



# EFRAG UPDATE

DECEMBER 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.



## PUBLICATIONS

### **Final Endorsement Advice**

#### *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

On 1 December 2021, EFRAG completed its due process regarding *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* and submitted its Endorsement Advice Letter to the European Commission. The Endorsement Advice Letter to the European Commission can be found [here](#).

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

### **Draft Endorsement Advice**

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

On 28 December 2021, EFRAG issued a Draft Endorsement Advice regarding *Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)*. The Draft Endorsement Advice is open for comments until 19 January 2022.



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

### **Final Comment Letter**

On 3 December 2021, EFRAG published its Final Comment Letter in response to the IASB's Exposure Draft *Management Commentary*.

EFRAG's Final Comment Letter can be found [here](#).

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

### **EFRAG Secretariat Briefing**

On 9 December 2021, the EFRAG Secretariat issued a [Briefing](#) to stimulate debate within Europe and clarify the possible impacts of the IASB's proposal on *Subsidiaries without Public Accountability: Disclosures*. The views expressed in this Briefing are tentative and reflect the EFRAG Secretariat's understanding of how the IASB's proposals might be applied in the EU. More specifically, the Briefing provides an EU Perspective on the IASB's proposed scope.

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

### **Field test Feedback statement**

On 17 December, EFRAG issued a feedback statement summarising the input received from the field testing of the proposals IASB's ED *Disclosure Requirements in IFRS Standards - A Pilot Approach*.

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



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

### **EFRAG BusinessEurope IASB Joint Webinar - Future of IFRS disclosure requirements: what we learnt from the field test with European preparers**

On 10 December 2021, EFRAG, BusinessEurope and the IASB hosted a joint outreach event: *Future of IFRS disclosure requirements: What we learnt from the field test with European preparers*. The joint webinar informed constituents about the IASB/EFRAG field test results and speakers and panellists discussed the application of the IASB proposals and their experience during the field test.

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

### **REMINDER: Please provide input to EFRAG's survey *Would you prefer less disclosures for subsidiaries?***

EFRAG would like to remind preparers of financial statements ([parents](#) and [subsidiaries](#)) of the opportunity to participate in a survey on the IASB Exposure Draft *Subsidiaries without Public Accountability* published in July 2021.



Preparers are asked to complete the online survey for parents or subsidiaries **by 7 January 2022**.

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



## OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Draft Comment Letter 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 Endorsement Advice on <i>Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)</i>	19 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

### Next meeting

The EFRAG Board will hold a next webcast meeting on [14 January 2022](#).

### [December 2021 written procedures](#)

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

- EFRAG's Final Comment Letter on the IASB's Exposure Draft *Management Commentary*.
- EFRAG's Draft Endorsement Advice on *Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)*.



## Expected January 2022 written procedures

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



## EFRAG TECHNICAL EXPERT GROUP (TEG)

### Webcast meeting

EFRAG TEG held a webcast meeting on [21-22 December 2021](#) and discussed the following topics:

#### **IASB Publication *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)***

EFRAG TEG discussed and agreed to recommend to the EFRAG Board a draft comment letter on the IASB's exposure draft Non-current Liabilities with Covenants. EFRAG TEG welcomed the IASB's amendments, did not support the separate presentation and suggested some changes to the features for differentiation between specified condition that led to the classification as non-current (para. 72B(b)) or current (para. 72C(b)). EFRAG TEG further proposed to put more emphasis on the consideration of materiality when disclosing the required information.

#### **IASB Project *Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendments to IFRS 17)***

EFRAG TEG unanimously recommended a draft endorsement advice on *Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)* ('the Amendments') to the EFRAG Board for approval. EFRAG TEG recommended the endorsement of the Amendments as they meet the IAS Regulation technical endorsement criteria and are conducive to the European public good.

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

EFRAG TEG discussed and agreed to recommend to the EFRAG Board a draft comment letter on the IASB's exposure draft *Supplier Finance Arrangements*. EFRAG TEG supported the IASB's narrow-scope disclosure project as it enhances transparency of reporting for such arrangements. Members also provided some additional suggestions on how to improve the proposed disclosures, however, suggested that further efforts are needed in the future in terms of presentation and classification of such arrangements.

#### **IASB Exposure Draft *Disclosure Requirements in IFRS Standards***

EFRAG TEG discussed the feedback received from the field test and outreach activities on the ED and provided initial orientations for the drafting of the final comment letter that will be discussed at the January EFRAG TEG meeting. It was noted that the feedback received essentially supported the main tentative views expressed in EFRAG's draft comment Letter (DCL). EFRAG TEG suggested drafting clarifications on several areas. In forming its final



views, EFRAG TEG will consider the responses to its DCL consultation which closes on 4 January 2022.

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

EFRAG TEG received an update on the IASB's discussions on the Dynamic Risk Management project and specifically, the IASB's tentative decisions on the changes to the model with respect to risk limits and the risk mitigation intention. No decisions were taken at the meeting.

