the IASB at this stage. For example, the presentation of income and expenses that arise from supplier finance arrangements when the entity settles invoices that are part of the arrangement on the due date as negotiated with its suppliers but suppliers can choose to be paid earlier than the invoice due date by the finance provider, at a discount.

EFRAG TEG members also highlighted the importance of having disclosures on liquidity risks related to fact that an entity depends significantly on a single finance provider, having disclosures on whether an entity has negotiated extended payment terms with its suppliers and disclosures on the accounting policies used by management. It was also highlighted that gross-up information of reverse factoring arrangements in the statement of cash flows may provide relevant information to the users of financial statements.

No decisions were taken at the meeting.

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

EFRAG TEG members discussed the advice from EFRAG FIWG and EFRAG IAWG members on the issues to include in EFRAG Draft Comment Letter to the RFI asking for standard-setting activity from the IASB.

No decisions were taken at the meeting.

EFRAG Research Project *Variable and Contingent Consideration*

EFRAG TEG considered the scope of its forthcoming discussions on variable consideration and discussed two issues:

- When a purchaser according to the guidance in the *Conceptual Framework for Financial Reporting* should recognise a liability for variable consideration that would depend on the purchaser's future actions.
- Whether/when the measurement of an asset acquired in exchange for variable consideration should subsequently be updated to reflect changes in the variable consideration following the guidance on 'cost' in the IFRS literature.

EFRAG TEG will continue its discussions on variable consideration at forthcoming meetings.

No decisions were taken at the meeting.



IASB Project *Subsidiaries without Public Accountability*

EFRAG TEG discussed and agreed to recommend for approval to the EFRAG Board the EFRAG Draft Comment Letter on the IASB Exposure Draft *ED/2021/7 Subsidiaries without Public Accountability: Disclosures* subject to comments and drafting suggestions.

The letter welcomes the IASB's efforts in developing reduced disclosure requirements for subsidiaries without public accountability and cautiously supports the scope of the project.

EFRAG TECHNICAL EXPERT GROUP (TEG)

Webcast meeting

EFRAG TEG held a webcast meeting on [28 September 2021](#) and discussed the following topics:

IASB Project *Initial Application of IFRS 17 and IFRS 9—Comparative Information*

EFRAG TEG considered the feedback received to the EFRAG Draft Comment Letter on *Initial Application of IFRS 17 and IFRS 9 – Comparative information*. EFRAG TEG agreed to recommend the Draft Comment Letter for approval to the EFRAG Board.

IASB Third Agenda Consultation.

EFRAG TEG considered the feedback received to the Draft Comment Letter on the IASB Third Agenda Consultation. Based on the comments received EFRAG TEG agreed to make some changes to its draft response and to recommend the Draft Comment Letter for approval to the EFRAG Board. EFRAG TEG noted that the feedback received in response to its suggested process for selecting projects for its proactive research agenda and generally agreed with EFRAG's Secretariat suggestions. EFRAG TEG will also consider at a future meeting the feedback from constituents about the projects to be added to the IASB's workplan, jointly with the feedback about EFRAG's proactive agenda, when discussing which projects EFRAG should undertake.

No decisions were taken at the meeting.

Next meeting

EFRAG TEG will hold its next webcast meeting on [20-21 October 2021](#).

EFRAG CFSS AND EFRAG TEG

Webcast meeting

EFRAG TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) held a webcast meeting on [15 September 2021](#) and discussed the following topics:

IASB Project *Subsidiaries without Public Accountability*

EFRAG TEG and EFRAG CFSS received a presentation about the IASB proposals in Exposure Draft *ED/2021/7 Subsidiaries without Public Accountability: Disclosures*, EFRAG



preliminary views, the results of the survey on the impact of the proposals in Europe and were invited to participate in outreach activities.

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

EFRAG TEG and EFRAG CFSS received an update on the progress of EFRAG's field-testing and outreach activities. Members suggested different approaches to involve smaller entities in the field-testing activities such as engagement with the subsidiaries of current participants or the preparation of a survey on the topic to simplify participation.

IASB Project *Management Commentary*

EFRAG TEG and EFRAG CFSS received a presentation on the main views expressed by EFRAG in its Draft Comment Letter issued on 28 July 2021 and discussed the questions that will be addressed at the ASAF meeting on 1 October.

