



# EFRAG UPDATE

JULY 2020

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.

## Coronavirus – Update on EFRAG’s meetings and events

EFRAG will continue to monitor the impact of COVID-19 pandemic on its activities recognising the circumstances and priorities of our stakeholders and adapt its activities accordingly:

- All EFRAG public meetings of the EFRAG Board, EFRAG TEG and EFRAG CFSS are still turned into webcast meetings until further notice. Due to the particular circumstances, the meetings have been shortened and the frequency has been increased. Digital access to these public meetings is provided as usual;
- All EFRAG public events and outreaches until further notice have been turned into electronic format (see below) or postponed;
- EFRAG has adjusted the timelines of several of its projects taking into account the priorities of its stakeholders during the pandemic and is flexible in obtaining input through outreaches, field tests and other means, recognising the availability and individual circumstances of the stakeholders concerned. Input of stakeholders is an essential part of EFRAG’s due process as public interest organisation.

EFRAG staff is mainly working from home and is contactable by email, Teams or phone. The EFRAG offices are open during working hours.

You can find contact details [here](#).

## PUBLICATIONS

### Final Endorsement Advice

On 6 July 2020, EFRAG completed its due process and submitted its endorsement advice relating to the *Extension of the Temporary Exemption from Applying IFRS 9 Financial Instruments (Amendments to IFRS 4 Insurance Contracts)* for use in the European Union and European Economic Area to the European Commission.

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

### Discussion Paper

On 20 July 2020, EFRAG 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. Early responses are also welcome. This long consultation period caters for constituents' impacted



priorities and any constraints faced due to the current pandemic, however early responses are also highly welcome. Outreach activities will commence later in 2020.

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

#### **Call for EFRAG TEG members – 2021 rotation**

On 9 July 2020, EFRAG issued a call for candidates for EFRAG TEG for the 2021 rotation. EFRAG is looking for candidates from a wide range of backgrounds and geographical origins and welcomes all applications, in particular from candidates with an insurance background or user background. Applications should be sent to EFRAG at the latest by 12 October 2020.

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

#### **EFRAG seeks secondments**

On 9 July 2020, EFRAG issued a call for technical managers with IFRS experience on a full time or part-time basis seconded from your firm or company or as a service-provider from your firm or company. Applications are welcome by 15 August 2020, addressed to Saskia Slomp (EFRAG CEO) at [Rh@efrag.org](mailto:Rh@efrag.org).

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

#### **EFRAG seeks candidates for Financial Reporting Project Director: as employee or on secondment**

On 20 July 2020, EFRAG extended the deadline for applications to the position of Financial Reporting Project Director till 31 August 2020. The selected candidate will provide leadership to EFRAG's technical financial reporting activities and to join the management team. EFRAG would be open to the suitable candidate working as employee or on secondment. Read the complete job description.

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

## **WEBINARS AND ON-LINE OUTREACHES**

#### **Joint Online Outreach Event on *Primary Financial Statements* with the FSR, DI and the IASB**

On 1 July 2020, EFRAG, in collaboration with the FSR, DI and the IASB published the Summary Report on the Joint Online Outreach Event held on 14 May 2020 on the IASB Exposure Draft *General Presentation and Disclosures*.

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

#### **Joint Online Outreach Event on *Primary Financial Statements* with the NASB, NFF and the IASB**

On 6 July 2020, EFRAG, in collaboration with the NASB, NFF and the IASB published the Summary Report on the Joint Online Outreach Event held on 17 June 2020 on the IASB Exposure Draft *General Presentation and Disclosures*.



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

### **Joint Online Outreach Events on *Primary Financial Statements* with EFFAS, BVFA/ABAF and the IASB**

On 10 July 2020, EFRAG, in collaboration with EFFAS, BVFA/ABAF and the IASB published the Summary Report on the two Joint Online Outreach Events held on 19 and 26 May 2020 on the IASB Exposure Draft *General Presentation and Disclosures*.

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

### **Save the Date - Preparers roundtable on *Primary Financial Statements***

On 14 July 2020, EFRAG published Save the Date for the online preparers roundtable joint outreach event to be held on 1 September 2020 and focused on the application of the IASB proposals with insights of the field testing of the *Primary Financial Statements* organised by EFRAG and Business Europe, in cooperation with the IASB.

