EFRAG
European Financial Reporting Advisory Group

EFRAG USER UPDATE

February 2021

This EFRAG User Update is developed to inform users on financial reporting and broader corporate reporting topics of interest. The EFRAG User Update will be published on a regular basis to provide users of financial statements with information about the publications, discussions held and decisions taken since the previous update.

CONTENTS

LOOKING BACK AT 2020

In 2020, EFRAG served the European public interest by developing and promoting European views, including those from users of financial statements, in the field of financial and corporate reporting.

Highlights from the year 2020 include:

Advice to the European Commission

- EFRAG positive endorsement advice on *Interest Rate Benchmark Reform – Phase 2* (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), which were endorsed by the European Commission on 13 January 2021 (accelerated process).
- EFRAG positive endorsement advice on *Extension of the Temporary Exemption from Applying IFRS 9 (amendments to IFRS 4 Insurance Contracts)*, which were endorsed by the European Commission on 15 December 2020 (accelerated process).
- EFRAG positive endorsement advice on *COVID-19 Related Rent Concessions (amendments to IFRS 16 Leases)*, which were endorsed by the European Commission on 9 October 2020 (accelerated process).
- EFRAG draft endorsement advice on IFRS 17 *Insurance Contracts*, including subsequential amendments to IFRS 17.
- EFRAG draft endorsement advice on *Classification of Liabilities as Current or Non-current and Deferral of Effective Date* (amendments to IAS 1 *Presentation of Financial Statements)*.

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- EFRAG advice to the European Commission on alternative accounting treatments to measurement at fair value through profit or loss for equity and equity-type instruments held in long-term investment business model.

Input to the IASB's consultations

- EFRAG comment letter and feedback statement on the IASB's Exposure Draft *General Presentation and Disclosures*, which aims to replace IAS 1 (November 2020).
- EFRAG draft comment letter on the IASB's Discussion Paper *Business Combinations – Disclosures, Goodwill and Impairment*, which aims at improving information regarding business combinations and subsequent accounting for goodwill (May 2020). EFRAG final comment letter published in January 2021.
- EFRAG draft comment letter on the IASB's Exposure Draft *Lease Liability in a Sale and Leaseback* (December 2020).
- EFRAG's ongoing work on *Rate-regulated Activities.*

EFRAG Research

- EFRAG's *Literature review on intangibles* as part of its ongoing research project on better information on intangibles (February 2020).
- EFRAG's Discussion Paper *Accounting for Crypto-Assets* (liabilities) from a holder and issuer perspective (September 2020). Open for consultation until 31July 2021.

EFRAG non-financial reporting discussions

- The Project Task Force of climate-related reporting of the European Lab launched its report: 'How to improve climate-related reporting – A summary of good practices from Europe and beyond' early February 2020;
- Executive Vice President Valdis Dombrovskis issued in June 2020 a request for technical advice mandating EFRAG to undertake preparatory work for the elaboration of possible EU non-financial reporting standards in a revised Non-Financial Reporting Directive. A Project Task Force (PTF-NFRS) was appointed to carry out the ambitious mission, aiming at submitting its final recommendations to the European Commission in February 2021;
- The second project of the European Lab on reporting of non-financial risks and opportunities and linkage to the business model was launched in Spring 2021 and a Project Task Force was established undertaking the work; and
- Executive Vice President Valdis Dombrovskis granted at the end of June 2020 an ad personam mandate to EFRAG Board President Jean-Paul Gauzès on potential changes to the governance and financing of EFRAG, if it were to be entrusted with the development of possible EU non-financial reporting standards. Two public consultations were issued: an invitation for input on the mandate in the beginning of October and a Consultation Document inviting all interested stakeholders to contribute input to Jean-Paul Gauzès' preliminary proposals at the end of November 2020.
- For more information please see the European Corporate Reporting Lab @EFRAG page.

