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Third IASB Agenda Consultation and EFRAG Proactive Research Agenda Cover Note

Objective

- 1 The objective of this session is to provide EFRAG FR TEG with an update on the IASB's decisions following its Third Agenda Consultation Request for Information (RFI) and to seek EFRAG FR TEG's recommendations for the choice and scope of three projects to be added to EFRAG's proactive research agenda before being presented to the EFRAG FR Board for approval.

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. The objective of the RFI is included in the Background section of paper 11-02 *Update on IASB decisions after its Third agenda consultation*.
- 3 EFRAG combined its consultation on its tentative response to the IASB's RFI with its own proactive agenda consultation to foster synergies and alleviate the burden for respondents.
- 4 On 20 May 2021, the joint consultation document was published for comments. The comment deadline was 17 September 2021. In addition, a survey was released on 4th June 2021 allowing constituents to submit their comments either by comment letter or electronically via the survey.
- 5 On 9 September 2021, a joint webinar was organised by EFRAG, IASB, EFFAS, Business Europe and Accountancy Europe. A summary of the main messages received during this webinar was included in the [comment letter analysis](#) presented at the 28 September 2021 EFRAG FR TEG meeting.
- 6 On 11 October 2021, EFRAG published its [comment letter](#) on the IASB's Third Agenda Consultation Request for Information. EFRAG had received 16 comment letters and seven responses to the survey, five full responses and two partial responses.

Key messages on IASB decisions after its Third Agenda Consultation

- 7 The IASB discussed the comments received in response to its RFI at its [December 2021](#), [February 2022](#), [March 2022](#), and [April 2022](#) meetings. They made the following decisions:
 - (a) Leave its current level of focus on its main activities largely unchanged but to:

- (i) slightly decrease the current level of focus on new Accounting Standards and major amendments to Accounting Standards;
 - (ii) slightly increase the current level of focus on digital financial reporting; and
 - (iii) slightly increase the current level of focus on understandability and accessibility of Accounting Standards.
- (b) Leave the list of criteria for assessing the priority of financial reporting issues that could be added to the IASB's work plan as proposed in the RFI;
 - (c) Add the project on climate-related risks to its work plan on maintenance and consistent application;
 - (d) Add to the research pipeline projects on intangible assets and the statement of cash flows and related matters; and
 - (e) Create a reserve list of projects that could be added to the work plan only if additional capacity becomes available and include on that list projects on operating segments and pollutant-pricing mechanisms.

Key messages on the recommendations of new projects for the EFRAG proactive research agenda

- 8 The EFRAG Secretariat assesses in agenda paper 11-03 the merits of those projects identified as either of highest or high priority for European Stakeholders in the EFRAG agenda consultation. The EFRAG Secretariat also recommends adding the following projects to the EFRAG's research workplan:
- (a) Connection between financial and sustainability reporting, starting with the financial implications of climate risk. The proposed scope is as follows:
 - (i) Outreach to users of financial statements to identify what information they need;
 - (ii) Identify anchor points related to the PTF-RNFRS notions of direct and indirect connectivity (where financial statements stop and sustainability statements start and how to operationalise the links between the two);
 - (iii) Consider the involvement of the EFRAG SR TEG and EFRAG SR Board, in order to effectively serve connectivity from both the financial reporting and sustainability reporting perspective; and
 - (iv) Consider launching a European Lab FR/SR project to identify reporting practices that exemplify connectivity between financial and sustainability information (i.e. climate-related reporting).
 - (b) Statement of cash flows and related items. The IASB's staff considered that the scope of such a project should initially include all matters raised by respondents to the RFI which include both presentation issues (such as the classification of cash flows into operating, investing and financing activities) and other issues (such as improved disclosures about non-cash financing). Subsequently, in the research phase of the project, they could determine whether all such issues should remain within the project's scope; and
 - (c) Operating segments. The IASB's staff noted that this project should conduct research into:
 - (i) The underlying causes of users' concerns about the granularity of segment information that entities provide; and
 - (ii) The feasibility (including costs to preparers) of potential solutions that could be implemented without reconsidering the use of the management approach to determine an entity's operating segments.

Agenda Papers

- 9 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 11-02 – Update on the IASB decisions after its Third agenda consultation;
 - (b) Agenda paper 11-03 – Recommendations of new projects for the EFRAG proactive research agenda; and
 - (c) Agenda paper 11-04 – Comment letter analysis, including comments on EFRAG’s research agenda (for background purposes).