



# EFRAG UPDATE

NOVEMBER 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 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 take place into 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. 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 for visitors.

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

## PUBLICATIONS

### European Union Commission Regulation endorsing IFRS 17

On 23 November 2021, the European Union has published a Commission Regulation endorsing IFRS 17 *Insurance Contracts*, with an exemption regarding the annual cohort requirement.

For more details, please see the [website of the Official Journal of the European Union](#).



## Feedback Statements

### Lack of Exchangeability

On 2 November 2021, EFRAG published its [Feedback Statement](#) related to its [Final Comment Letter](#) on the IASB Exposure Draft *ED/2021/04 Lack of Exchangeability*.

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

### Initial Application of IFRS 17 and IFRS 9 - Comparative Information

On 17 November 2021, EFRAG published its [Feedback Statement](#) related to its [Final Comment Letter](#) on the IASB Exposure Draft *ED/2/2021/8 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 23 November 2021, EFRAG published its [Feedback Statement](#) related to its [Final Comment Letter](#) on the IASB Discussion Paper *DP/2020/2 Business Combinations under Common Control*.

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

These feedback statements summarise the comments received by EFRAG on its Draft Comment Letters and explain how those comments were considered by EFRAG during its technical discussions leading to the publication of EFRAG's Final Comment Letters.

## Draft Comment Letter

On 8 November 2021, EFRAG published its [Draft Comment Letter](#) in response to the IASB request for information as a part of the Post-implementation Review of the classification and measurement requirements of IFRS 9 *Financial Instruments* and seeks constituents' views on how the IFRS 9 is working in practice.

Comments on the Draft Comment Letter are requested **by 14 January 2022**.

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

## WEBINARS AND ON-LINE OUTREACHES

### Field test on the IASB Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach (Proposed amendments to IFRS 13 and IAS 19)*

EFRAG is conducting jointly with the IASB a field test on the proposed innovative approach to disclosures. More than 20 European preparers participate in the field test. The results of individual field tests have been discussed in closed workshops with groups of preparers, with audit experts and users. The consolidated results of this process will inform the EFRAG TEG and EFRAG Board discussion leading to the final comment letter.



## Upcoming events

### **SAVE THE DATE: EFRAG BusinessEurope IASB joint event: *Future of IFRS disclosure requirements: What we learnt from the field test with European preparers***

On 10 December 2021, from 9:00 to 12:00 (CET), EFRAG, BusinessEurope and the IASB will hold a joint webinar providing insights on the IASB Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach (Proposed amendments to IFRS 13 and IAS 19)*. The joint webinar will inform constituents about the IASB/EFRAG field test results. Speakers and panellists will discuss the application of the IASB proposals and their experience during the field test.

You can register [here](#).

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

## November events

### **IASB & EFRAG @AFRAC 2021 Webinar: *Latest information on IFRS and EU developments***

On 8 November 2021, AFRAC (the Austrian Financial Reporting and Auditing Committee), EFRAG and the IASB held the IASB & EFRAG @AFRAC 2021 annual online conference, addressing the latest advances in IFRS Standards and EU developments.

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

### **Webinar on an academic study on the production and consumption of information on intangibles**

On 30 November 2021, during a [public webinar](#), an academic team presented a research project on intangibles jointly supported by EFFAS, EFRAG and ICAS. The results of the study will be considered as part of the feedback on EFRAG Discussion Paper *Better information on intangibles – which is the best way to go?*

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

### **EFRAG survey: Subsidiaries without public accountability: disclosures**

On 8 November 2021, EFRAG invited preparers of financial statements ([parents](#) and [subsidiaries](#)) to participate in a survey on the IASB Exposure Draft *Subsidiaries without Public Accountability: Disclosures* published in July 2021. Preparers are asked to complete the online survey for parents and subsidiaries **by 7 January 2022**.

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



## OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Draft Comment Letter and invitation to participate in field-test on <i>ED/2021/3 Disclosure Requirements in IFRS Standards—A Pilot Approach</i>	4 January 2022
EFRAG Draft Comment Letter in response to the IASB Request for Information on <i>Post-implementation Review of IFRS 9 – Classification and Measurement</i>	14 January 2022
EFRAG Draft Comment Letter on the IASB's Exposure Draft <i>ED/2021/7 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 [2 November 2021](#) and discussed the following topics:

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

The EFRAG Board discussed and approved the [Draft Comment Letter](#) on *the Post-implementation Review of IFRS 9 - Classification and Measurement*. Comments deadline is **14 January 2021**. Early comments are welcomed.

### Webcast meeting

The EFRAG Board held a webcast meeting on [18 November 2021](#) and discussed the following topics:

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

The EFRAG Board received a presentation on the progress with field-testing and on the initial feedback from public events and other outreach activities. The EFRAG Board was pleased to see the high number of participants in the field test.



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

The EFRAG Board received an update on the IASB's ongoing deliberations and on the progress so far of the EFRAG Secretariat activities to obtain views from stakeholders about the EU carve-out.