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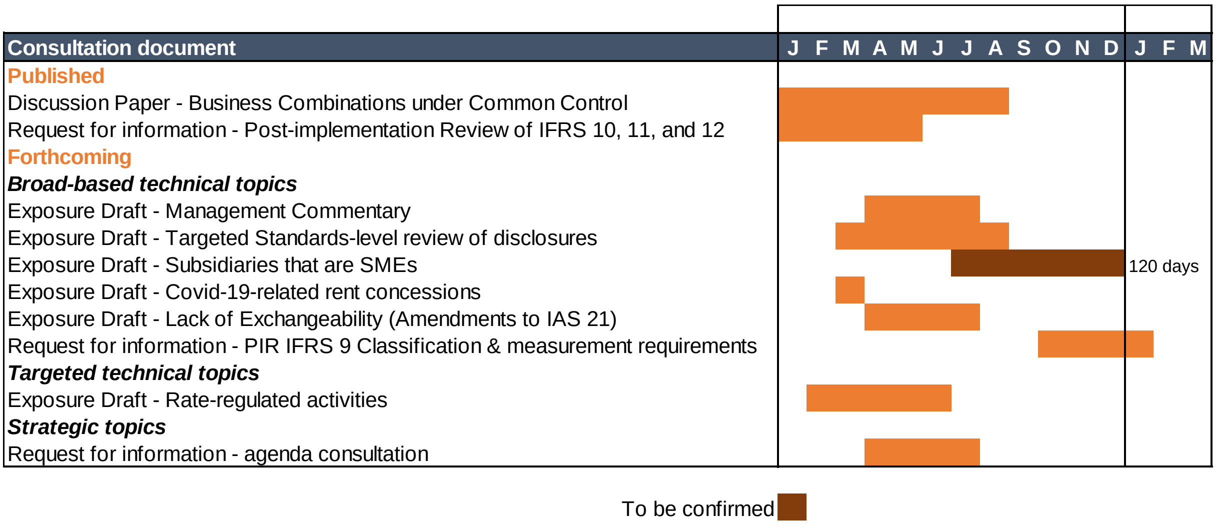
LOOKING TO THE FUTURE: 2021

IASB 2021 major consultations: a lot is coming up

In 2021 the IASB expects to finalise amendments related to 3 projects and work on approximately 10 consultation documents on IFRS Standards (plus Macro Hedging outreach).

In addition, the IASB will be asked to add a project on disclosures in relation to supply chain financing arrangements.



EFRAG Outreach Activities in 2021

To stimulate responses and help gather constituents' views, EFRAG is planning to organise several outreach events throughout Europe, including outreach events with users of financial statements, and field-tests.

EFRAG will also issue supporting documents to raise awareness about our public consultations (e.g. videos and webinars) and new tools to encourage more feedback (e.g. surveys and different types of outreach activities).

Watch dates of our user focused outreaches in 2021:

- **1 March: Webinar with EFFAS, ABAF/BVFA and the IASB on *Post-implementation Review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities* (*register here*).**

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EFRAG MAIN ACTIVITIES

State of play on key IASB's Exposure Drafts and Discussions Papers discussed in 2020

Primary Financial Statements

In December 2019, the IASB published the ED *General Presentation and Disclosure* where it includes proposals to improve how information is communicated in the financial statements, with a focus on the statement of profit or loss. The ultimate objective is to replace IAS 1 *Presentation of Financial Statements* with a new Standard (full description of the project on previous EFRAG User Update).

In November 2020, EFRAG issued its comment letter which welcomed the IASB's efforts to improve the structure and content of the primary financial statements.

EFRAG supported the IASB's proposals to present an operating, investing and financing category in the statement of profit or loss to improve comparability and reduce diversity in practice. However, EFRAG had reservations on some of the proposals in the ED. For example:

- clear guidance is needed on the notion of 'entity's main business activity' to distinguish between categories in the statement of profit or loss;
- the proposals should consider the interaction with existing regulatory frameworks on presentation of financial statements;
- the new categories in the statement of profit or loss were not aligned with the presentation in the statement of cash flows, despite using similar labelling;
- the 'free' accounting policy choice in paragraph 51(b) of the ED, while being useful for banks, may result in the loss of relevant information for users when used by non-financial institutions (e.g. manufacturer providing financing to customers); and
- the IASB should further consider how its proposals should be applied in specific circumstances, including the interaction of the IASB's proposals with IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*.

