

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

IASB Agenda Consultation

Issues Paper

Objective

- 1 The objective of the session is to provide an update on the latest developments of the project and discuss members' suggestions for priority projects and possible interactions with EFRAG's own research agenda consultation.

Background

- 2 The IASB is required to undertake a public consultation on its work plan every five years. The primary objective of the Agenda Consultation is to seek formal public input on the strategic direction and balance of the IASB work plan. The Request for Information (RFI) is expected in March 2021 and will cover the IASB's activities over the period 2022–2026.
- 3 At its October 2020 meeting, the IASB tentatively decided the following:
 - (a) The RFI will not ask stakeholders to re-prioritise the IASB's current work plan projects that the IASB intends to finalise before adding new projects to the work plan. Instead the RFI will include a general question asking whether stakeholders have any comments on the IASB's current work plan as a whole
 - (b) The RFI will refer to the following research pipeline and other non-started projects for stakeholders to comment on and, if necessary, re-prioritise:
 - (i) High Inflation—Scope of IAS 29;
 - (ii) Pollutant Pricing Mechanisms;
 - (iii) Variable and Contingent Consideration; and
 - (iv) Post-implementation Review of IFRS 5.
- 4 The project on Equity Method that was in the IASB research pipeline was moved to the active work plan in November following the IASB's decision to add a project to assess whether application problems with the equity method can be addressed in consolidated and individual financial statements by identifying and explaining the principles of IAS 28 *Investments in Associates and Joint Ventures*.
- 5 The RFI will give some indication of the IASB's current level of resources and the allocation of those resources to each activity in the current work plan and the effect on the additional activities identified in the RFI (see below paragraphs 8 and following). To do that, the RFI will assume that the current overall level of resources that is available to the IASB will remain substantially unchanged during the 2022–2026 period.

- 6 At its October 2020 meeting, the IASB also discussed the timing of the PIRs of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* and tentatively decided to:
- (a) consider the timing of the PIR of IFRS 15 as part of the 2020 Agenda Consultation.
 - (b) begin the PIR of the IFRS 9 *classification and measurement requirements* now, but not to begin the PIR of the Standard's impairment and hedge accounting requirements.
- 7 The IASB decided to separate the PIR of the IFRS 9 classification and measurement requirements (including FVOCI equity instruments) from the PIR of the rest of IFRS 9 because classification and measurement did not have a transition resource group (TRG) and thus application issues have not been addressed since publication of the standard. It was also noted that there is not much overlap between classification and measurement and the rest of IFRS 9, so the PIRs can be done separately.

List of Projects to be described in the RFI

- 8 To elicit more focused feedback, the IASB decided in 2019 to include descriptions of a number of projects in the RFI. At its October 2020 meeting, the IASB received a summary of the outreach undertaken to develop such a list of potential projects and which potential projects would be described in the RFI.
- 9 The tentative list includes 17 topics that the IASB staff suggests describing in the RFI (contained in Appendix 1 of this paper). Ten additional topics (contained in Appendix 2) were also identified that would be mentioned in the RFI but not further described as they were supported only a few stakeholders
- 10 The tentative lists were developed on the basis of the outreaches conducted by the IASB staff with advisory bodies and standing consultative groups: IFRS Advisory Council (September 2019), GPF (October 2019), CMAC (October 2019), the Emerging Economies Group (December 2019), ASAF (October 2019 and December 2019); and the IASB Investors in Financial Reporting (1-on-1 meetings). The IASB staff also sought feedback from the IFRS Interpretations Committee (November 2019) and IOSCO.
- 11 The tentative lists of projects are not intended to constrain stakeholders' feedback and respondents to the RFI will have the opportunity to suggest other financial reporting issues.
- 12 The IASB was not asked to make any decisions on the list at the meeting.

Question for EFRAG TEG and EFRAG CFSS

- 13 Do members have questions or comments on the discussions and tentative decisions made by the IASB at its October 2020 meeting?

