



EFRAG UPDATE

DECEMBER 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.



TO A NEW YEAR OF GOOD ENDAVOURS

The EFRAG Team wishes you peaceful holidays and all the best for 2021.

It is undeniable: 2020 carried its share of surprises and struggles, but EFRAG managed to rise to the challenge, thanks to its active members and dynamic partners.

Therefore, we would like to thank you for your contributions to EFRAG's achievements during these complicated times.

The EFRAG Team wishes you a peaceful winter

break and health in 2021.

We look forward to continuing our cooperation next year.

COVID-19 – 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 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;
- 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 closed till mid-January.

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



PUBLICATIONS

Draft Endorsement Advice

On 8 December 2020, EFRAG extended the deadline to comment on its draft endorsement advice letter and separate invitation to comment relating to the endorsement for use in the EU of *Classification of Liabilities as Current or Non-current* and *Deferral of Effective Date (Amendments to IAS 1)*. Comments are now requested by **11 January 2021**.

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

Draft Comment Letter

On 22 December 2020, EFRAG published its draft comment letter in response to the IASB Exposure Draft *ED/2020/4 Lease Liability in a Sale and Leaseback (Proposed Amendments to IFRS 16)*. Comments are requested by **22 February 2021**.

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

Invitation to nominate candidates to the EFRAG Board

European Stakeholder Organisations and National Standard Setters are invited to nominate candidates to serve as members of the EFRAG Board from 1 May 2021. Expressions of interest are invited by **31 January 2021**. New organisations joining EFRAG are also entitled to nominate candidates.

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

WEBINARS AND ON-LINE OUTREACHES

Views of users of financial statements of rate-regulated entities – extended deadline

EFRAG is inviting users that undertake the fundamental analysis of rate-regulated entities to participate in an early-stage analysis of the likely impacts of possible changes to IFRS requirements. This will enable a better understanding of users' information needs. Users are asked to complete a survey by filling in a questionnaire by close of business **8 January 2021**.

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

Summary report - Joint Webinar: *Business Combinations: Disclosures, Goodwill and Impairment* – Perspectives from Portugal

On 11 December 2020, EFRAG issued a summary report of the joint webinar on *Business Combinations – Disclosures, Goodwill and Impairment*, held on 24 November 2020 with CNC, OROC and OCC, in cooperation with the IASB. In this webinar, Portuguese and European stakeholders expressed their views on the IASB proposals and EFRAG's draft comment letter.

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



OPEN CONSULTATIONS

Title and description	Closing date
<i>Rate-regulated Activities: EFRAG early-stage analysis - preparers</i>	08 January 2021
<i>Rate-regulated Activities: EFRAG early-stage analysis - users</i>	08 January 2021
EFRAG Draft Endorsement Advice on <i>Classification of Liabilities as Current or Non-current and Deferral of Effective Date (Amendments to IAS 1)</i>	11 January 2021
EFRAG Draft Endorsement Advice on Amendments to IFRS 17 <i>Insurance Contracts</i>	29 January 2021
EFRAG Draft Comment Letter on the IASB Exposure Draft <i>ED/2020/4 Lease Liability in a Sale and Leaseback (Proposed Amendments to IFRS 16)</i>	22 February 2021
EFRAG Discussion Paper <i>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 [17 December 2020](#) and discussed the following topics:

IASB Research Project *Goodwill and Impairment*

The EFRAG Board was asked for comments on topics as discussed by EFRAG TEG and to provide an update on the feedback received as a basis for the EFRAG final comment letter. Topics asked for comments were commercial sensitivity, materiality of disclosures and the FASB considerations about goodwill amortisation. No decisions were taken at the meeting.

IASB Project *Rate-regulated Activities*

The EFRAG Board received an update on the initial EFRAG TEG and EFRAG RRAWG views on the IASB tentative decisions on proposed accounting model, which will be considered whilst developing the draft comment letter. The EFRAG Board also received an update on the ongoing early-stage analysis of effects of the proposed model.



