



EFRAG UPDATE

APRIL 2019

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.

PUBLICATIONS

Final Comment Letter and Feedback Statement

On 25 April EFRAG published its Comment Letter and Feedback Statement in response to the IASB's Exposure Draft ED 2018/2 *Onerous Contracts - Cost of Fulfilling a Contract (Proposed amendments to IAS 37)*.

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

OPEN CONSULTATIONS

Title and description	Closing date
Issuance and call for comments on FICE Early-Stage Analysis Working Paper	17 May 2019
EFRAG Discussion Paper <i>Non-exchange Transfers</i>	30 April 2019

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

EFRAG BOARD

Meeting

The EFRAG Board met on [4 April 2019](#) and discussed the following topics:

IFRS 17 Insurance Contracts

The EFRAG Board considered the scope of the draft comment letter on the forthcoming exposure draft of amendments to IFRS 17 and decided that it should address all the changes to IFRS 17 proposed by the IASB and the topics raised by EFRAG in the letter of 3 September 2018 to the IASB, where the IASB does not propose to change IFRS 17.

The EFRAG Board approved the project plan as presented.



IASB Project *IBOR reform and its Effects on Financial Reporting*

The EFRAG Board considered the direction of the IASB's project and noted the urgency in preparing a draft comment letter and, subsequently, a draft endorsement advice.

EFRAG Research Project *Pension plans*

The EFRAG Board approved the issuance of the Discussion Paper with a six-month comment period. During the comment period, the EFRAG Board recommended outreach activities including a webcast explaining the Discussion Paper.

EFRAG research projects

The EFRAG Board considered an update on current EFRAG research projects. No decisions were taken at the meeting.

Update of work plan and any other matters

The EFRAG Board approved the technical work plan as presented.

Next meeting

The EFRAG Board will next meet by webcast on 13 May 2019.

April 2019 written procedures

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

- EFRAG's Final Comment Letter on IASB Exposure Draft ED/2018/2 *Onerous Contracts – Costs of Fulfilling a Contract* (Proposed Amendments to IAS 37).
- Questionnaire on EFRAG Research Project *Equity Instruments – Research on Measurement* (the approval procedure is in process).

Expected May 2019 written procedures

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

JOINT EFRAG TECHNICAL EXPERT GROUP (TEG) - EFRAG USER PANEL

Meeting

EFRAG TEG and EFRAG User Panel met on [16 April 2019](#) and discussed the following topics:

IASB Project *Primary Financial Statements*

EFRAG TEG and EFRAG User Panel members received a presentation from Mazars on the current use of alternative performance measures (APMs) by European listed companies. Subsequently, ESMA provided an update on the European enforcement activities on non-



financial information and APMs. Finally, EFRAG TEG and EFRAG User Panel members received a presentation from the IASB staff on the current status of the Primary Financial Statements project.

EFRAG TEG and EFRAG User Panel members welcomed the IASB's project and considered that the IASB was going in the right direction. However, members raised a number of specific concerns and provided additional inputs to the IASB's tentative decisions.

No decisions were taken at the meeting.

IASB Research Project *Business Combinations under Common Control*

EFRAG TEG and EFRAG User Panel members considered an example illustrating the application of a current value measurement approach and two versions of a predecessor approach to business combinations under common control (BCUCC). EFRAG User Panel members generally supported the use of a predecessor approach for BCUCC affecting the non-controlling shareholders and BCUCC affecting debt providers. However, EFRAG User Panel members had mixed views as to whether restatement of previous period's financial statements would result in information that would enable them to predict the outcome of the transaction.

Conversely, EFRAG TEG generally supported the application of the acquisition method for BCUCC affecting the non-controlling shareholders in the receiving entity. However, EFRAG TEG expressed mixed views as to whether the acquisition or the predecessor method should be used to account for BCUCC affecting only lenders and creditors.

No decisions were taken at the meeting.

EFRAG Research Project *Better Information on Intangible Assets*

EFRAG TEG and User Panel discussed users' information needs on intangible assets. They agreed that more information on intangibles is needed and discussed the objective of EFRAG project.

No decisions were taken at the meeting.

EFRAG TECHNICAL EXPERT GROUP (TEG)

Meeting

EFRAG TEG met on [17 April 2019](#) and discussed the following topics:

IFRS 17 *Insurance Contracts*

EFRAG TEG discussed the report from the EFRAG IAWG meeting held on 28 March 2019. EFRAG TEG also discussed three of the six topics that were identified in the EFRAG letter to the IASB of 3 September 2018, in order to provide preliminary views on the basis of the IASB tentative decisions, which will be considered in preparing the draft comment letter on the forthcoming Exposure Draft on IFRS 17 *Insurance Contracts*.