EFRAG considered that the distinction between integral and non-integral associates and joint ventures could provide relevant information to users. However, EFRAG was concerned that the proposed definition would involve significant judgement and proposed that the IASB:

- clarified the 'main business activity', 'generate a return individually and largely independently of the other assets of the entity' and 'significant interdependency';
- expanded the new paragraph 20D of IFRS 12 *Disclosure of Interests in Other Entities* to widen the scope of integral associates and joint ventures, include additional indicators and more examples to reduce the level of judgement involved; and
- required the presentation of the results of all associates and joint ventures below the subtotal 'operating profit or loss', as a separate line item within the subtotal 'operating

profit or loss and income and expenses from associates and joint ventures'. In addition, EFRAG suggested that the IASB required the split between 'integral' and 'non-integral' in the notes to the financial statements. EFRAG noted that entities could always make the split on the face of the financial statements if such split was considered useful.

EFRAG supported the IASB's proposal to continue requiring entities to present an analysis of expenses using either by-function or by-nature method, based on whichever method provides the most useful information to the users of financial statements. EFRAG recommended the IASB to further investigate the cost and benefits of its proposal to disclose on a by-nature basis in the notes when presenting by-function on the face of the financial statements.

EFRAG welcomed the IASB's efforts to define unusual income and expenses and to require entities to disclose such items in the notes, however the definition of unusual items seemed to be rather narrow, as it focuses on whether expenses/income will occur in the future.

EFRAG welcomed the IASB's efforts to provide guidance on Management Performance Measures ('MPMs'). Nonetheless, EFRAG considered that not only subtotals on the face of the statement of profit or loss but also other measures, such as indicators of financial position or ratios, should be included in the scope of this requirement. In addition, EFRAG invited the IASB to consider:

- making the definition of public communication narrower, limiting the scope to the MPMs presented in public communications released jointly with the annual or interim reports;
- excluding from the scope the performance measures required by regulators; and
- extending the scope to cover possible MPMs presented in the financial statements but not in other public communications.

EFRAG questioned the IASB's proposals, from a cost-benefit perspective, to present the split of tax and non-controlling interest components for all the items when a performance measure is adjusted.

Finally, EFRAG considered that the IASB had not sufficiently articulated the link between MPMs and IFRS 8 *Operating Segments* and suggested that the IASB requires an explanation of how MPMs interact with performance measures already presented under IFRS 8.

The IASB is currently discussing the feedback received on its Exposure Draft *General Presentation and Disclosures* and planning for redeliberations. EFRAG will monitor the debates of the IASB.

Business Combinations – Disclosures, Goodwill and Impairment

In March 2020, the IASB published the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment* which sets out the IASB's preliminary views on how companies can provide better information so that investors can hold companies to account for acquisitions of other companies (full description of the project in the previous EFRAG User Update).

In January 2021, EFRAG published its comment letter to the IASB. The comment letter supported the IASB's objective to explore ways of improving the information companies provide to investors on business combinations. EFRAG acknowledged that the IASB's proposals would address some of the existing shortcomings but considered that there was still room for improvement. EFRAG also noted that many did not regard the proposals as a package but rather as a number of proposals largely independent of each other.

Improving disclosures about acquisitions

EFRAG welcomed the IASB's proposals on disclosures about the strategic rationale for an acquisition, management's objectives for an acquisition and subsequent disclosures on how acquisitions have performed against those objectives. However, EFRAG considered that the IASB needed to consider some practical issues in relation to those disclosures, to ensure that users receive sufficient and relevant information and that the costs of preparing/disclosing the information would not outweigh the benefits.

In this regard, EFRAG noted that some of the quantitative information suggested by the IASB would be based on management expectations and non-GAAP measures. EFRAG thus considered that the IASB should further examine whether some of the disclosures should instead be included in the management commentary. EFRAG also noted that some of the information that entities would have to provide would be commercially sensitive and that entities would find them harmful, particularly if they would have to disclose this sensitive information while their competitors reporting under another GAAP would not have to. This would also apply to the IASB's proposed disclosures on expected synergies.

