



# EFRAG UPDATE

OCTOBER 2021

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 turned into webcast meetings until further notice. Due to 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 take place in electronic format (see below) until further notice.
- 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. The input of stakeholders is an essential part of EFRAG’s due process as a public interest organisation.

EFRAG staff is mainly working from home but is gradually coming back to the office and is contactable by email, Teams or phone.

The EFRAG offices are open for visitors.

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

## PUBLICATIONS

### Final Comment Letters

**Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Proposed amendment to IFRS 17)**

On 8 October 2021, EFRAG published its Final Comment Letter in response to the IASB's Exposure Draft *ED/2021/8 Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Proposed amendment to IFRS 17)*.

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

**Business Combinations under Common Control**

On 11 October 2021, EFRAG published its Final Comment Letter in response to the IASB's Discussion Paper *DP/2020/2 Business Combinations under Common Control*. EFRAG welcomes the IASB's Discussion Paper and the IASB efforts to explore possible reporting



requirements for business combinations under common control that would reduce diversity in practice and provide more relevant and comparable information.

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

#### IASB's Third Agenda Consultation

On 11 October 2021, EFRAG published its Final Comment Letter on *the IASB's Third Agenda Consultation* Request for Information. It provides EFRAG's views on the projects the IASB should prioritise in its work plan for 2022 to 2026.

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

#### Feedback Statement

##### Regulatory Assets and Regulatory Liabilities

On 11 October 2021, EFRAG published its Feedback Statement summarising the main comments received by EFRAG on its Draft Comment Letter and effects analysis outreach on the IASB Exposure Draft *ED/2021/01 Regulatory Assets and Regulatory Liabilities* and explaining how EFRAG considered the comments during its technical discussions leading to its [Final Comment Letter](#). The Feedback Statement is available [here](#).

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

## WEBINARS AND ON-LINE OUTREACHES

### October events

#### **EFRAG Questionnaire for preparers: *Are you ready for disclosure requirements based completely on objectives?***

On 7 October 2021, EFRAG issued an online [questionnaire/invitation](#) for an interview for all types of preparers to get feedback on a new approach to developing disclosure requirements in individual IFRS Standards by the IASB (which is tested on IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*). The questionnaire, which targets specifically small and medium entities, can be completed until **20 November 2021** and takes 20 to 30 minutes to complete.

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

#### **Summary report and recordings: EFRAG DI FSR IASB Public webinar *Disclosure requirements in IFRS Standards***

The [summary report](#) of EFRAG's DI FSR IASB Public webinar: [Disclosure requirements in IFRS Standards – Perspectives from Denmark](#), held on 5 October 2021, as well as the [recordings](#) of the event are now available.

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



## Past events

### Summary report: Joint Webinar *Business Combinations Under Common Control – Italian Perspectives*

On 20 October 2021, following the successful public joint webinar on *Business Combinations Under Common Control*, held on 14 June 2021 with the OIC and the IASB, EFRAG issued a [summary report](#). In this webinar, Italian and European stakeholders expressed their views on the IASB's Discussion Paper and EFRAG's Draft Comment Letter.

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

## OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Draft Comment Letter on the IASB Exposure Draft ED/2021/6 IFRS Practice Statement 1: Management Commentary	15 November 2021
EFRAG Draft Comment Letter and invitation to participate in field-test on ED/2021/3 <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i>	4 January 2022
EFRAG Draft Comment Letter on the IASB's Exposure Draft ED/2021/7 <i>Subsidiaries without Public Accountability: Disclosures</i>	26 January 2022
EFRAG Discussion Paper <i>Better Information on Intangibles – Which Is the Best Way to Go?</i>	30 June 2022

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

## EFRAG BOARD

### Webcast meeting

The EFRAG Board held a webcast meeting on [6 October 2021](#) and discussed the following topics:

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

The EFRAG Board received a presentation of the feedback from the consultation on EFRAG Draft Comment Letter (outreach and comment letters), discussed the draft Final Comment Letter as recommended by EFRAG TEG and approved it, subject to drafting changes agreed in the meeting.



### **IASB Project *Initial Application of IFRS 17 and IFRS - Comparative Information (Amendments to IFRS 17)***

The EFRAG Board received a presentation of the feedback from the consultation on EFRAG Draft Comment Letter (outreach and comment letters), discussed the draft Final Comment Letter as recommended by EFRAG TEG and approved it, subject to drafting changes agreed in the meeting.