No decisions were taken at the meeting.



IASB Exposure Draft ED/2018/2 *Onerous Contracts – Costs of Fulfilling a Contract (Proposed Amendments to IAS 37)*

EFRAG TEG considered a proposal for EFRAG's final comment letter on the IASB Exposure Draft ED/2018/2 *Onerous Contracts – Costs of Fulfilling a Contract (Proposed Amendments to IAS 37)*. Members agreed to recommend the letter to the EFRAG Board for approval.

IASB Project *IBOR Reform and its Effects on Financial Reporting*

EFRAG TEG members discussed an update on the IASB project on the IBOR reform.

No decisions were taken at the meeting.

IASB Project *Management Commentary Practice Statement*

EFRAG TEG members received an update on the project and provided their initial views and comments on the IASB's proposals to revise the Management Commentary Practice Statement.

Members were generally supportive of the initiative but some expressed concerns about overlaps with other projects (such as the *Primary Financial Statements* project) and the lack of clarity, at this stage, of the objectives and boundary of the project.

Some members also questioned the use of technical language and references in IFRS Standards as a basis for developing guidance for the Management Commentary Practice Statement. These members suggested that the IASB considers clarity and conciseness of the Practice Statement.

No decisions were taken at the meeting.

IASB Project *Annual Improvements to IFRS Standards 2018-2020 Cycle*

EFRAG TEG discussed the narrow-scope amendments that are expected to be included in the IASB's Annual Improvements to IFRS Standards 2018-2020 Cycle Exposure Draft.

EFRAG TEG agreed with the EFRAG Secretariat analysis of issues 1, 2 and 4 and supported the amendments. EFRAG TEG agreed in principle with the IASB proposal on issue 3, but they considered that more clarification is required on the lease incentive example.

No decisions were taken at the meeting.

IASB Research Project *Discount rates*

EFRAG TEG discussed the IASB's Project Summary *Discount rates in IFRS Standards*. EFRAG TEG welcomed that the IASB had issued the Project Summary as it provided transparency over the IASB's work. However, disappointment was expressed by some members that it had taken two years to finalise the project summary and that the project was ended. EFRAG TEG however, acknowledged that the IASB's decision to end the project was a result of the IASB trying to deal with the issues constituents considered most important in relevant projects.

No decisions were taken at the meeting

Next meeting

EFRAG TEG will next meet by webcast on 9 May 2019.



EUROPEAN REPORTING LAB

The European Corporate Reporting Lab at EFRAG ('European Lab') was established in the second half of 2018 at the request of the EC following the March Action Plan *Financing Sustainable Growth*. The European Lab is expected to play a pivotal role in stimulating innovations in corporate reporting by identifying and sharing good practices. This has the potential to encourage more widespread, high quality reporting on a voluntary basis.

The European Lab consists of a European Lab Steering Group and Project Task Forces appointed for each European Lab project. For more information, please see [the European Lab Webpage](#).

The activities of the European Lab in the first months of 2019 include the following:

- In February the European Lab Steering Group appointed a Project Task Force for its first project on climate-related reporting. This project assesses the current state of play by European companies, and the current and potential use of climate-related information by investors and other users. The project focuses in particular on TCFD and Non-Financial Reporting Directive gap analysis against current reporting practice; Integrating climate-related reporting within risk reporting and financial statements information; and Scenario analysis. The Project Task Force held its two first meetings in February and in April 2019 to discuss the scope and the project plan. Work is expected to be completed in a time frame of one year.
- On 5 March 2019, EFRAG held a conference on *Fostering Innovation in Corporate Reporting* featuring distinguished keynote speakers EC Vice-President Valdis Dombrovskis and International Integrated Reporting Council (IIRC) CEO and former MEP Richard Howitt among others. It also included two panel sessions on overcoming challenges in corporate reporting and innovation in corporate reporting. More details including video recordings of the conference can be accessed through the [following link](#).
- In March 2019, the European Lab Steering Group discussed possible future other projects that will be further evaluated at a next meeting to be held in June 2019 with the aim of getting to a potential shortlist of future projects. Thereafter, a public consultation on possible future projects is envisaged to take place in the second half of this year.