In addition, EFRAG noted that for the benefits of the disclosures on synergies to outweigh the costs, it may be necessary to introduce some flexibility in relation to when and how quantitative information should be presented.

EFRAG did not consider that the benefits would outweigh the costs for the proposal to disclose cash flows from operating activities as part of the requirements currently included in paragraph B64(q) of IFRS 3 *Business Combinations*. Furthermore, EFRAG did not assess that there would be any benefits of presenting the amount of total equity excluding goodwill on the balance sheet. On the contrary, EFRAG considered that this could create confusion.

Can the impairment test be made more effective?

For the impairment test to be more effective, EFRAG considered that the IASB needed to improve the guidance on how goodwill is allocated (or reallocated when reorganising) to cash generating units, including the allocation of goodwill to disposed businesses. In addition, EFRAG assessed that better information related to the impairment test could be provided, including better disclosures of estimates used to measure recoverable amounts of cash generating units containing goodwill (e.g. assumptions relating to the terminal value and to the period for which management has projected cash flows based on financial budgets) and could supplement the improvements to goodwill allocation guidance. These initiatives could potentially reduce the perceived shortcomings of the impairment test. In addition, EFRAG considered that the IASB needed to discuss improvements to the disclosures to mitigate the risk of management over-optimism.

EFRAG appreciated the IASB's attempts to ease the impairment test. However, EFRAG had reservations about introducing an indicator-only approach. Under an impairment-only model, EFRAG could not support an indicator-only approach.

Impairment-only vs amortisation

EFRAG acknowledged the conceptual and practical arguments for both the impairment-only model and reintroduction of amortisation but noted an increased support for the latter mainly for practical reasons.

Considering that an accounting policy should only be changed if it would provide reliable and more relevant information, EFRAG suggested that the IASB further explores improvements to the existing impairment test and, at the same time, the costs and consequences of reintroducing amortisation (e.g. how to determine the useful life, amortisation method, how to apply the impairment test under the amortisation model and transitional provisions which should be regarded as a package).

Simplifying the impairment test

EFRAG welcomed the IASB proposals to remove the restriction in IAS 36 *Impairment of Assets* that prohibits companies from including cash flows arising from a future uncommitted restructuring, or from improving or enhancing the asset's performance. It also welcomed the IASB's proposal to remove the requirement to use pre-tax inputs and pre-tax discount rates to calculate value in use.

Accounting for intangible assets/ Convergence with US GAAP

On accounting for intangible assets, EFRAG considered that the IASB needed to take into account the concerns of investors who want to compare companies that grow by acquisitions more easily with those that grow organically. Thus, EFRAG suggested that the IASB starts a project on IAS 38 *Intangible Assets*. Pending such a broader project on IAS 38, EFRAG questioned the usefulness of considering a change in whether some intangible assets should be allowed to be included in goodwill at this stage. Instead, EFRAG suggested initiating and awaiting the outcome of the broader project on IAS 38, which could be informed by EFRAG's pro-active work on better information on intangibles.

Finally, EFRAG considered that the IASB outcome could be influenced by the FASB's current work and noted that divergence with the FASB on the disclosures for business combinations could impact perceptions around the fairness of such requirements.

In March 2021 the IASB will start considering the comments received in response to its discussion paper, and EFRAG will monitor the debates of the IASB.

IFRS 16 *Leases* and COVID-19

On 28 May 2020, the IASB published an amendment to IFRS 16 *Leases* that provides lessees with a much-needed and time-bound relief from the accounting requirements for COVID-19-related rent concessions. The amendment, effective from 1 June 2020, permits lessees not to assess contractual arrangements to ascertain whether such concessions are lease modifications and consequently, not to apply lease modification accounting requirements.

Due to the urgency of making the amendment available to lessee preparers, the IASB had a fast-track due process and the final amendment was published a few weeks after the issuance, on 24 April 2020, of the exposure draft ED/2020/2 *COVID-19-Related Rent Concessions - Proposed amendment to IFRS 16* (the ED).