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

### **Save the Date - Joint Outreach on *General Presentation and Disclosures***

On 24 July 2020, EFRAG published Save the Date for the online joint outreach event focused on the IASB proposals on *Primary Financial Statements*, in cooperation with the Dutch Accounting Standard Board (DASB) and the IASB on Tuesday 16 September 2020.

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

### **Save the Date – Accelerated process for the endorsement of the IASB Amendments on *Interest Rate Benchmark Reform—Phase 2: Consultation and Public Outreach event***

EFRAG plans to issue the Draft Endorsement Advice (DEA) on the IASB Amendments on IBOR Phase 2 at the end of August (shortly after the publication of the Amendments by the IASB). The DEA will be open for comments until the 7 September 2020; interested stakeholders are invited to send their letters in time.

On 3 August 2020, EFRAG published Save the Date for the public outreach event to collect stakeholders' views on the endorsement of the IASB's amendments. Given the urgency of the matter and the accelerated consultation process, EFRAG has organized this public outreach event on 7 September 2020, with the purpose to collect additional views from constituents on the DEA.

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



## OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Draft Endorsement Advice on IASB Publication <i>Annual Improvements to IFRS Standards 2018-2020</i>	7 September 2020
EFRAG Draft Endorsement Advice on IASB Publication <i>Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)</i>	7 September 2020
FRAG Draft Endorsement Advice on IASB Publication <i>Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)</i>	7 September 2020
EFRAG Draft Endorsement Advice on IASB Publication <i>Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)</i>	7 September 2020
EFRAG Draft Comment Letter on IASB Exposure Draft <i>ED/2019/7 General Presentation and Disclosures</i>	28 September 2020
EFRAG Draft Comment Letter on IASB Discussion Paper <i>DP/2020/1 Business Combinations—Disclosures, Goodwill and Impairment</i>	30 November 2020
EFRAG Discussion Paper on <i>The Accounting for Crypto-Assets (Liabilities) - Holder and Issuer Perspective</i>	31 July 2021

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

## EFRAG BOARD

### [Webcast meeting](#)

The EFRAG Board held a webcast meeting on [16 July 2020](#) and discussed the following topics:

#### **IFRS 17 Insurance Contracts**

The EFRAG Board considered and agreed upon the contents of the draft endorsement advice of IFRS 17, subject to drafting suggestions, on the following topics: (i) Implications of COVID-19 crisis, (ii) Procyclicality, (iii) Auditability and (iv) Analysis of issues arising from the limited update to the case study (LUCS).

The EFRAG Board received a presentation by the consultant on the results of the updated Economic Study. The results of this study will be incorporated in the draft endorsement advice of IFRS 17.



### **IASB research project *Business Combination Under Common Control***

The EFRAG Board received a presentation by Darrel Scott (the IASB member) on the proposals to be exposed for comments in the forthcoming IASB Discussion Paper.

#### Conference call

The EFRAG Board held a conference call on [6 July 2020](#) and discussed the following topic:

### **IASB Publication *Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)***

The EFRAG Board considered the comments received in response to EFRAG Invitation to Comment on its draft endorsement advice on the *Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)*. The EFRAG Board approved the final endorsement advice, subject to minor drafting changes.

#### **Next meeting**

EFRAG Board will hold an additional webcast meeting on [24 August 2020](#), dedicated to the accelerated endorsement process of the IASB Amendments on *IBOR - Phase 2*.

The EFRAG Board will hold a next webcast meeting on [10 September 2020](#).

#### July 2020 written procedures

The EFRAG Board has not approved any documents using written procedures in July.

#### Expected August 2020 written procedures

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

## **EFRAG TECHNICAL EXPERT GROUP (TEG)**

#### Webcast meeting

EFRAG TEG held a webcast meeting on [1-2 July 2020](#) and discussed the following topics:

#### **IFRS 17 *Insurance Contracts***

EFRAG TEG discussed three topics which will be included in Appendix 3 of the draft endorsement advice of IFRS 17 *Insurance Contracts*: the impact of COVID-19, auditability of IFRS 17 and procyclical effects of the accounting treatment of insurance liabilities under the new standard.

