

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG and EFRAG User Panel. 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, EFRAG TEG or EFRAG User Panel. 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.

IASB Third Agenda Consultation and EFRAG's Research Agenda Consultation Issues Paper

Objective

- 1 The objectives of this session are to:
 - (a) Confirm the list of the priority projects to be recommended in response to the IASB's [Request for Information: Third Agenda Consultation](#) ('RFI');
 - (b) Discuss the possible scope(s) of the priority projects; and
 - (c) Discuss the interactions between the consultation on EFRAG's response to the RFI and EFRAG's own research agenda consultation.

Background

- 2 The IASB is required to undertake a public consultation on its work plan every five years. The RFI was published on 30 March 2021 and covers the IASB's activities over the period 2022–2026.
- 3 The primary objective of agenda consultation is to seek public comments on:
 - (a) the strategic direction and balance of the IASB's activities;
 - (b) the criteria for assessing the priority of financial reporting issues that may be added to the IASB's work plan; and
 - (c) priority projects i.e., financial reporting issues that should be given priority in the IASB's work plan.
- 4 This paper focusses on the identification of the priority projects, the determination of the scope of these projects and the interactions with EFRAG's agenda consultation.
- 5 Currently, the Trustees of the IFRS Foundation are exploring a potential expansion of the Foundation's role into setting sustainability reporting standards. The IASB's agenda consultation is about the priority of each activity in the current scope of the IASB's work. The RFI explains that the IASB does not seek feedback on issues related to sustainability reporting, except to the extent that those issues relate to the current scope of the IASB's work.
- 6 As a reminder, the Trustees of the IFRS Foundation are currently exploring a potential expansion of the Foundation's role into setting sustainability reporting standards.
- 7 The decisions of the Trustees on their review of the Foundation's strategy will be considered in finalising the IASB's activities and work plan for 2022 to 2026. For example, if decisions from the Trustees' review identify the need for capacity from

the IASB to support any interaction between the work of the IASB and any new sustainability standards board, such a need will be considered in finalising the IASB's priorities for 2022 to 2026.

- 8 The following timetable is communicated by the IASB in the RFI:

Period	Activity
30 March 2021	RFI published
27 September 2021	End of IASB comment period
Q4 2021	Start of IASB deliberations
Q2 2022	Publication of feedback statement
2022-2026	IASB's execution of activities and work plan

Summary of previous EFRAG discussions on the IASB Agenda

- 9 EFRAG TEG last discussed the IASB's Third Agenda Consultation at its December 2020 meeting. Members:
- (a) Confirmed that the IASB's priorities should be (a) the finalisation of the projects in its active work plan; and (b) the timely conduction of the Post-implementation Reviews of IFRS Standards¹, and
 - (b) Suggested a tentative list of priority projects for the IASB to consider.
- 10 In doing so, EFRAG TEG also considered the input provided by EFRAG CFSS and the EFRAG User Panel in previous meetings.
- 11 Members noted the importance of the following 11 projects: Statement of Cash Flows, Intangible Assets, Climate-related Risks, IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, Reverse Factoring, Other Comprehensive Income, Crypto-Assets, Variable and Contingent Consideration, Digitisation, Connectivity between financial and non-financial information.
- 12 In addition, two additional projects were suggested at a previous meeting in September 2019, some EFRAG TEG and CFSS members also suggested to consider projects on (a) Hedge accounting for insurers and (b) Dynamic risk management for corporates. These projects could also potentially be eligible for EFRAG proactive research, in preparation or the IASB projects.
- 13 Therefore 13 priority projects are identified in Table 1 of Appendix 1 below (of which 8 are included in the IASB's RFI list and 5 are additionally suggested by EFRAG).
- 14 Finally, mixed views were expressed on the priority of two other projects: Operating Segments (already subject to a PIR) and Going Concern. These have not been included in Table 1 but are reported in Table 2 describing RFI proposed projects assessed to be medium or low priorities).

¹ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contract with Customers* and IFRS 16 *Leases*.