Similarly, EFRAG undertook an expedited due process. On 11 May 2020, shortly after the issuance of the ED, EFRAG issued a comment letter to the IASB supporting the amendment. On 2 June 2020, a few days after the IASB published the final amendment, EFRAG also published and submitted its endorsement advice to the European Commission.

On 4 February 2021, the IASB added a project to the work plan to extend the time period over which lessees are eligible to apply the exemption from lease modification accounting requirements (paragraphs 46A and 46B of IFRS 16).

The IASB published an exposure draft proposing an amendment to IFRS 16 on 11 February 2021 with a comment period of 14 days, and to finalise any amendment by the end of March 2021. EFRAG undertook an expedited due process and issued a draft comment letter on 11 February and submitted its final comment letter on 25 February 2021.

EFRAG issued a preparatory document of the draft endorsement advice on 17 February and will issue the final endorsement advice shortly after the IASB issuance of the amendment at the end of March.

Post Implementation Review of IFRS 10, IFRS 11 and IFRS 12

In May 2019, the IASB initiated its post-implementation review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of interests in Other Entities* (the PIR). The first phase of the IASB project, was concluded in April 2020. The input received during that phase was considered when drafting and publishing the Request for Information.

The IASB published the Request for Information (RFI) on 9 December 2020. The RFI focuses on the following questions and topics:

IFRS 10 Consolidated Financial Statements

- Control—Power over an investee
- Control—The link between power and returns
- Investment entities
- Accounting requirements

IFRS 11 Joint Arrangements

- Collaborative arrangements outside the scope of IFRS 11
- Classifying joint arrangements
- Accounting requirements for joint operations

IFRS 12 Disclosure of Interests in Other Entities

- Disclosure of interests in other entities

Shortly after, EFRAG published questionnaires for users and preparers that will help EFRAG to collect the information necessary to respond to the RFI. Responses are requested by 16 April 2021.

EFRAG plans to conduct further outreach activities to provide input to the RFI. On 1 March 2021 EFRAG will organise an explanatory webinar organised by EFRAG, EFFAS, ABAF/BFVA and the IASB on the post-implementation review of the consolidated financial statements, joint arrangements and disclosures – a user's perspective will take place.

Post Implementation Review of IFRS 9 *Financial Instruments*

In October 2020 the IASB decided to advance the PIR of the IFRS 9 on classification and measurement requirements, after EFRAG conducted several consultations on the Equity instruments measured at fair value through other comprehensive income (FVOCI) – impairment and recycling. On a later stage the IASB will conduct a PIR of the impairment and hedge accounting requirements.

The objective of the PIR of IFRS 9—*Classification and Measurement* is to:

- assess whether the requirements introduced by IFRS 9 have improved financial reporting (without disproportionate cost); and
- identify lessons learned that will help the IASB in its efforts to continuously improve its standard setting.

In assessing whether the requirements have improved financial reporting, the IASB will consider the following questions:

- are the requirements working as intended?
- are the requirements capable of being applied consistently? and
- are there any significant unexpected effects, either positive or negative?

What is the IASB currently doing and next steps?

The IASB is currently identifying and assessing the matters to be examined, which are then subject of the second phase in the form of a public consultation by the IASB in the form of a request for information (which is expected in the third quarter of 2021).

In the first half of 2021, the IASB is going to perform outreach with preparers, auditors, investors, regulators and standard setters. The IASB will also search for and review academic research and other materials (for example, news articles and reports) that are available and that are relevant to the PIR.

Subsequently, the IASB will consider the comments it has received from the request for information along with the information it has gathered through other consultative activities. On the basis of that information, the IASB presents its findings and sets out the steps it plans to take, if any, as a result of the review.

What is EFRAG currently doing and next steps?

EFRAG is currently looking for the views of its stakeholders, particularly users of financial statements and has consulted with the Academic Panel, the financial instruments working group and the insurance accounting working group to collect information. For example:

- Are the requirements (classification, measurement and hedging) of IFRS 9 working as intended?
- Are the requirements (classification, measurement and hedging) of IFRS 9 being applied consistently?
- Are there any significant unexpected effects?

The IASB Staff aims to present the issue at its Accounting Standards Advisory Forum (ASAF) meeting in March 2021. The EFRAG TEG-CFSS meeting is scheduled for 3 March 2021.

