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Third IASB Agenda Consultation and EFRAG Proactive Research Agenda Cover Note

Objective

- 1 The objective of this session is to discuss the feedback obtained and approve EFRAG's final comment letter on the IASB Third Agenda Consultation.
- 2 The feedback will cover also the future priorities of EFRAG future proactive research agenda, but a decision-making session on EFRAG's new research projects to be undertaken will be held in a future meeting, once we will have visibility on the feedback on the IASB Agenda Consultation and some indications of the IASB's new projects.

Background

- 3 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.
- 4 The primary objective of the IASB agenda consultation is to seek public comments on:
 - (a) the strategic direction and balance of the IASB's activities;
 - (b) the criteria for assessing the priority of financial reporting issues that may be added to the IASB's work plan; and
 - (c) priority projects i.e., financial reporting issues that should be given priority in the IASB's work plan.
- 5 EFRAG is combining 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.
- 6 At its 22 April meeting, EFRAG TEG agreed to recommend, for the consideration of the EFAG Board, a consultation document which combines:
 - (a) EFRAG's draft comment letter in response to the IASB's RFI (Part A); and
 - (b) EFRAG's request for input for its own proactive agenda consultation process (Part B).
- 7 At its meeting of 5 May 2021, the EFRAG Board approved the consultative document for publication.
- 8 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.

- 9 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 have been included in the comment letter analysis, paper 02-04.
- 10 At the moment of writing, the EFRAG Secretariat received 16 comment letters of which one in draft format. In addition to this, seven responses to the survey were received, five full responses and two partial responses.
- 11 The results of the survey are presented separately in paper 02-05 and have been included in the overall comment letter analysis which can be found in paper 02-04 for this session.
- 12 In the past, EFRAG has run its proactive research agenda consultations separately from the IASB's agenda consultation. The last time EFRAG asked for comments on its proactive research agenda was in 2018. This time EFRAG's proactive research agenda consultation is run in parallel with the IASB's consultation. Results from the agenda consultation are accordingly included in the comment letter analysis prepared for this session – and also in the presentation of the results from the online survey. However, as the results of EFRAG's proactive research agenda consultation are not to be reflected in EFRAG's response to the IASB's RFI, EFRAG can consider the input to its proactive research agenda consultation at a future session. This will also allow respondents to finalise their comment letters on this issue. A full decision-making session on which projects should be started by EFRAG will be held in a future meeting.

Key messages in EFRAG DCL

- 13 EFRAG's preliminary view was that the balance, as indicated in the RFI, is appropriate and should not be substantially modified over the 2022–2026 period.
- 14 EFRAG suggested the IASB identifies a separate area of its activity to address the connectivity between financial reporting and sustainability reporting and increases the resources devoted to digital reporting.
- 15 EFRAG considered that the priorities for the IASB should be to focus on finalising the projects in its active work plan and conducting on a timely basis the Post-implementation Reviews ('PIR') of IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and IFRS 17 Insurance Contracts.
- 16 EFRAG considered that, in adding projects to its agenda the IASB should primarily rely on their relevance and urgency rather than the level of resources involved. EFRAG suggested the following projects as high priority:
 - (a) Connecting financial and sustainability reporting, starting from climate-related financial implications;
 - (b) Crypto-assets and related transactions;
 - (c) Discontinued operations and disposal groups (PIR of IFRS 5);
 - (d) Intangible assets;
 - (e) Statement of cash flows and related matters; and
 - (f) Variable and contingent consideration.
- 17 EFRAG strongly encouraged the IASB, in its research activities, to continue to build on the work of other organisations and create synergies.
- 18 EFRAG considered the four criteria contained in the Due Process Handbook are appropriate when deciding whether to add a potential project to its work plan. EFRAG observed that, in addition to these four criteria, the IASB has developed on its own, three additional criteria. EFRAG is concerned about this situation as the additional criteria have not been submitted to a proper due process.

- 19 EFRAG recommended that, in selecting projects for the IASB's agenda, precedence should be always given to the four 'official' criteria as defined in the Due Process Handbook and suggested the IASB to consider whether the additional criteria could be considered for the inclusion into the Due Process Handbook.

Key changes proposed to the DCL

- 20 While the main balance of activities is generally found appropriate it is suggested to the IASB to put more effort on the maintenance and improvement of the understandability of existing standards.
- 21 Respondents provided support for the high priority projects put forward by EFRAG, however in the final comment letter it is added that connecting financial and sustainability reporting, crypto-assets and liabilities and intangibles received the biggest support from European constituents.
- 22 In some cases there might be a fine line between activities on maintenance and consistent application of IFRS Standards and on major amendments to IFRS Standard.
- 23 In addition, it is proposed that the treatment under IFRS 9 of financial instruments with ESG features and their treatment under IFRS 9 is an urgent and prevalent issue and requests the IASB to address this in the short term.
- 24 There is a concern that the high number of PIRs envisaged in the IASB's work plan may slow down the process to finalise some PIR projects. Therefore, it recommends the IASB to revisit the PIR process to improve its efficiency to the extent possible. In addition, application issues that emerge before the PIR is conducted should be addressed in a timely manner.
- 25 The seven criteria suggested in the RFI are useful. However, if the IASB would choose to apply the additional three criteria that are included in the RFI, but not among the criteria in the Due Process Handbook for new IFRS Standards or major amendments, it is recommended the IFRS Foundation's Due Process Oversight Committee IASB to consider whether, and if so how, the additional criteria should be added to the Due Process Handbook.
- 26 In relation to the seventh criteria suggested in the RFI [capacity of the IASB and its stakeholders], it should be taken into consideration that the capacity of stakeholders to assess the proposals and provide input of a high quality is essential for the IASB to issue high-quality standards.

Questions for EFRAG Board

- 27 Does EFRAG Board have comments on the proposed final comment letter?
- 28 Does EFRAG Board approve the final comment letter for issuance?

Agenda Papers

- 29 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 02-02 – Final comment letter - clean;
 - (b) Agenda paper 02-03 – Final comment letter – compared;
 - (c) Agenda paper 02-04 – Comment letter analysis (comment letters and survey) – for background only, including EFRAG secretariat suggested changes to the DCL;
 - (d) Agenda paper 02-05 - Detailed results of the survey -for background only; and
 - (e) Agenda paper 02-06 – Summary of EFRAG TEG recommendations – for background only.