Members commented specifically on the operationality of the proposed objectives-based approach and the interactions with local regulations. Members generally considered that use of the Practice Statement was very limited, if any, in their jurisdictions and that long-established regulations already governed the requirements for the management commentary.

IASB Project *Primary Financial Statements*

EFRAG TEG and EFRAG CFSS received an update on the progress of the IASB's redeliberations on the proposals included in the Exposure Draft *General Presentation and Disclosures* and provided input on the implications of the IASB's redeliberations so far.

IASB Research Project *Equity Method*

EFRAG TEG and EFRAG CFSS members were asked to provide their initial views on the IASB's research project on the equity method of accounting. The members discussed the application questions that were excluded from the scope of the project, several alternatives for the solution on accounting for an additional share in an associate and the ASBJ proposed principles regarding a hybrid approach to the equity method of accounting.

IASB Third Agenda Consultation

EFRAG CFSS members were asked for their views on the IASB's agenda consultation RFI and on EFRAG proactive research agenda. EFRAG CFSS members expressed views on which criteria were most important when adding project plan to the IASB work plan; which IASB activities should be increased; which projects should have the highest priority; and which projects should be added to the EFRAG proactive research agenda.

Update on IFRS IC Discussions

EFRAG TEG and EFRAG CFSS members were provided with an informational session on the IFRS Interpretations Committee's activities with respect to the main topics that are still open at present.

Next meeting

EFRAG CFSS-TEG will hold its next webcast meeting on [24 November 2021](#).



EUROPEAN CORPORATE REPORTING LAB

Development of EU sustainability reporting standards

During its plenary session on 8 September 2021, the EFRAG Project Task Force on European sustainability reporting standards (PTF-ESRS) received an extensive presentation of a working paper titled '*Climate standard prototype*' prepared by its subgroup dedicated to this topic (Cluster 2). The PTF-ESRS welcomed this presentation as a robust basis for future PTF-ESRS discussions and further steps towards a draft standard. This working paper was made publicly available for transparency purposes, but not submitted to public consultation at this stage. The basis for conclusions supporting this working paper was made publicly available on 24 September 2021.

A second plenary meeting of the PTF-ESRS took place on 20 September 2021. The objective of this meeting was to consider:

- The process forward to get from prototype working papers like the one on climate mentioned above, to the pre-exposure drafts to be handed over to the EFRAG governing bodies expected to be in place in early 2022.
- Interactions between the cross-cutting standards, and boundaries between cross-cutting and topical standards.
- A preview of the conceptual guideline on double materiality.
- The approach followed to come up with a sector classification proposal for the European sustainability reporting standards, and the identification of relevant sector-specific disclosures and metrics.
- Digitisation guidelines to be borne in mind for the drafting process, in order to allow the digitisation of disclosures resulting from the application of the sustainability reporting standards to be developed.

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

The finalisation of the publication process of the PTF-RNFRO report occurred in September. The report '*Towards Sustainable Business: Good Practices in Business Model, Risks and Opportunities Reporting in the EU*', the supporting *Supplementary Document: Good Reporting Practices* and a *Summary Document* will be published in the first week of October. A webinar communicating the key findings will take place early November.



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

In September 2021, EFRAG attended the eleventh plenary meeting of the PSF in which updates were provided by the Chair and the European Commission and progress reports were presented by each of the subgroups rapporteurs.

EFRAG also attended meetings of the subgroup on Data and Usability (SG5) which addressed the following:

- The subgroup’s workplan and issues to be addressed for the final report and the latest request from the European Commission.
- A joint meeting with SG3 to discuss interactions regarding the respective work on ‘Do No Significant Harm’, the consideration of SMEs in the taxonomy framework and the notions of “robust single activity-level transition plans” and/or “robust entity-level transition strategies”.

Finally, EFRAG participated in bi-weekly webcast meetings of the ‘Accounting’ workstream of SG5 discussing a number of issues to be addressed in the PSF’s final report.

Next steps

Plenary meetings of the PTF-ESRS are tentatively scheduled for 11 and 18 October 2021.

The next meeting of the European Lab Steering Group is expected to be scheduled in October 2021.