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

EFRAG TEG discussed two issues recently considered by the IFRSS Interpretation Committee: the targeted longer-term refinancing operations (TLTROs) III and the recognition of cash received via an electronic transfer system (BACS). EFRAG TEG considered that these topics should not be reported as issues for the IASB to consider in EFRAG's final comment letter on the Post-Implementation Review of IFRS 9 Classification and Measurement.

### **EFRAG Research Project *Crypto-assets***

EFRAG TEG discussed constituents' feedback to the EFRAG Discussion Paper on Accounting for Crypto-Assets (Liabilities) (DP), which was open for consultation until 31 July 2021. EFRAG TEG also received a presentation on the key crypto-market developments after the issuance of the DP and their possible implications for accounting requirements. No decisions were taken at the meeting. At the EFRAG TEG meeting in January 2022, EFRAG TEG will discuss the EFRAG Secretariat preliminary recommended options on developing IFRS requirements.

### **Next meeting**

EFRAG TEG will hold a next webcast meeting [18-19 January 2022](#).



# EFRAG'S SUSTAINABILITY REPORTING AND RELATED ACTIVITIES

## Development of EU sustainability reporting standards

The EFRAG Project Task Force on European sustainability reporting standards (PTF-ESRS) had plenary meetings on 1 and 6 December. On 1 December, Cluster 2 (Environment-Climate) presented an update on the standard following the consensus building and review panel process and both Cluster 5 (Social – workers in the value chain, affected communities and end-users/consumers) and Cluster 7 (Sector Specific) presented a preview of orientations. The agenda for the 6 December meeting was focused on a discussion of a preview of orientations from Cluster 4 (Own workforce) and an update from Cluster 3 (Environment - Other).

In addition, on 8 December, the 11 experts working groups (EWGs) attended a joint induction meeting with presentations from the EFRAG Board President, EFRAG PTF-ESRS Chair and the EFRAG CEO. The next step is for each cluster to arrange separate kick off meetings with their EWGs during January with the exception of C2 (Environment- Climate) whose initial meeting took place on 22 December 2021.

During the month of December, regular meetings have taken place at C0 level (coordination and monitoring) with focus being placed on working papers from C1 (Conceptual Guidelines and cross-cutting Standards) and C2 (Environmental- Climate) that have also been shared within this forum.

## EFRAG Governance Reform

In the proposal for a CSRD, EFRAG is identified as the technical advisor to the EC preparing draft European sustainability reporting standards. Commissioner McGuinness invited EFRAG to reform its governance integrating sustainability activities and a wide range of stakeholders in its governance bodies with an interest in sustainability reporting.

**On 3 December**, EFRAG issued a [briefing note](#) providing further details and clarifications on conditions for EFRAG full membership and contributing in other ways to EFRAG activities. The briefing note followed the publication, in November 2021, of a [call for expressions of interest in EFRAG's membership](#) inviting organisations, including civil society, to join its new sustainability reporting pillar. EFRAG also noted the establishment of the "Friends of EFRAG-sustainability reporting": individual entities can join to give their individual support to EFRAG's mission and support EFRAG's activities, involving an annual contribution of minimum 5000 euro.

**On 15 December 2021**, EFRAG issued a news item announcing the [calls for applications for the Chairs of the EFRAG Financial Reporting and Sustainability Reporting Boards](#) issued by the European Commission. The calls for applications set out the requirements for the positions and describes the application and selection procedures. Applications should be submitted by 1 February 2022.

**On 21 December**, EFRAG issued a [news item](#) to inform interested stakeholders that its next General Assembly meeting in which new member organisations can be admitted would take





place **on 21 January 2022**. Expressions of interest received until 14 January 2022 would be considered although application may also be submitted at a later stage.

The EFRAG General Assembly is also expected to decide in its 21 January 2022 meeting on the admission of "Friends of EFRAG- sustainability reporting" and on the changes to the EFRAG Statutes and EFRAG Internal Rules (the former to be confirmed formally in front of the notary and by royal decree).

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

**On 23 December**, the EFRAG General Assembly Nominating Committee launched a call for applications for the position of the President of EFRAG Administrative Board. The call sets out the requirements for the position, describes the nomination and selection procedure. Only EFRAG Member Organisations can nominate candidates. The President of the EFRAG Administrative Board will be formally appointed by the EFRAG General Assembly following the call for candidates amongst the EFRAG Member Organisations, upon recommendation of the EFRAG GA NC and after informal consultation with the European Commission.

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

In early December, the PTF-RNFRO co-chair Dawn Slevin presented the findings of their report at the PTF-ESRS plenary.

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

In December 2021, EFRAG attended the fifteenth plenary meetings of the PSF.

The plenary sessions focused largely on updates from each of the subgroups' rapporteurs and discussed the Platform's achievements and deliverables so far and the workplan for 2022.

EFRAG also attended a meeting of the subgroup on Data and Usability (SG5) in which members discussed in particular the content, timetable and work allocation for the subgroup's final report due for publication in July 2022.

### **Next steps**

The PTF-RNFRO will have its final plenary session on 17 January and the task force members will consider possible next steps in ensuring the influence and visibility of the PTF-RNFRO report findings.

The PTF-ESRS will have its next plenary meetings on 10 and 20 January 2022



### **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](#).