Mergers and acquisitions under common control

In its draft comment letter, issued early February 2021 with a comment deadline of 30 July 2021, EFRAG welcomes the IASB's discussion paper on *Business Combinations under Common Control* (BCUCC) and the IASB's efforts to explore possible reporting requirements for BCUCC.

Scope of the project

EFRAG supports the proposed scope of the discussion paper to include all transfers of businesses under common control. However, EFRAG considers that the IASB should better define 'group restructurings' without labelling them BCUCC when they do not meet the description of a business combination in IFRS 3 *Business Combinations*. EFRAG also suggests that the IASB considers common control transactions conceptually in a future project, including the effects on the separate financial statements.

Selecting the measurement method

EFRAG agrees that a single measurement method is not appropriate for all BCUCC. EFRAG also supports the application of the acquisition method to BCUCC that affect the non-controlling shareholders of the receiving company (with limited exceptions). However, EFRAG proposes a few modifications to the IASB’s decision tree on when to apply each method. EFRAG is consulting constituents on two possible modifications:

- Reversing Step 1 and Step 2 of the IASB’s diagram; and
- Expanding the scope of entities included in the proposed new Step 1 (three different options)

EFRAG cautions that selecting the measurement method relies on the definition of a ‘public market,’ which includes both regulated and unregulated markets. EFRAG suggests that the IASB clarifies the meaning of the term ‘traded’.

EFRAG supports the optional exemption and the related-party exception to the acquisition method for privately-held entities with non-controlling shareholders. However, EFRAG is consulting constituents on whether the related-party exception should be optional rather than required.

Applying the acquisition method and a book-value method

EFRAG generally agrees with the IASB's proposals on how to apply the acquisition method. EFRAG agrees that the IASB should not develop a requirement for the receiving company to identify, measure and recognise a distribution from equity but rather recognise any difference between the fair value of consideration paid and the fair value of identifiable acquired assets and liabilities entirely as goodwill.

However, EFRAG is consulting constituents on whether to recognise a contribution to equity when the consideration paid is lower than the identifiable acquired assets and liabilities measured at fair value by considering the following:

- Alternative 1 - support the rationale for the IASB proposals to recognise the difference in equity as a contribution to equity; or
- Alternative 2 - support consistency with the requirements in IFRS 3 and recognise the difference as a gain in profit or loss.

EFRAG also generally agrees with the IASB's proposals on how to apply a book-value method. However, EFRAG is consulting constituents on:

- *measurement of assets and liabilities received*: whether the carrying amounts in the consolidated financial statements of the transferor or the carrying amounts in the financial statements of the transferred company provide more relevant information for users;
- *pre-combination information*: whether prospective reporting of the BCUCC is in conflict with current practice or with current reporting requirements in some jurisdictions.

Disclosure requirements

EFRAG supports the proposed disclosure requirements for BCUCC accounted for under both the acquisition method and a book-value method.

EUROPEAN LAB

Climate-related reporting project

In February 2020 the European Lab Project Task Force on climate-related reporting (PTF - CRR) published the report *How to improve climate-related reporting – A summary of good practices from Europe and beyond*, presenting the output of the first project of the European Lab, in support of the practical application needs of European corporate reporting stakeholders. The report consists of a main document and two supplements.

The primary focus of the PTF-CRR was on identifying good reporting practices and assessing the level of maturity in the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures, while also taking into consideration the climate-related reporting elements of the EU Non-financial Reporting Directive and the related European Commission non-binding guidelines.

The project addressed two areas: a general review of climate-related disclosures (detailed findings documented in report Supplement 1), and an in-depth review of scenario analysis reporting (detailed findings documented in report Supplement 2). The main document of the report outlines the key messages and synopsis of the findings, based on the content of its two supplements. The three documents comprising the report are presented in interactive PDF format, including a document navigation panel and links to relevant information and reference material on the internet.

To mark the occasion, a networking event was organised on 6 February 2020, with Pascal Canfin (Chair of the European Parliament ENVI Committee) as guest speaker.