IASB Research Project *Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12*

The EFRAG Board received an update on the recent developments in the IASB project. Members discussed and provided comments and suggested improvements to a draft questionnaire that is planned to be published in mid-January.

Next meeting

The EFRAG Board will hold its next webcast meeting on [14 January 2021](#) which will be entirely dedicated to finalising EFRAG's comment letter on the IASB DP *Business Combinations: Disclosures, Goodwill and Impairment*. The next full EFRAG Board webcast meeting will be held on [3 February 2021](#).

December 2020 written procedures

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

- EFRAG Draft Comment Letter on ED/2020/4 *Lease Liability in a Sale and Leaseback (Proposed Amendments to IFRS 16)*.

Expected January 2021 written procedures

The EFRAG Board is not expected to approve any documents, using written procedures in January 2021.

EFRAG TECHNICAL EXPERT GROUP (TEG)

Webcast meetings

EFRAG TEG held a webcast meeting on [2-3 December 2020](#) and discussed the following topics:

IASB Project *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*

EFRAG TEG discussed the draft comment letter in response to the IASB Exposure Draft and agreed to recommend it to the EFRAG Board subject to drafting suggestions.

IASB Research Project *Business Combinations under Common Control*

EFRAG TEG discussed the direction and key messages to be included in EFRAG's draft comment letter on the IASB Discussion Paper *Business Combinations under Common Control* ('the DP'). In general, EFRAG TEG supported the objective of the DP to provide users with information, which is more relevant and more comparable, however, members raised a number of concerns, particularly on the scope of the project and the proposed decision tree for selecting a measurement method for BCUCC. EFRAG TEG will continue its discussions on EFRAG's DCL in January 2021.

No decisions were taken at the meeting.



IASB Research Project *Goodwill and Impairment*

EFRAG TEG discussed the feedback received during outreach activities and the direction of the key messages to be included in EFRAG's final comment letter on the IASB Discussion Paper *Business Combinations: Disclosures, Goodwill and Impairment*. In general, EFRAG TEG supported current proposals and provided additional comments, in particular on the commercial sensitivity of the information to be disclosed. The discussion on the subsequent accounting for goodwill was held during the meeting on 16 December 2020.

No decisions were taken at the meeting.

IASB Research Project *Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12*

EFRAG TEG discussed the draft questionnaire that will be used in the outreach with users and preparers with the aim of collecting input to the upcoming Request for Information of the IASB. EFRAG TEG made suggestions for improving the draft questionnaire. The questionnaire is planned to be published in mid-January.

No decisions were taken at the meeting.

EFRAG held a webcast meeting on [16 December 2020](#) and discussed the following topic:

IASB Research Project *Goodwill and Impairment*

EFRAG TEG agreed to recommend a final comment letter on the IASB Discussion Paper *Business Combinations: Disclosures, Goodwill and Impairment* to the EFRAG Board subject to drafting suggestions. On the question of the reintroduction of goodwill amortisation, EFRAG TEG, given the mixed views of the members, suggested that the EFRAG Board take the final position.

Next meeting

EFRAG TEG will hold a next webcast meeting on 13 January 2021 which will be entirely dedicated to finalising EFRAG comment letter on the IASB DP Business Combinations under Common Control. The next full EFRAG TEG webcast meeting will be held on 19 January 2021.

EFRAG CFSS AND EFRAG TEG

Webcast meeting

EFRAG TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) held a webcast meeting on [2 December 2020](#) and discussed the following topics:

IASB Project *Rate-regulated Activities*

EFRAG TEG-CFSS members received a summary of the proposals of the forthcoming IASB Exposure Draft ('the ED') and were invited to participate in the outreach activities. Some



members indicated that they would only be able to participate in the outreach activities once the ED is issued and there will be sufficient clarity on the scope of the model.

IASB Project *Lack of Exchangeability (Amendments to IAS 21)*

EFRAG CFSS and EFRAG TEG discussed the IASB's decisions that would address the situations of lack of exchangeability of a local currency into a presentation currency for the purpose of preparing consolidated financial statements.