Question for EFRAG TEG and EFRAG User Panel

15 Does EFRAG TEG and the EFRAG User Panel consider that that these two projects should be included in the recommendations to be contained in EFRAG's draft comment letter? The list of priority project would therefore total 13 items (see Table 1)/ Or would you prefer that the projects be considered as part of EFRAG's proactive research only?

16 Lastly, one member also suggested to consider a review of older standards (such as IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). The recent revision of the Conceptual Framework and the consistency of older standards with that definition of assets and liabilities could be a trigger. However, to be helpful for the IASB it would be important to identify specific issues to be considered in reviewing the older standards.

Question for EFRAG TEG and User Panel

17 Does EFRAG TEG and the EFRAG User Panel agree whether an additional project should be suggested in this area (as described in paragraph 16).

EFRAG Secretariat preliminary observations

18 A project on the Equity Method has recently been added to the IASB's active agenda. The project which was first discussed at the March 2021 IASB meeting aims assessing whether application issues identified with the equity method can be addressed (in both consolidated and individual financial statements) by identifying and explaining principles underpinning the equity method. Although EFRAG TEG initially included this as a priority project, unless EFRAG TEG and the EFRAG User Panel would like to suggest a different scope for the project, the EFRAG Secretariat recommends excluding this topic from the recommendations in the DCL as the topic is already addressed by the IASB in its active agenda.

19 At the September 2019 TEG CFSS meeting, some also suggested to consider projects on (a) Hedge accounting for insurers and (b) Dynamic risk management for corporates. These projects could also potentially be eligible for EFRAG proactive research, in preparation for the IASB projects.

20 The tentative list of priority projects identified by EFRAG TEG overlaps to a large extent with the list contained in the IASB RFI with the exception of:

- (i) Reverse Factoring;
- (ii) Digitisation; and
- (iii) Connectivity between financial and non-financial information.
- (iv) Hedge accounting for insurers and
- (v) Dynamic risk management for corporates.

21 In addition, the overlapping of topics does not necessarily mean that the proposed scope(s) in the RFI would be considered adequate by EFRAG. In the next section the EFRAG Secretariat presents its preliminary views on possible scope(s) for the projects identified as priorities by EFRAG and whether they differ from the IASB's proposals in the RFI.

Shortening the suggested list of priority projects

22 The EFRAG Secretariat observes that the tentative list of priority projects identified by EFRAG TEG is still relatively long (between 13 and 15 projects).

23 The IASB indicates in the RFI that it expects be able to start two to three large projects, or four to five medium-sized projects, or seven to eight small projects (or

an equivalent combination of large, medium and small projects), after setting aside capacity to:

- (a) continue projects already on its work plan as described in Appendix 1 of the RFI;
- (b) conduct the required PIRs of IFRS 9, IFRS 15 and IFRS 16; and
- (c) undertake time-sensitive projects that may arise after the agenda; for example, possible follow-on projects from the required PIRs, if those projects are determined to be priorities.

- 24 The EFRAG Secretariat considers that it might be useful to further identify among the 13 suggested projects those with the highest priorities. At the meeting, a polling question will be asked to EFRAG TEG and EFRAG User Panel in that regard.

Possible scoping for identified priority projects for the IASB

- 25 Appendix 1 provides tables comparing the possible scopes for the projects as indicated by the IASB in the RFI; and EFRAG Secretariat's recommendations:
- (a) Table 1 focuses on the 13 projects described by the IASB's RFI and identified as priorities by EFRAG TEG.
 - (b) Table 2 considers the other projects described by the IASB's RFI that are not part of Table 1 (i.e., not in EFRAG's priority list). This table includes the Going Concern and Operating Segment topics (see paragraph 12).

