

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. 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. 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.

## **EFRAG activities during the DP consultation period Issues Paper**

### **Objective**

- 1 EFRAG issued its Discussion Paper *Better information on intangibles – Which is the best way to go?* ('the DP') in August 2021. The comment period ends in June 2022. In addition to providing written inputs in the form of a comment letter, an electronic survey will also be developed to collect input.
- 2 The purpose of this paper is to consider:
  - (a) Outreach activities related to the DP;
  - (b) Additional discussions of EFRAG TEG relating to intangibles during the consultation period.

### **Outreach activities**

- 3 EFRAG TEG has previously indicated that EFRAG should perform outreach activities related to the DP during the consultation period. 'Intangibles' is confirmed to be a 'hot topic' but there are also many other activities taking place on the issue (and other issues). The time available to constituents is therefore limited. The EFRAG Secretariat considers that the following activities could be considered:
  - (a) An EFRAG event (held in Brussels or via the internet) on the DP;
  - (b) EFRAG presentations/events for/together with other organisations and standard setters;
  - (c) Assisted presentations.

### ***EFRAG event on the DP***

- 4 Similar to other outreach activities (for example, outreach activities done in relation to the IASB's discussion paper *Business Combinations – Disclosures, Goodwill and Impairment* and in relation to the joint agenda consultation project, the EFRAG Secretariat plans to host an event on better information on intangibles. The EFRAG Secretariat proposes to hold this event in the beginning of the second quarter of 2022. The event could thus be used to present some of the input EFRAG would already have received in response to its DP, to stimulate additional input, and to provide the IASB with input for its finalisation of its 2022 – 2026 workplan. Should the IASB choose to include a project on intangibles on its workplan, which there seems to be broad support for among the IASB's stakeholders, the event could thus provide input to the IASB's decision on the scope of such a project.
- 5 The EFRAG Secretariat is considering whether this event should be limited to the DP or also involve the presentation of other initiatives (other proposals/studies on

intangibles) or new EU legislation (The Corporate Social Responsibility Directive is expected to be adopted in Q1 2022).

- 6 Some of the advantages of including other initiatives (that is, other proposals/studies on intangibles) in this event could be that these initiatives could provide additional input on, for example, which disclosures of specific intangible assets could be provided and that it could attract more attendance.
- 7 A disadvantage could be that other initiatives (that is, other proposals/studies on intangibles) often have a different scope than the scope of EFRAG's DP. For example, other initiatives could be limited to items meeting the definition of an asset or only involve disclosures related to specific intangibles. This could confuse the more holistic debate EFRAG is seeking with its DP: how/whether changes in recognition/measurement and different types of disclosures (that is, disclosures on specific assets, disclosures on future oriented expenses and disclosures of risk/opportunity factors) should be combined to result in better information on intangibles in the most cost/benefit efficient manner.
- 8 In addition, rather than concentrating the discussion of intangibles in one event it could be more advantageous to have a flow of events and therefore consider other initiatives at other times. By doing so, the debate on intangibles can be kept alive during the consultation period.

*EFRAG presentations for other organisations and national standard setters*

- 9 The EFRAG Secretariat also plans to do events with national standard setters and organisations that would be interested in co-hosting such events. As the comment period on the DP is long, a presentation of the DP could be combined with presentations on other EFRAG projects (for example, presentations of reports published on sustainability related topics by the project task forces) on which EFRAG would do outreach. This could enhance the likelihood of national standard setters and other organisations wanting to discuss the DP.
- 10 Normally, EFRAG's outreach activities with other organisations and national standard setters are limited to standard setters within the EEA, however, as intangibles is a topic that is also considered widely by international organisations and standard setters outside the EU, EFRAG could also try to arrange outreach activities outside the EU. The EFRAG Secretariat could accordingly make a list of relevant organisations and ask these if they would be interested in receiving a presentation, participate in a (panel) discussion/round table and/or participating in an interview on the questions raised in the DP.
- 11 The DP has already been presented at the September 2021 IFASS meeting and is scheduled for the December 2021 ASAF meeting.

*Assisted presentations*

- 12 The EFRAG Secretariat has already experienced that a few EFRAG TEG members and EFRAG Board members have been interested in presenting the DP within their organisations/to their stakeholders. The EFRAG Secretariat appreciates these efforts. Other presentations than those made by members of the EFRAG Secretariat are often done in other languages than English. The EFRAG Secretariat also notes that some constituents may feel more comfortable providing their comments in their mother tongue.
- 13 The EFRAG Secretariat has provided slides in English for the presentations it is aware of being made by EFRAG TEG and EFRAG Board members. The EFRAG Secretariat has considered whether it should also prepare speaking notes that can be used by presenters and is considering whether non-EFRAG Secretariat speakers could benefit from a member of the EFRAG Secretariat being available during the presentations in case the audience would have questions the presenter cannot

answer. The questions would then have to be translated into English by the presenter.