### **Update of work plan**

The EFRAG Board reviewed and approved the workplan.

### **Next meeting**

The EFRAG Board will hold a next webcast meeting on 14 January 2022.

### **November 2021 written procedures**

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

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

### **Expected December 2021 written procedures**

The EFRAG Board expected to approve the following document using written procedures:

- EFRAG's Final Comment letter on the IASB's Exposure Draft *Management Commentary*.

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

### **Webcast meeting**

EFRAG TEG held a webcast meeting on [24-25 November 2021](#) and discussed the following topics:

### **IASB Project *Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures***

EFRAG TEG members discussed the EFRAG Secretariat Briefing *Who can apply it in Europe? Subsidiaries without Public Accountability: Scope* and provided their comments and drafting suggestions. The Briefing is designed to stimulate debate in Europe on the practical application of the proposals included in the IASB Exposure Draft *ED/2021/7 Subsidiaries without Public Accountability: Disclosures*. The draft Standard (if published by the IASB) would be part of full IFRS Standards and is in principle subject to endorsement in the EU under the Regulation No. 1606/2002. If endorsed, this standard would mainly directly affect EU Member States that either permit or require the use of IFRS in the annual and consolidated accounts of non-publicly traded companies.

No decisions were taken at the meeting.



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

EFRAG TEG agreed to recommend a Final Comment Letter, subject to drafting improvements, for consideration by the EFRAG Board. In its letter EFRAG welcomes the IASB's proposals and considers that there are benefits in developing guidance for jurisdictions where it either does not exist or could be enhanced. Although supportive of the IASB's proposals, EFRAG highlights that a connectivity of the project with the future activities of the International Sustainability Standards Board ('ISSB') should be considered.

### **IASB Project *Financial Instruments with Characteristics of Equity***

EFRAG TEG received an update on the IASB's discussions on the project *Financial Instruments with Characteristics of Equity* (FICE). In particular, the EFRAG TEG members discussed the IASB's tentative decisions on the underlying principles for classifying derivatives on own equity (i.e. fixed for fixed condition) and on the potential refinements to the disclosures proposed in the 2018 Discussion Paper *FICE*. In general, EFRAG TEG members considered that the IASB was moving in the right direction but that it would be important to make field-tests on the IASB's tentative decisions, highlighted the importance of the effects of laws on contractual terms and raised questions on the reference to the liquidation, particularly when dealing with regulated financial institutions.

No decisions were taken at the meeting.

### **IASB Project *Supplier Finance Arrangements***

EFRAG TEG discussed the key messages to be included in the EFRAG Draft Comment Letter on the IASB's project on *Supplier Finance Arrangements*.

In general, EFRAG TEG members were supportive of the IASB's proposals to improve disclosures on supplier finance arrangements and considered that EFRAG's Draft Comment Letter should focus on the IASB's questions related to disclosures. They considered that EFRAG should refer to the classification and presentation's issues that arise with supplier finance arrangements in the comment letter.

No decisions were taken at the meeting.

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

EFRAG TEG discussed a mapping of existing guidance on variable consideration. EFRAG TEG considered also that its Discussion Paper should not attempt to provide a solution for issues around risk-sharing and collaborative arrangements and how to determine the economic substance of an agreement which could involve variable consideration, however risk-sharing and collaborative arrangements may be instrumental to better describe the scope of the accounting issues that arise with variable consideration.

No decisions were taken at the meeting.

### **Next meeting**

EFRAG TEG will hold a next webcast meeting [21-22 December 2021](#).





## EFRAG CFSS AND EFRAG TEG

### Webcast meeting

EFRAG TEG and EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) held a webcast meeting on [24 November 2021](#) and discussed the following topics:

#### **IASB Project *Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures***

EFRAG CFSS members were asked to share their initial views on the scope of the project. EFRAG TEG and EFRAG CFSS provided mixed views on whether the IASB should expand the scope of the project to include all entities without public accountability.

Some members highlighted that extending the scope could promote the use of IFRS in Europe, increase comparability and provide cost savings to entities without public accountability.

By contrast, other members were concerned that the IASB's proposals were a significant new approach which should be tested first with a restricted number of entities and that extending the scope could delay the project as the IASB might need to reassess its initial approach.

Finally, EFRAG TEG-CFSS members suggested that during the consultation phase, EFRAG should continue to outreach its constituents to better understand the costs and benefits of the IASB's proposals and the interaction of the IASB's proposals with EU accounting legislation.

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

EFRAG CFSS and EFRAG TEG received an update on the field test and outreach activities conducted by EFRAG. Some EFRAG CFSS members shared their preliminary indication that their constituents would support introducing disclosure objectives but not removing minimum disclosure requirements.

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

EFRAG CFSS and EFRAG TEG considered the feedback received in response to EFRAG's Draft Comment Letter and from the outreach activities. Some members emphasised the need for the IASB to reconsider the finalisation of the MCPS project in the context of the work that the ISSB is about to start and the possibility of a joint project with the IASB and the ISSB.