No decisions were taken at the meeting.

#### **IASB Project *Interest Rate Benchmark Reform – Phase 2***

EFRAG TEG discussed the IASBs recent tentative decisions, including the direction of the final Amendments, and their implications for the preparation of the draft endorsement advice and agreed with the project endorsement plan presented.



No decisions were taken at the meeting.

### **IASB Project *Primary Financial Statements***

EFRAG TEG was provided with the detailed update on the feedback from the outreach activities received so far and provided their comments and suggestions.

No decisions were taken at the meeting.

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

EFRAG TEG discussed the amendment to the Illustrative Example (IE13) which accompany IFRS 16 *Leases*. EFRAG issued its draft endorsement advice on the IASB Project *Annual Improvements*, however, the illustrative examples are not in the scope of EFRAG endorsement. Members noted that further guidance should be provided on lease incentives and that there were still some unanswered questions that should be resolved as part of the IASB's Post Implementation Review of IFRS 16.

No decisions were taken at the meeting.

### **IASB Project *Management Commentary***

EFRAG TEG received an update on the *Management Commentary Practice Statement (MCPS)* project. Members considered the proposed guidance on Business Model, Strategy, Resources and Relationships; risks and external environment and noted that such guidance should have a dynamic rather than static perspective (i.e. entities should disclose how these have changed over time). Members noted that the integration of financial and non-financial information in a reporting context was increasingly important and encouraged the IASB to consider the interactions of the MCPS with other frameworks, including on non-financial information.

No decisions were taken at the meeting

### **IASB Project *Lease Liability in a Sale and Leaseback***

EFRAG TEG members were provided with an update on the IASB project and provided their initial views and comments on the expected amendments. These include the operational challenges that could arise, the interaction between the requirements of IFRS 16 and IFRS 9 regarding the liability arising from the transaction and the need to further understand the economic rationale of the transaction.

No decisions were taken at the meeting.

### **[Webcast meeting](#)**

EFRAG TEG held a webcast meeting on [8 July 2020](#) and discussed the following topics:

### **IASB Project *Disclosure Initiative - Targeted Standards-level Review of Disclosures***

EFRAG TEG received an update on the project. Members reiterated general support for the objective-based approach designed by the IASB to develop disclosure requirements. In particular, it was noted that understanding why a piece of information was needed and how it was used by primary users was paramount to have more relevant disclosures that were better anchored to materiality judgements.



Members however, also noted a number of practical challenges in applying the proposed approach including the difficulty to engage with stakeholders at the early stage of the development of Standards, the difficulty to assess the specific costs and benefits associated with disclosures separately from the other requirements and the use of a mix of prescriptive and non-prescriptive language aiming at fostering the exercise of judgement.

No decisions were taken at the meeting.

### **EFRAG Research Project *Variable Consideration***

EFRAG TEG discussed the structure of the discussion paper on variable consideration and the content of some of the sections.

No decisions were taken at the meeting.

### Conference call

EFRAG TEG held a conference call on [6 July 2020](#) and discussed the following topic:

### **IASB Publication *Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)***

EFRAG TEG agreed to recommend the Endorsement Advice on *the Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)* for approval to the EFRAG Board.

### **Next meeting**

EFRAG TEG will hold an additional webcast meeting on [24 August 2020](#), dedicated to the accelerated endorsement process of the IASB Amendments on IBOR Phase 2.

EFRAG TEG will hold next webcast meeting on [2-3 September 2020](#).

## **EFRAG CFSS AND EFRAG TEG**

### Webcast meeting

EFRAG TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) held a webcast meeting on [1 July 2020](#) and discussed the following topics:

### **IASB Project *Primary Financial Statements***

EFRAG TEG and CFSS members discussed EFRAG outreach activities and shared information about the results of outreach activities conducted by the National Standard Setters and on any outreach events planned for the future. Members also discussed the application of the IASB proposals to separate financial statements.

### **IASB Project *Rate-regulated Activities***

EFRAG TEG and CFSS members received an update on the IASB project on the accounting model for regulatory assets and regulatory liabilities (the model). Members discussed the current status of planned outreach activities on the scope of the model and early-stage effects analysis on the model's proposals.