### **IASB Project *Post-implementation Review of IFRS 9 - Classification and Measurement***

The EFRAG Board discussed the results of the preparatory work and suggestions from EFRAG TEG, EFRAG FIWG and EFRAG IAWG on the issues to be discussed in EFRAG's response to the Request for Information on IFRS 9 *Classification and Measurement*.

EFRAG Board members highlighted the importance of the classification and measurement of debt instruments with ESG features (in particular the application of the SPPI test), given the relevance from a European perspective in the context of the European Green Deal.

No decisions were taken at this meeting.

### **Update of work plan and any other matters**

The EFRAG Board approved the technical work plan.

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

The EFRAG Board held a webcast meeting on [8 October 2021](#) and discussed the following topics:

#### **IASB Third Agenda Consultation**

The EFRAG Board received a presentation of the feedback from the consultation on EFRAG Draft Comment Letter (outreach and comment letters), discussed the draft Final Comment Letter as recommended by EFRAG TEG and approved it, subject to drafting changes agreed in the meeting.

#### **Next meeting**

The EFRAG Board will hold a next webcast meeting on [2 November 2021](#).

### **[October 2021 written procedures](#)**

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

### **[Expected November written procedures](#)**

The EFRAG Board is expected to approve the following document, using written procedures in November:

- EFRAG's Endorsement Advice on *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (IAS 12 Amendments)*.



## EFRAG TECHNICAL EXPERT GROUP (TEG)

### Webcast meeting

EFRAG TEG held a webcast meeting on [20-21 October 2021](#) and discussed the following topics:

#### **IASB Publication *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (IAS 12 Amendments)***

EFRAG TEG agreed to recommend the final endorsement advice on *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (IAS 12 Amendments)* for approval to the EFRAG Board.

#### **IASB Project *Post-implementation Review of IFRS 9 - Classification and Measurement***

EFRAG TEG discussed and agreed to recommend to the EFRAG Board the EFRAG Draft Comment Letter to the Request for Information on the PIR of IFRS 9 ('DCL') subject to drafting suggestions.

In its DCL EFRAG notes a number of issues that are prevalent in Europe and deserve standard-setting activities, such as recycling changes in FV accumulated in OCI for equity instruments; treatment of equity-type instruments; sustainable finance – SPPI test; supply-chain financing – reverse factoring, etc.

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

EFRAG TEG received an update on the feedback on initial fieldwork activities gathered by the EFRAG Secretariat as well as on some outreach events and discussed the next steps of the project.

No decisions were taken at the meeting.

#### **IASB Research Project *Dynamic Risk Management***

EFRAG TEG received an update on the project and discussed the IASB work on the use of risk limits. EFRAG TEG members also discussed the IASB's reasoning on requirements of IAS 39 that led to the EU carve out and how these issues are being addressed currently under the new project. Finally, EFRAG TEG was informed about the planned actions to gather information from stakeholders about how the carve-out is being perceived after 15 years of being used.

No decisions were taken at the meeting.

#### **EFRAG Research Project *Variable and Contingent Consideration***

EFRAG TEG discussed an issues paper on whether EFRAG's Discussion Paper should include the option for a purchaser to recognise an equity component when a good or service is received in exchange for variable consideration in some types of contracts. It was tentatively decided to include a discussion on this possible interpretation in EFRAG's Discussion Paper.

No decisions were taken at the meeting.



### **EFRAG Research Project *Better Information on Intangibles***

EFRAG TEG considered the approach for outreach on the EFRAG Discussion Paper *Better Information on Intangibles – Which is the best way to go?* It also considered that during the consultation period, EFRAG TEG could discuss some of the practical issues on accounting for intangibles that were not dealt with in the Discussion Paper.

No decisions were taken at the meeting.

### **Next meeting**

EFRAG TEG will hold a next webcast meeting on [24-25 November 2021](#).



## **EUROPEAN REPORTING LAB**

### **Development of EU sustainability reporting standards**

The EFRAG Project Task Force on European sustainability reporting standards (PTF-ESRS) had a plenary meeting on 11 October 2021, for a consensus building debate on the working paper titled 'Climate standard prototype' prepared by its subgroup dedicated to this topic (Cluster 2). The cluster dedicated to other environmental topics (Cluster 3) presented a preview of its orientations for the standards on Water and marine resources and Pollution.