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

EFRAG CFSS and EFRAG TEG members provided early input on the EFRAG Draft Comment Letter to the Request for Information on the *Post-Implementation Review of IFRS 9 – Classification and Measurement*.

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

EFRAG CFSS and EFRAG TEG received an update on the IASB deliberations on the project and provided feedback regarding the disclosure proposals for business combinations and the



IASB staff examples of the disclosure requirements for the subsequent performance of an acquisition. Members found the examples useful for better understanding of the IASB proposals, although quite simplistic and, as such, not properly addressing the commercial sensitivity. Members expressed mixed views on whether the information about subsequent performance of a business acquisition should be better placed in management commentary or in financial statements.

### **IFRS IC discussions**

EFRAG CFSS and EFRAG TEG received an update on the projects of the IFRS IC. Among others, members commented on the treatment of the targeted longer-term refinancing operations (TLTRO III) loans, in their views, could have an impact on the accounting practice for financial instruments accounted for at amortised cost.

### **Next meeting**

EFRAG CFSS-TEG will hold a next webcast meeting on [22 March 2022](#).



## **EUROPEAN LAB**

### **European Lab Steering Group**

The European Lab Steering Group held a meeting on 25 November 2021. At the meeting, Members received updates from the Chairs of the two Project Task Forces (see details below). The EFRAG Board President Jean Paul Gauzès provided an update on the most recent developments in the reform of its governance including:

- the [call for expressions of interest in EFRAG's membership](#) issued on 16 November 2021 with a view to have a balanced representation all stakeholders (including Civil Society) with an interest in corporate reporting in EFRAG' new sustainability reporting pillar.
- [A summary report](#) (issued on 22 November 2021), aggregating the comments received in response to EFRAG's public consultation on its Proposed Due Process Procedures for the EU Sustainability Reporting Standard Setting; together with messages from the EFRAG Board President addressing the due process during the interim work, the transition to the new governance structure, the due process of EFRAG's financial reporting pillar and the cooperation with global sustainability reporting standard setters and initiatives.

The European Lab Steering Group Members were informed that, in the context of the envisaged governance reform, the European Lab activities would continue to function in project





mode, under the supervision of EFRAG's Financial Reporting and Sustainability Reporting Boards. Therefore, the Steering Group would be discontinued from 25 November 2021.

Jean Paul Gauzès thanked all the members for their contribution to the European Lab's activities and successes and encouraged them to continue to contribute to EFRAG's sustainability reporting activities.

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

The EFRAG Project Task Force on European sustainability reporting standards (PTF-ESRS) had a plenary meeting on 15 November 2021, for a detailed presentation of the proposed conceptual guideline on double materiality by Cluster 1 (Conceptual guidelines & cross-cutting standards), a preview of orientations for the governance standards by Cluster 6 (Governance+), and a presentation of the proposed approach for the social standards by Clusters 4 (Social – workforce) and 5 (Social – workers in the value chain, affected communities, consumers/end-users).

On 5 November 2021, EFRAG announced the composition of the 11 expert working groups (EWGs) to provide input on the drafting of sustainability reporting standards. Working papers on different topics are expected to be ready gradually for submission to the EWGs for input. An induction meeting will be held for the members of the EWGs on 8 December 2021 to launch their activities.

On 16 November 2021, the PTF-ESRS issued a detailed five-month [status report](#) outlining the progress made to date for the elaboration of sustainability reporting standards and providing a detailed indication of all resources involved.

The PTF-ESRS Chair gave an update on the progress of the project to the European Lab Steering Group on 25 November 2021.

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

On 3 November 2021, EFRAG hosted a webinar on the PTF-RNFRO report (*Towards Sustainable Business: Good Practices in Business Model, Sustainability Risks and Opportunities Reporting in the EU*) that was issued in early October. The keynote speakers were MEP Pascal Durand, the rapporteur of the proposal for a Corporate Sustainability Reporting Directive (CSRD) and Alain Deckers, EC Head of Unit, DG FISMA. A panel discussion involving PTF-RNFRO members was held with 700+ audience participants.

The PTF-RNFRO co-chairs gave an update on the promotion activities to the European Lab Steering Group at its meeting on 25 November 2021.

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

In November 2021, EFRAG attended the fourteenth plenary meetings of the PSF. The Plenary sessions focused largely on process updates from each of the subgroups' rapporteurs and discussed the timing for the platform deliverables. Members also received a presentation of the report of the Social Taxonomy sub-group (SG4).

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.



### **Next steps**

Plenary meetings of the PTF-ESRS are scheduled for 1 and 6 December 2021. Engagement with the EWGs is expected to kick off with a first batch of working papers in December 2021.

A final PTF-RNFRO plenary session is envisioned to be held at a date to be determined and possible collaborative next steps will be discussed.