### **IASB Publication *Onerous Contracts – Cost of Fulfilling a Contract***

EFRAG TEG and CFSS members discussed the applicability of the recently published amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract* to contracts previously outside of scope of IAS 11 *Construction Contracts*. EFRAG CFSS members agreed to provide further input using a questionnaire prepared by the EFRAG Secretariat.

### **IASB Research Project *Goodwill and Impairment***

EFRAG TEG and CFSS members discussed possible outreach activities on the IASB Discussion Paper *Business Combinations – Disclosures, Goodwill and Impairment*. Members supported performing outreach activities to seek views from European's stakeholders. They supported, to the extent possible, a combination of physical and virtual events to maximise the feedback received from panellists and audience. EFRAG CFSS members agreed to provide help by searching for preparers with active M&A agendas and relatively significant amount of goodwill. Finally, EFRAG TEG and CFSS members agreed to have joint interactions between users/investors and preparers in joint events/panels.

### **IASB Research Project *Business Combinations under Common Control***

EFRAG TEG and CFSS members received a summary on the feedback obtained from EFRAG CFSS members on a questionnaire on Business Combination under Common Control (BCUCC) project. A few EFRAG CFSS members expressed interest in participating in outreach activities on the project following the publication of the discussion paper in September 2020.

### **IASB Research Project *Extractive Activities***

EFRAG TEG and CFSS members received an update on the direction of the project. EFRAG TEG-CFSS members also provided their input for reaching out to users and preparers of financial statements to gain further understanding of the challenges they are facing in the industry.

No decisions were taken at the meeting.

### **Next meeting**

EFRAG CFSS-TEG will hold a next webcast meeting on [23 September 2020](#).

### **[Webcast exchange of views of CFSS members on COVID-19 accounting implications](#)**

On 22 July 2020, EFRAG hosted a closed webcast meeting of the CFSS members, dedicated to an exchange of views on emerging accounting issues due to the persisting severe conditions of the COVID-19 crisis. Representatives of EFRAG member organizations were also invited to bring their experience.





## EUROPEAN REPORTING LAB

### NON-FINANCIAL REPORTING MANDATES TO EFRAG GRANTED BY EVP DOMBROVKIS

#### **Preparatory work towards possible EU Non-financial Reporting Standards**

On 2 July 2020, EFRAG announced that it had been mandated by the European Commission to undertake preparatory work for possible EU non-financial reporting standards in a revised Non-Financial Reporting Directive (NFRD).

The preparatory work will be carried out by a multi-stakeholder Project Task Force that will be appointed by the European Lab Steering Group, and is expected to be completed at the end of January 2021, with a progress report at the end of October 2020. A [call for candidates](#) to join the new project task force was issued on 17 July 2020. Applications should be submitted electronically by 17 August 2020.

#### **Non-financial reporting governance and finance mandate**

In addition, the European Commission invited EFRAG Board President, European Lab Steering Group Chairman and former MEP, Jean Paul Gauzès in ad personam mandate to consider a possible need for changes to the governance and financing of EFRAG if it were, subject to the findings of the preparatory work and subsequent legislative decisions, to be entrusted with the development of European non-financial reporting standards in a revised NFRD.

### OTHER EUROPEAN LAB ACTIVITIES

#### **Reporting of non-financial risks and opportunities and linkage to the business model**

On 27 July 2020, the European Lab Steering Group appointed Mario Abela and Dawn Slevin, in their personal capacity, as co-Chairs of the European Lab Project Task Force on reporting of non-financial risks and opportunities and linkage to the business model (PTF-RNFRO).

The co-Chairs will lead the operation of this project, including planning, identification of good reporting practices and challenges, conducting stakeholder outreach activities, and the project deliverables.

### NEXT STEPS

The European Lab SG will hold its next meeting on 15 September 2020.

The second meeting of the PTF-RNFRO is expected to take place on 8 September 2020.

The first meeting of the new Project Task Force on Preparatory Work towards EU Non-financial Reporting Standards is scheduled to take place on 11 September 2020.