Summary of EFRAG's past discussions

- 14 The following paragraphs provide a summary of previous discussions by EFRAG Board (November 2019), EFRAG TEG and CFSS (September and December 2019) and EFRAG User Panel (November 2019).
- 15 As part of the outreach conducted by the IASB staff, the EFRAG Board met on 13 November to discuss the request made by the IASB Staff to identify priority projects. In doing so, the EFRAG Board considered the input provided by EFRAG TEG and EFRAG CFSS and EFRAG User Panel in previous meetings.
- 16 EFRAG Board members considered the IASB's first priority should be:

- (a) The finalisation of ongoing projects in particular the ones close to standard setting (such as Primary Financial Statements, Rate-regulated Activities and Management Commentary Practice Statement) or already well advanced (Dynamic Risk Management, Goodwill and Impairment and Financial Instruments with Characteristics of Equity,).
 - (b) Starting on a timely basis the post-implementation review of IFRS Standards. Members noted in particular the importance of the IFRS 5 and IFRS 9 post-implementation reviews but also the need to timely review IFRS 15 and IFRS 16 *Leases* over the next years.
- 17 The EFRAG Board did not assign specific priorities to each of the post-implementation reviews but noted their significant number and the difficulty to conducting several of them at the same time. In order to make an informed decision, the IASB should consider a number of factors including: the quantification of the time and resources expected to be necessary for each review; the fact that the PiR may itself lead to identifying additional projects on the IASB's agenda which may draw on its resources as well; and the identification of implementation matters reported to the IASB or to the IFRS Interpretations Committee.
- 18 The EFRAG Board discussed a number of possible additional projects suggested by EFRAG TEG and the EFRAG User Panel but did not come up with a short list of topics. Instead EFRAG Board members suggested an approach to the IASB in which, for any new projects considered, the IASB should ensure that it will have the necessary resources and competencies to conduct the projects; the matters are expected to still be prevalent in a time horizon of 5/7 years; and the matter would not better be addressed through the IFRS Interpretations Committee.
- 19 Finally, some EFRAG Board members reiterated the recommendation made in EFRAG's comment letter on the *Principles of Disclosure* Discussion Paper that, across its standard setting and research activities, the IASB should consider the effects of technology and digital reporting.

Projects identified as priorities by EFRAG TEG & CFSS and EFRAG User Panel

- 20 At its 6 November 2020 meeting, EFRAG TEG discussed the identification of priority projects. In forming a view, EFRAG TEG considered in particular the feedback provided by EFRAG CFSS members at the joint EFRAG TEG-CFSS meeting held on 26 September 2019 and the subsequent additional feedback provided by some European Standard Setters in writing.
- 21 EFRAG TEG recommended that, before considering additional projects, the IASB should first consider the finalisation of its ongoing projects (such as Dynamic Risk Management, Goodwill and Impairment, Financial Instruments with Characteristics of Equity, Rate-regulated Activities) and ensure that it has the necessary resources to do so before engaging in new projects.
- 22 The IASB should also consider starting on a timely basis the post-implementation review of IFRS Standards and in particular:
- (a) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
 - (b) IFRS 9 *Financial Instruments*;
 - (c) IFRS 15 *Revenue from Contracts with Customers*; and
 - (d) IFRS 16 *Leases*.

Other Emerging issues identified

- 23 To the extent that resources are available, EFRAG TEG and EFRAG CFSS identified the following additional projects that the IASB could address:

