

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG-CFSS. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG-CFSS. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion, or position papers, or in any other form considered appropriate in the circumstances.

Update on Projects

Objective

- 1 The objective of this session is to provide short updates on three current projects:
 - (a) Dynamic Risk Management;
 - (b) Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12; and
 - (c) Extractive Activities.

Dynamic Risk Management

- 2 A verbal update will be provided.

Questions for EFRAG CFSS

- 3 Does EFRAG TEG/CFSS have any questions on this update?

Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12

The IASB's decisions

- 4 At the April 2020 IASB meeting, the IASB Staff presented the preliminary results of Phase 1 of the Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*. At that meeting, the IASB tentatively decided to restrict the Request for Information (the RFI) to the following:
 - (a) in relation to IFRS 10:
 - (i) power over an investee;
 - (ii) the link between power and returns, with a focus on identifying agency relationships;
 - (iii) accounting requirements, with a focus on changes in ownership interests; and
 - (iv) the investment entity consolidation exception.
 - (b) in relation to IFRS 11:
 - (i) collaboration arrangements outside the scope of IFRS 11;
 - (ii) the classification of joint arrangements as joint operations based on other facts and circumstances; and
 - (iii) accounting requirements, with a focus on joint operations.
 - (c) in relation to IFRS 12, the quality of information an entity provides and whether and how well the disclosure objectives are met by an entity applying the requirements.
- 5 The IASB also decided not to include other IFRS Standards from the Consolidation package in the PIR (i.e. revised IAS 27 *Separate Financial Statements* and revised

IAS 28 *Investments in Associates and Joint Ventures*), and not to consider the interactions of IFRS 10, IFRS 11, and IFRS 12 with other IFRS Standards. Nevertheless, the IASB may decide to amend other standards in response to the feedback received during the PIR.

- 6 At its November 2020 meeting, the IASB approved the publication of RFI and agreed on 150-day comment period. The RFI is expected in early December, which would end the comment period in early-May 2021.

EFRAG's activities

- 7 During Phase 1 of the PIR, EFRAG concluded its discussion at the February 2020 EFRAG Board meeting, where EFRAG Secretariat presented a list of identified potential implementation issues.
- 8 EFRAG Secretariat is planning its outreach activities in order to collect information required to respond to the questions included in the forthcoming RFI and, eventually, to provide further comments on the topics arising in the European jurisdictions. EFRAG Secretariat anticipates the following outreach activities:
 - (a) Publishing surveys for users and preparers, based on the recent discussions at the EFRAG Board and EFRAG TEG – we plan to publish the surveys in January 2021; and
 - (b) Joint outreach activities with National Standard Setters and the IASB for users and preparers, in the form of webinars or physical events, depending on the future epidemiological situation - when possible, we plan to align the outreaches with the plans of the IASB Staff.

Questions to EFRAG CFSS members

- 9 Do you plan outreach activities / events in your jurisdiction to collect users and preparers views on IFRS 10, IFRS 11, and IFRS 12 application issues? Would you be interested in joint outreaches with EFRAG?
- 10 What outreach activities, other than those listed in paragraph 8 above, are necessary to collect the information on Consolidation Package application issues in European jurisdiction?

Extractive Activities

- 11 In October 2020, the IASB met and discussed the extractive activities project. IASB Staff provided an update on the accounting policies developed by IFRS 6 *Exploration for and Evaluation of Mineral Resources* and concluded that there is significant diversity in practice.
- 12 One particular point raised was the question on how users deal with this diversity in terms of comparability, whether they are using the information solely from the financial statements and whether they use information elsewhere in the financial statements.
- 13 IASB Board members commented that users have become specialised and know how to deal with the diversity. It was further noted that users of financial statements indicated that how an entity accounts for exploration and evaluation expenditure is not considered to be a priority as they are more focused on cash generation. Therefore, it did not matter whether an entity capitalises or expenses exploration expenditure. It was noted that the Net Present Value of the reserves is what matters.
- 14 The IASB is expected to discuss the direction of the project in Q1 2021.

Questions for EFRAG CFSS

- 15 Does EFRAG CFSS have any questions on this update?