IASB Research Project *Financial Instruments with Characteristics of Equity*

EFRAG TEG-CFSS members discussed potential refinements to the disclosures proposed in the IASB 2018 Discussion Paper *Financial Instruments with Characteristics of Equity*. In general, EFRAG TEG-CFSS welcomed improvements to disclosures on the priority of claims on liquidation, potential dilution and information about terms and conditions.

On disclosures about priority on liquidation, EFRAG TEG-CFSS members highlighted that the interaction between the contractual terms and the law (e.g., bail-in instruments) raised many challenges. Thus, members welcomed the IASB efforts to address these challenges with improvements to disclosures. In addition, if short-term liabilities were in the scope of such disclosures, then the IASB should also consider interim financial statements. On disclosures about potential dilution, EFRAG TEG-CFSS members highlighted the importance of having additional information for both listed and non-listed entities and having a better definition of dilution.

Finally, EFRAG TEG-CFSS members highlighted the risk of disclosure overload and suggested that the IASB focus on the most relevant and material financial instruments (e.g. those with characteristics of equity and debt) and allow cross references to existing regulatory information.

The IASB Agenda Consultation 2021

EFRAG TEG-CFSS members received an update on the latest discussions and decisions made by the IASB on its forthcoming agenda consultation and discussed possible priority projects to suggest in EFRAG's draft comment letter. Members also discussed the possible interactions with EFRAG own research agenda consultation in 2021.

Members generally supported the IASB decision not to ask constituents to re-prioritise the projects that were already in the active work plan. They noted the following projects for consideration: IAS 7 *Statement of Cash Flows*, IAS 38 *Intangible Assets*, *Going Concern*, IAS 27 *Separate Financial Statements*, IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, *Climate-related Disclosures*, *Digitisation*, *Negative Interest Rates* and IAS 41 *Agriculture*.

EFRAG Research Project *Crypto-Assets*

EFRAG TEG-CFSS members were asked how they and their respective organisations could engage in the EFRAG outreach activities to promote and collect input on the EFRAG Discussion Paper *Accounting for Crypto-assets (liabilities)* ('the DP'). The DP was



subsequently discussed at the ASAF meeting on 10 December 2020, as part of the outreach initiatives. A few EFRAG TEG-CFSS members noted the DP could be useful in helping stakeholders monitor market developments and questioned whether the rapidly evolving ecosystem makes it appropriate to consider development of an IFRS Standard.

Update on projects

EFRAG TEG-CFSS members received an update on the upcoming Request for Information for the Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12 as well as the outreach that the EFRAG Secretariat has scheduled. EFRAG CFSS members were also invited to share their plans for outreach and make suggestions for additional outreach by EFRAG. In addition, EFRAG TEG-CFSS members received an update on the IASB Research Projects *Dynamic Risk Management* and *Extractive Activities*.

Next meeting

EFRAG CFSS-TEG will hold its next webcast meeting on [3 March 2021](#).



EUROPEAN REPORTING LAB

WEBINARS

SAVE THE DATE | European Lab @EFRAG joint outreach events – Preparatory work on EU non-financial reporting standards – 13 to 22 January 2021

On 17 December 2020, the Project Task Force on preparatory work on the elaboration of possible EU non-financial reporting standards (PTF-NFRS) of the European Lab @EFRAG published an invitation to a series of joint online outreach events scheduled between **13 and 22 January 2021**. These online events will be the occasion to gather stakeholders' views from different countries on the tentative proposals of the PTF-NFRS. Each event has a different focus.