- (a) IAS 38 *Intangible Assets* to assess whether the standard can be adapted to address challenges arising in the current knowledge, service and technology economy (EFRAG is currently conducting a research on Better Information on Intangibles)
 - (b) IAS 28 *Investments in Associates and Joint Ventures* which has raised many application issues; (As mentioned in paragraph 4, above, a project on Equity Method which was in the IASB research pipeline was moved to the active work plan in November 2020);
 - (c) Accounting for expenses which is not currently addressed by any specific IFRS Standard.
 - (d) Research on accounting for the effects of negative interest rates.
 - (e) Accounting for reverse factoring (presentation in balance sheet and statement of cash flows). The IFRS Interpretations Committee is currently considering the feedback received to a tentative agenda decision on the matter.
 - (f) Hedge accounting for insurance entities;
 - (g) Dynamic risk management for corporates and banks other than for interest rate risk (e.g. foreign exchange rates, commodity risk);
 - (h) Consider the use of technology in relation to standard setting and financial reporting.
- 24 It has to be noted that topic (a) to (e) in the above lists are also included in the IASB Staff's tentative lists¹. Topics (f) to (h) were not considered.
- 25 At its 7 November meeting, one or more members of the EFRAG User Panel also identified the following possible additional topics to consider:
- (a) Better information about the effects of acquisitions (comparability of information, use of proformas, information on subsequent performance of acquisitions)²;
 - (b) Improving information about Segment Reporting;
 - (c) Information about 'gross debt';
 - (d) Reconsider the existing accounting options across IFRS Standards to see if some options could be removed
- 26 Of the four additional topics above, only segment reporting is being considered in the IASB staff's tentative list.

¹ The project on reverse factoring is considered by the IASB as part of its effects on the Statement of Cash-flows only.

² For this project consideration to the extent to which IASB's DP/2020/1 Business Combinations — Disclosures, Goodwill and Impairment would provide improvements.

Question for EFRAG TEG and EFRAG CFSS

- 27 Do members consider that the list of projects identified by EFRAG and its advisory bodies in 2019, contained in paragraphs 23 and 25³, could form the basis for the EFRAG Secretariat to consider in developing the forthcoming draft comment letter in response to the IASB's consultation? recommendation for priority topics?
- 28 If not, which topics would members recommend including or excluding?
- 29 Do members have other comments on the IASB Staff suggested lists of topics as contained in appendices 1 and 2?
- 30 Do members have suggestions on how to further prioritise the projects to be suggested in EFRAG' forthcoming draft comment letter?

Interactions with EFRAG's own research agenda consultation

- 31 EFRAG completed its previous Research agenda consultations in 2015 and 2018, respectively.
- 32 Many of the active projects on the EFRAG Research agenda will reach their final stage in 2021 and a new Research agenda consultation to seek constituents' input on potential topics will be is considered in 2021 for the period 2022-2024
- 33 The timing of the 2021 IASB Agenda Consultation offers an opportunity to combine with and leverage on EFRAG's own research agenda consultation. EFRAG could for instance consider addressing some of the topics that have been identified as top priorities by EFRAG TEG and the EFRAG Board but would not be adopted by the IASB.
- 34 EFRAG could also consider alternative projects that are identified as essential to its strategy in serving the EU public interest. Over the recent period the following areas of interest may be mentioned:

Digital Reporting

- 35 EFRAG has recommended that the IASB better considers the effect on technology in standard setting in several of its recent comment letters⁴. Developments are taking place rapidly with ESEF and other forms of digitalisation. Digitalisation of reporting information could be considered to be part of EFRAG's assessment of IFRS Standards, aiming at incorporation in all steps of EFRAG's due process. This will help EFRAG to stay relevant in a changing environment.
- 36 To a certain extent we may say that the use of technology is so pervasive in financial reporting that the technologic usability of a given information (from the users' side) and the complexity of incorporating a new datapoint into the existing financial reporting systems (from the preparers' side) may already be considered as relevant aspects in assessing the impacts of proposed new standards or amendments. As such, a technical discussion on how to better structure this assessment would support to better incorporate the digitalisation angle in EFRAG due process and, in general, in standard setting.
- 37 In November 2018, the IFRS Foundation announced the launch of its 'technology initiative' with the aim of considering how changes in technology may affect the work done by the IASB in certain areas. Specifically, the technology initiative will

³ With the exception of projects that have already entered or will enter into the IASB's active workplan by the time of the consultation.