A summary brochure that highlights the key messages and findings of the report can be found here.

European Lab video

Watch the European Lab video and get in a few minutes an overview and understanding of the European Lab here.

Non-financial risks and opportunities and linkage to the business model

The second project of the European Lab is on the reporting of non-financial risks and opportunities and linkage to the business model carried out by a 19-member project task force (PTF-RNFRO) that was appointed by the European Lab SG in May 2020 and is led by two co-chairs (Dawn Slevin and Mario Abela). The PTF-RNFRO effectively became operational in September 2020 and has been holding regular virtual meetings.

The aim of the project is to identify good reporting practices around the theme of the project from a sustainability perspective and addressing what are commonly known as Environmental, Social, and Governance (ESG) factors. The project focuses on providing good examples on the reporting of how material non-financial risks and opportunities (ESG factors) contribute to the resilience and sustainability of business models. In carrying out its analysis, the PTF-RNFRO considers the needs and expectations of a wide range of users and other stakeholders, the extent to which they are addressed by current reporting practices, and the challenges faced by companies in providing that information.

At the PTF-RNFRO meetings held in 2020, the scope of the project was agreed upon, tasks divided across four workstreams (i.e., assessing reporting practices; developing assessment criteria; assessing stakeholder needs and expectations; assessing related legislative policies and reporting technology), and ongoing progress monitored.

To identify stakeholder needs and expectations, the PTF-RNFRO launched a survey and begun conducting a selection of interviews in January 2021.

The PTF-RNFRO expects to have a draft report by the end of March 2021 and to thereafter conduct a targeted outreach before the issuance of the final report.

For more information please see the European Corporate Reporting Lab @EFRAG page.

Preparatory work for the elaboration of possible EU non-financial reporting standards

Executive Vice President Valdis Dombrovskis issued at the end of June 2020 a request for technical advice mandating EFRAG to undertake preparatory work for the elaboration of possible EU non-financial reporting standards in a revised Non-Financial Reporting Directive (NFRD). The preparatory work was carried out by a multi-stakeholder Project Task Force (PTF-NFRS) established in September 2020, under the chairmanship of Patrick de Cambourg.

After five months of very intensive work and with an extension of the original deadline by three weeks, the PTF-NFRS will submit its report with recommendations to the European Commission. During the second half of January 2021 the PTF-NFRS held a series of seven webinars: five with a specific country focus (Germany, France, Italy, Spain and the Nordic countries), one with a focus on European organisations and other European countries, and a specialised one on financial institutions.

The report will be published in March. The main conclusions of the report are:

- The EU has a unique sustainable development and sustainability reporting landscape which constitutes strong foundations for standard-setting.
- Standard-setting should be built on robust EU conceptual guidelines, addressing public good alignment, expected qualitative characteristics of information, relevant time-horizons, clear boundaries, double materiality and connectivity between financial and sustainability reporting.
- The overall target architecture of standards should be coherent and comprehensive and reflect appropriate layers of reporting (sector-agnostic, sector-specific and entity-specific), relevant reporting areas and a coverage of sustainabilty topics classified under an ESG+ categorisation. Presentation should preferably be organised under ‘sustainability statements’ and digitisation should be considered from the start.

- The standard-setting roadmap towards the target architecture should be implemented in realistic phases. However, the first-time application of the revised NFRD should benefit from a robust first set of ‘core’ standards.
- Finally, there is significant merit in promoting a mutually reinforcing cooperation between EU standard-setting efforts and international initiatives or fora.

For more information please see the European Corporate Reporting Lab @EFRAG page.

Ad personam mandate on potential need for changes to the governance and funding of EFRAG

Executive Vice-President Valdis Dombrovskis invited Jean-Paul Gauzès, EFRAG Board President, European Lab Steering Group Charman and former MEP, to provide recommendations, on an ad personam basis on potential changes to the governance and financing of EFRAG, if it were entrusted with the development of possible EU non-financial reporting standards. Jean-Paul Gauzès issued two public consultations and considered the feedback in preparing the recommendations included in his final report to the European Commission.