[Webinars Schedule](#)

Date	Time (CET)	Focus	Language	PGI PAGE
Wed.13 Jan.	10:00 to 12:30	Spanish focus	Spanish	Register here
Thu.14 Jan.	9:00 to 12:00	Scandinavian focus	English	Register here



Friday 15 Jan.	14:30 to 17:30	European organisations and other geographies focus	English	Register here
Mon. 18 Jan.	9:00 to 12:00	Financial institutions focus	English	Register here
Mon. 18 Jan.	15:00 to 18:00	German focus	German	Register here
Thu. 21 Jan.	9:00 to 12:00	French focus	French	Register here
Fri. 22 Jan.	14:30 to 17:30	Italian focus	Italian	Register here

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

OPEN CONSULTATIONS

Title and description	Closing date
Jean-Paul Gauzès is seeking input on his preliminary proposals resulting from his EC ad personam mandate on non-financial reporting standard setting.	6 January 2021

Webcast meetings

European Lab Steering Group

The European Lab Steering Group (European Lab SG) held a webcast meeting on 8 December 2020. Members received the following project progress updates:

- From the co-chair of the project task force on Reporting of non-financial risks and opportunities and linkage to the business model (PTF-RNFRO - see below).
- From the chair of the Project Task Force on preparatory work for the elaboration of possible EU non-financial reporting standards (PTF-NFRS see below).
- From Jean-Paul Gauzès on his ad personam mandate on possible changes to the governance and funding of EFRAG if the latter were to become the European non-financial standard setter (see below).

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

The PTF-RNFRO held its plenary meetings on 2 and 16 December 2020. In addition to updates on the progress of the four workstreams, there was a discussion on the draft report structure and their response to Jean-Paul Gauzès' consultation on his mandate. At the beginning of January 2021, the PTF-RNFRO intend to conduct an outreach through the use of a survey questionnaire and limited interviews.

Non-financial reporting mandates received from the European Commission

On 10 December 2020, EFRAG hosted a meeting with some of the leading international corporate reporting initiatives in the context of its two non-financial reporting mandates. The aim of the meeting was to allow for a better understanding of how such efforts can contribute



to promoting high quality corporate sustainability disclosures in Europe and globally. A relevant note can be found [here](#).

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

In December 2020, the PTF-NFRS worked on finalising the workstream assessment reports for the first phase of the project, as well as on the elaboration of recommendations for the second phase of the project and the final project output. A plenary meeting took place on 16 December 2020 where the proposed final report structure was discussed, together with the strategy and organisation of outreach activities. Presentations were also made by two workstreams introducing a possible approach to defining sustainability reporting areas, and providing an overview of examples of connectivity of financial and non-financial information.

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

Ad Personam mandate of EFRAG Board President Jean Paul Gauzès

During December, Jean-Paul Gauzès continued his reflexion on the execution of his mandate and held discussions with a number of organisations interested in his mandate, including an exchange of views with the EFRAG Member Organisations.

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

Other involvement in sustainability reporting

Platform on Sustainable Finance

EFRAG was appointed as observer to the new Platform on Sustainable Finance launched by the European Commission (as per the EU Taxonomy Regulation requirement). The Platform primarily focuses on the technical screening criteria and the EU Taxonomy Regulation and advising on further measures to improve data availability and quality. Its mandate is for two years.

EFRAG is part of Subgroup 5 on Data and Usability which is itself divided into four work streams (Data, Accounting, Stakeholders and Outreach). EFRAG contributes to the workstream on accounting. In December 2020, EFRAG attended several plenary and sub-group meetings mainly dedicated to:

- Finalising the work plan for each of the subgroups;
- Providing input to ESMA consultation on its draft advice to the EC on the application of article 8 of the Taxonomy Regulation (relating to the disclosure of taxonomy-compliant turnover, capex, and opex by issuing entities and asset managers); and
- Providing input (with respect to usability considerations) into the Platform's response to the European Commission draft delegated act, establishing the technical screening criteria for climate change mitigation and adaptation taxonomy.

Next steps

The next meeting of the European Lab Steering Group is scheduled on 27 January 2021.



The next plenary meetings of the PTF-NFRS are scheduled on 12 and 26 January 2021. During January 2021, outreach activities will also take place in the form of a series of webinars (see above).

The next plenary meetings of the PTF-RNFRO are scheduled on 13 January; 28 January; 11 February and 25 February 2021.