⁴ For instance, EFRAG's comment letter in response to the IASB's Principles of Disclosure DP.

investigate how automation, AI, and the consumption of big data may affect accounting, financial reporting, the standard-setting process, and stakeholder engagement. No information on this initiative is publicly available.

Interconnection between financial and non-financial reporting

- 38 We refer to the developments in the non-financial reporting area occurring at both the European and global level including the revision of the Non-financial Reporting Directive (NFRD) and the European Union's sustainable finance initiatives. The issue of interconnection between financial and non-financial reporting will require higher attention in providing a full picture of companies' reporting. Synergies between financial and non-financial reporting could be explored and may pave the way towards a more holistic and integrated reporting system.
- 39 The perspective of such a technical discussion would still be within the scope of the financial reporting. For example, there is growing momentum in sustainable or responsible investments and the question is to what extent IFRSs accommodate the needs of this growing category of primary users (providers of financial capital).

Interconnection between IFRS and sustainability related information

- 40 Various developments have taken place supported by EC public consultations (including fitness check; capital market union, revision NFRD, renewed sustainable finance strategy) in which reporting plays a role.
- 41 Recently, the Trustees of the IFRS Foundation published a Consultation Paper to assess demand for global sustainability standards and, if demand is strong, assess whether and to what extent the Foundation might contribute to the development of such standards.
- 42 In the EC consultation on the renewed sustainable finance strategy on question asked whether stakeholders 'see any further areas in existing financial accounting rules (based on the IFRS framework) which may hamper the adequate and timely recognition and consistent measurement of climate and environmental risks.
- 43 This could possibly be an area to be investigated

Other emerging issues

- 44 The EC's Green Deal of 2019 includes the revision of the NFRD as an important step. The June 2020 Final Report of the High-Level Forum on the Capital Markets Union "A New Vision for Europe's Capital Markets Union" refers to:
- (a) simplifying IFRS for SMCs (Small and Medium Capitalisation Companies) ; and
 - (b) addressing the IFRS 9 FVOCI recycling issue (calling on the EC to resolve the issue with the IASB or if the IASB does not adequately and expeditiously address the issue, to pursue an own solution).

Questions for EFRAG TEG and EFRAG CFSS

- 45 Do members have suggestions about how EFRAG could best combine its own agenda consultation with the IASB's?
- 46 Do members have suggestions on the topics that EFRAG could include in its research agenda consultation?

Appendix 1: Topics for inclusion and description in the RFI

- 47 This list includes 17 potential projects identified in the IASB's outreach that the IASB staff recommended describing in the Request for Information. The list is presented alphabetically (i.e. the order of topics is not reflective of their relative importance).

Projects	Overview
Borrowing costs	Review definitions of borrowing costs and qualifying asset in IAS 23 Borrowing Costs. Provide additional guidance on capitalisation of borrowing costs, including foreign currency borrowings
Climate-related risks and other emerging risks	Address any gaps in current requirements that may apply to how climate-related risks and other emerging risks should be reflected in the amounts recognised and disclosed in the financial statements
Commodity transactions	Develop accounting guidance for commodity loan transactions and other transactions involving commodities.
Cryptocurrencies	Develop accounting guidance for cryptocurrencies and related transactions.
Discount rates and related matters	Consider making requirements relating to discount rates consistent across IFRS Standards. Develop accounting guidance for negative interest rates.
Employee benefits	Develop accounting requirements for hybrid pension plans. Review the prohibition on recycling of actuarial gains and losses presented in other comprehensive income.
Expenses: Cost of sales, classification of expenses and disclosure	Develop an IFRS Standard for cost of sales (including cost of goods sold and the cost of providing services), using the principles from IFRS 15 Revenue from Contracts with Customers. Improve the accounting for inventory. Develop detailed guidance on classification of expenses by function in the statement of profit or loss. Develop enhanced disclosures about expenses, so that users of financial statements (users) can distinguish ongoing maintenance spend from the growth spend
Foreign currencies	Undertake a review of IAS 21 The Effects of Changes in Foreign Exchange Rates and consider: <ul style="list-style-type: none"> - developing enhanced disclosures about the effect of changes in foreign exchange rates on the financial statements. - reviewing the factors used to determine an entity's functional currency and improving disclosures about those factors. - clarifying the accounting for foreign currency derivatives within the scope of IAS 21
Going concern	Develop enhanced disclosures about the going concern assumption. Develop accounting requirements for entities that are no longer a going concern
Government grants	Revise IAS 20 Accounting for Government Grants and Disclosure of Government Assistance using principles from IFRS 15 and the Conceptual Framework for Financial Reporting.