A second plenary meeting took place on 18 October 2021, where Cluster 3 continued presenting a preview of its orientations for the standards on Circular economy and Biodiversity. At the same meeting Cluster 1 presented a preview of its orientations for the conceptual guidelines on double materiality, as well as for the cross-cutting standards.

EFRAG received more than 250 applications in response to the call for candidates for the expert working groups (EWG) to provide input on the drafting of sustainability reporting standards. The applications received were analysed under the supervision of the EFRAG Board President Jean Paul Gauzes. During the selection process strong emphasis was given to identifying candidates with high level of expertise and experience on the specific areas and topics listed in the call for candidates whilst respecting a proper nationality, gender and background balance. The announcement on the composition of the eleven EWGs will be made in the first week of November. The EWGs are then anticipated to start their work as soon as relevant materials are available for input for each of the eleven EWGs.

On 4 November 2021 EFRAG will participate at a [European Commission side event to COP 26](#) that will highlight the CSRD proposal and in particular EFRAG's work on EU sustainability reporting standards. *EFRAG's governance and funding reform*



In its letter dated 12 May 2021, Commissioner McGuinness invited EFRAG to move ahead with governance reforms as quickly as possible while respecting all legal requirements, based on the recommendations contained in the [report of Jean-Paul Gauzès](#) on his *ad personam* mandate. In this context, EFRAG member organisations have met in October to discuss and agree on possible governance and funding changes which are expected to be formally approved by the General Assembly at a future meeting.

### **Public Consultation on EFRAG’s due process procedures for sustainability reporting**

EFRAG launched in June 2021 a public consultation on its proposed Due Process Procedures in its role as technical advisor to the European Commission in the preparation of draft ESRS or draft amendments of ESRS. The consultation document, which was open for comments until 15 September, built on the recommendations about potential governance changes contained in the report of Jean-Paul Gauzès on his *ad personam* mandate on Potential need for changes to the governance and funding of EFRAG published on 8 March 2021.

EFRAG received 38 comment letter responses which have all been made publicly available on EFRAG’s website ([here](#)). The comment letters came from a broad range of constituents including European organisations, ESG organisations and initiatives, National Standard Setters, business and professional associations, listed companies, EU authorities and individuals. A summary of the feedback received will be published.

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

The PTF-RNFRO report [Towards Sustainable Businesses: Good Practices in Business Model, Risks and Opportunities Reporting in the EU](#) and the supporting [Supplementary Document: Good Reporting Practices](#) were published on 4 October 2021. Three recorded podcasts covering [key findings, good practices identified, and the application of technology](#) were issued in October. A [one-hour webinar](#) featuring keynote speeches from Pascal Durand, MEP and rapporteur of the Corporate Sustainability Reporting Directive (CSRD) and Alain Deckers from the EC will be hosted on 3 November 2021 from 10.00 – 11.00 hrs (CET) ([register here](#)). PTF-RNFRO members will participate in a panel session addressing key findings of the report and its implications for preparers and users. With the issuance of the report, the PTF-RNFRO has completed its mandate.

### **Other involvement in sustainability reporting – Platform on Sustainable Finance (PSF)**

In October 2021, EFRAG attended the twelfth and thirteenth plenary meetings of the PSF. The Plenary sessions focused largely on process updates from each of the subgroups’ rapporteurs.

Additionally, the subgroup on Social Taxonomy (SG4) provided an update on comments received from Platform Members on their draft report and the Data and Usability subgroup (SG5), to which EFRAG is observer, presented an overview of proposed Frequently Asked Questions to be developed on Article 8.

EFRAG also attended meetings of the subgroup on Data and Usability (SG5) in which the leads of the workstream provided an update on the preparation of frequently asked questions.

Finally, EFRAG participated in bi-weekly webcast meetings of the ‘Accounting’ workstream which is part of SG5.



### **Next meetings**

Plenary meetings of the PTF-ESRS are tentatively scheduled for 4 and 15 November 2021, and for 1 and 8 December 2021.

A meeting of the European Lab Steering Group will be held on 18 November 2021.