- 14 The EFRAG Secretariat has also considered how the input from these outreach events could be brought to the attention of EFRAG TEG. For example, should the presenter be asked to write a short feedback statement in English, could it be sufficient to complete a short questionnaire, could oral feedback be provided or should the input from these activities only be brought to the attention of EFRAG TEG to the extent the audience at the event (or the presenter) will use the input to write a comment letter in response to the DP?

*Facilitating input*

- 15 To facilitate constituents in providing their views to the questions raised in the DP, the EFRAG Secretariat will also develop an electronic alternative to sending comment letters to EFRAG.

**Additional discussions of EFRAG TEG**

- 16 During the consultation period, EFRAG TEG could:
- (a) Consider issues relating to accounting for intangibles that were identified by the EFRAG Advisory Panel on Intangibles, but not discussed in the DP;
  - (b) Discuss other proposals and studies on intangibles.

*Issues on intangibles not discussed in the DP*

- 17 The EFRAG Advisory Panel on Intangibles identified the following issues with intangibles that are not discussed in the DP:
- (a) How to assess 'control' in relation to certain intangible assets. For example, should control be assessed in relation to the right to be able to broadcast a given event (together with other broadcasting companies) or to holding the master broadcasting rights for a given event (the issue is sometimes related to the issue mentioned in (c) below)?
  - (b) When an intangible asset be accounted for under IAS 2 *Inventories* instead of IAS 38.
  - (c) Whether certain assets are pre-payments or an intangible asset. For example, whether an upfront payment to be able to broadcast a given event would be a pre-payment for a service or the purchase of an intangible right.
  - (d) Whether/when a contract could be considered an intangible asset.
  - (e) Difficulties with allocating the total transaction price for intangible assets acquired in a bundle (outside a business combination).
  - (f) It is unclear what the unit of account is. This also applies for acquired intangible assets. For example, a movie picture includes many different types of rights such as author rights, music rights and graphical rights. It is unclear whether these rights are different intangible assets or the intangible asset on which information should be provided is the movie picture.

*Other proposals and studies on intangibles*

- 18 EFRAG TEG has in the past discussed other proposals and studies on intangibles. EFRAG TEG has thus together with the EFRAG CFSS considered the proposals of the KASB on a statement of core intangibles. In addition, EFRAG TEG has considered the commissioned literature review *A Literature Review of the Reporting of Intangibles*.
- 19 The EFRAG Secretariat expects that in Q4, two studies EFRAG has co-sponsored relating to intangibles will be published. In addition, other organisations (for

example, IVSC and AASB) have recently (or will likely) publish(ed) studies, discussion papers, comments and proposals on intangibles.

**Questions for EFRAG TEG**

- 20 Does EFRAG TEG have any comments on the 'EFRAG event' on the DP the EFRAG Secretariat is suggesting to plan for the first part of the second quarter of 2022?
- 21 Does EFRAG TEG agree that EFRAG should present its DP to any national standard setter or organisation that would be interested in this (even when these would be outside the EU) (see paragraphs 9–10 above)?
- 22 Does EFRAG TEG have any suggestions on organisations that should be contacted to discuss their views on the questions included in the DP?
- 23 What does EFRAG TEG consider the EFRAG Secretariat can do to assist EFRAG TEG members and EFRAG Board members presenting the DP, and how does EFRAG TEG consider the feedback from these presentations can best be provided to EFRAG TEG (see paragraphs 12–14 above)?
- 24 Are there any of the issues identified by the EFRAG Advisory Panel on Intangibles that were not covered in the DP that EFRAG TEG would like to discuss (see paragraph 17 above)? If so, what should be the output of these discussions?
- 25 To what extent would EFRAG TEG find it useful (for example, in relation to the likely forthcoming IASB project on intangibles or intangible assets) to consider recent studies and proposals on intangibles (see paragraphs 18–19 above)?
- 26 Does EFRAG TEG considers that it would be beneficial to learn about the views of members of the EFRAG Advisory Panel on Intangibles on recent studies and proposals on intangibles? Are there other issues on which EFRAG TEG would like to learn the views of members of the EFRAG Advisory Panel on Intangibles?