In the report, Jean-Paul Gauzès recommends that EFRAG will have two pillars: one for financial reporting (influencing the IASB and endorsement advice) and another one for non-financial reporting standard-setting. A separate pillar for non-financial reporting would be needed as the standard setting activity would be substantially different from EFRAG’s current role. Appropriate coordination and interconnectivity between the two pillars will be ensured in the proposed governance.

It is crucial for the non-financial pillar to have a good and robust corporate governance and due process and a sustainable finance in order to get accepted by the public sector and the private stakeholders. The non-financial reporting pillar, similar to the financial reporting pillar, would be a public-private partnership with a balanced representation of national authorities, civil organisations, academics and the private sector. Further details on the proposed governance structure and funding can be found in Jean -Paul Gauzès’ report that is expected to be published in March 2021 on EFRAG’s website.

For more information please see the European Corporate Reporting Lab @EFRAG page.

LATEST DEVELOPMENTS ON ENDORSEMENT STATUS REPORT

In order to become binding law in the European Union, IFRS Standards must be 'endorsed' through the publication of a Commission Regulation in the Official Journal of the European Union. The most recent EFRAG endorsement status report is included below. It is frequently updated on the EFRAG website.

EFRAG
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THE EU ENDORSEMENT STATUS REPORT

12 FEBRUARY 2021

IASB/IFRIC documents not yet endorsed [Revisions to this schedule are marked in bold and steps marked in green have been completed]	EFRAG draft endorsement advice	EFRAG endorsement advice	ARC Vote	When might endorsement be expected	IASB Effective date	Expected to be endorsed before the effective date
IFRS STANDARDS[1] AND INTERPRETATIONS						
IFRS 17 *Insurance Contracts* (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	√ 30/09/2020				01/01/2023	
AMENDMENTS						
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)	√ 06/11/2020	Q1 2021			01/01/2023	▲
Amendments to • IFRS 3 *Business Combinations*; • IAS 16 *Property, Plant and Equipment*; • IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* • *Annual Improvements 2018-2020* *(All issued 14 May 2020)*	√ 24/06/2020	√ 23/10/2020	Q1 2021	H2 2021	01/01/2022	▲
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)					**01/01/2023**	
Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates (issued on 12 February 2021)					**01/01/2023**	

The information shown is our current best estimate of the latest date for publication or endorsement, assuming endorsement is to occur.
[1] The EC has decided not to launch the endorsement process of the interim standard IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) and to wait for the final IFRS Standard.

OPEN CONSULTATIONS

Title and description
EFRAG Draft Comment Letter in response to the IASB's Exposure Draft ED/2020/4 *Lease Liability in a Sale and Leaseback*. Comments on the DCL is open for comment until 23 March 2021.
EFRAG requests comments on its Draft Endorsement Advice on *Covid-19-Related Rent Concessions* beyond 30 June 2021. Comments are requested by 17 March 2021.
EFRAG draft comment letter in response to the IASB's Discussion Paper DP/2020/2 *Business Combinations under Common Control* is open for comments until 30 July 2021.
EFRAG encourages users and other constituents to participate in its survey about the *Post-Implementation Review of IFRS 10, 11 and 12*. Responses are requested by 16 April 2021.
EFRAG's Discussion Paper on the accounting for crypto-assets (liabilities) - holder and issuer perspective
EFRAG has published a Discussion Paper to gather constituents' views on the accounting for crypto-assets (liabilities) from a holder and issuer perspective. Comments are welcome throughout a 12-month period from the date of issuance until 31 July 2021.

For more information please see EFRAG's consultations page.

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EFRAG WEBSITE

EFRAG's website has now a section dedicated to users: the *user corner*. This section is addressed to users of corporate reporting. It is regularly updated with information on EFRAG and European Lab activities relevant to users. We invite you to visit our user corner and share the webpage with your contacts. For a broader range of information, you can as well register to our webpage and receive regular news items on EFRAG's work.

EFRAG on social media

In a constant effort to serve the European public interest, in the most transparent way, EFRAG also shares information on its activities on three social media platforms:

- : @EFRAG_Org
- : European Financial Reporting Advisory Group (EFRAG)
- : EFRAG