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Projects	Overview
Income taxes	<p>Review the requirements for recognition of deferred tax liabilities considering the revised definition of a liability in the Conceptual Framework for Financial Reporting.</p> <p>Develop better disclosures to facilitate reconciliation of deferred, current and paid tax.</p> <p>Develop accounting guidance for emerging types of taxes.</p> <p>Develop disclosure requirements about an entity's tax planning and tax structures.</p>
Intangibles	<p>This project was most frequently mentioned by stakeholders during the outreach and several different possible approaches to the project are suggested.</p>
Interim Reporting	<p>Review IAS 34 Interim Financial Reporting for inconsistencies with other IFRS Standards. Clarify the definition of interim period.</p>
Operating segments	<p>Review the aggregation criteria for operating segments. Develop enhanced disclosures about segment assets and equity to help users calculate return on equity by segment.</p> <p>Develop enhanced disclosures about revenue, capital expenditures and business combinations by segment.</p>
Other comprehensive income	<p>Apply the principles from the Conceptual Framework for Financial Reporting for the classification of income and expenses in other comprehensive income and recycling consistently across IFRS Standards.</p>
Separate financial statements	<p>Undertake a review of IAS 27 Separate Financial Statements.</p> <p>Develop additional requirements and clarify the accounting in separate financial statements for some transactions between a parent and its subsidiaries.</p> <p>Develop more effective disclosures, driven by the information needs of primary users of separate financial statements (for example: disclosures on distributable profits or intragroup guarantees)</p>
Statement of cash flows and related matters	<p>Undertake a review of the presentation and disclosure of information about cash flows including information about factoring, supply chain financing arrangements, capital expenditure and cash flows linked to operating expenses.</p> <p>Consider developing:</p> <ul style="list-style-type: none"> - a standardised definition of and disclosure about free cash flows. - a separate statement of cash flows for financial institutions.

Appendix 2: Additional topics for inclusion in the RFI

- 48 This list includes 10 projects that the IASB staff recommended mentioning but not describing in the Request for Information as they were suggested by only a limited number of stakeholders.

Projects	Overview
Definition of 'costs'	Align the definition of cost across IFRS Standards.
Transactions with Owners	Clarify the accounting for transactions with owners (including government owners) acting in their capacity as owners.
Fair Value Measurement	Converge IFRS 13 <i>Fair Value Measurement</i> with International Valuation Standards.
Assets acquired at no cost	Develop accounting guidance for assets acquired at no cost (from related and third parties).
Materiality	Develop enhanced disclosures about the process used in determining materiality, including quantitative thresholds applied.
Disclosure of financial ratios	Develop standardised disclosure of financial ratios with numerators and denominators based on the line items presented in the primary financial statements.
Share buybacks	Review the accounting for shares bought back to replace shares granted in stock option plans.
Earnings per Share	Review the requirements of IAS 33 <i>Earnings per Share</i> in the light of changes to the business environment and the Conceptual Framework for Financial Reporting
Impairment	. Review the requirements of IAS 36 <i>Impairment of Assets</i> .
Agriculture	Review the requirements of IAS 41 <i>Agriculture</i> , focusing on immature biological assets that cannot be sold in their current condition.