Interaction with EFRAG's own agenda consultation

- 26 As indicated at the December 2020 EFRAG TEG and March 2021 EFRAG CFSS-TEG meetings, the EFRAG Secretariat is planning to combine the consultations on EFRAG's response to the RFI with its own proactive research agenda consultation to foster synergies and participation and alleviate the burden for respondents.
- 27 The subsequent selection of proactive research projects could be based mainly on European constituents' views on the importance of the various projects considered for the IASB's agenda consultation.
- 28 Among the projects considered most important by European constituents, EFRAG could choose projects that will not be finally selected for inclusion on the IASB's workplan. In this manner EFRAG would focus its resources for proactive activities mainly on projects that would influence the IASB's post 2026 work. In doing so, EFRAG could provide thought leadership on these areas which could be included on the IASB's future workplan.
- 29 Integrating EFRAG's proactive research consultation with the consultation on the IASB Agenda as described above would also mean that the new EFRAG proactive research would not start before mid-2022. The EFRAG Secretariat assesses that this would not represent an issue, as the ongoing EFRAG research projects (Crypto-Assets and Liabilities, Intangibles and Variable and Contingent Consideration) will still absorb EFRAG research resources, considering the outreach initiatives to be conducted and possible follow-up of the research publications.
- 30 When the IASB has decided which project to add to its workplan, EFRAG will then add to its proactive research agenda new projects based the importance of these projects for European constituents and to achieve a balance between projects that should influence projects on the IASB's 2022 – 2026 workplan and projects that should influence future workplans and projects of the IASB. EFRAG would decide which project it should finalise first to provide timely input to the projects to be included on the IASB's 2022 – 2026 workplan.
- 31 EFRAG has already undertaken (or is currently undertaking) research on a number of topics identified as high priorities for the IASB. Therefore, EFRAG's could

consider the other high priority projects not selected by the IASB after its RFI and on which EFRAG has not undertaken proactive work recently. Projects already addressed or being addressed by EFRAG include:

- (a) Accounting for crypto-assets (liabilities);
- (b) Accounting for pension plans with an asset-return promise;
- (c) Government Grant (EFRAG's project on Non-exchange Transfers);
- (d) Intangibles;
- (e) Statement of Cash Flows; and
- (f) Variable Consideration.

- 32 The EFRAG Secretariat proposes to focus the efforts of the consultation in 2021 on the identification of a list of priority topics (to be considered for both the IASB Agenda and EFRAG proactive agenda). In doing so, the scope of the projects that EFRAG will consider in responding to the IASB RFI will also consider specific topics of European interest. For example, this has been done in the description of the scope of the climate-risk project below and in adding the issue of connectivity between financial and non-financial information.
- 33 Appendix 2 presents a number of additional topics of European Public Interest (arising from the European Commission recent consultation on the Renewed Sustainable Finance Strategy) that could be considered as part of EFRAG's proactive work.

Questions for EFRAG TEG and User Panel

- 34 Do EFRAG TEG and the EFRAG User Panel agree that only the list of priority projects identified in paragraph 11 should be recommended in EFRAG's draft comment letter in response to the IASB's RFI?
- 35 Do members agree with the proposed scopes for the high priority projects in Table 1? If not please provide your alternatives.
- 36 Do members agree with the approach suggested in paragraphs 26 to 32 regarding the interactions with EFRAG's own proactive agenda consultation?

Appendix 1: Possible scopes for the IASB priority projects

Table 1 – Projects tentatively identified as priorities by EFRAG

37 Table 1 presents the high priority projects identified by EFRAG. For each project, the table indicates the possible scopes identified by the IASB in its RFI and the EFRAG Secretariat recommended scope (recommended scope is signalled by a tick mark and bold characters). Alternative scopes are presented in the notes below in Table 1.

	Project name (alphabetical order)	IASB proposed scope (if applicable and estimation of project size (S—small, M—medium, L—large))	EFRAG Secretariat suggested scope
1	Climate-related² risks²	<ul style="list-style-type: none"> Lower the threshold for disclosure of information about sources of estimation uncertainty, including the effect that climate-related risks have on that uncertainty (M) Broaden the requirements in the Standard on impairment for cash flow projections to be used in measuring value in use when testing assets for impairment (S) Develop accounting requirements for pollutant pricing mechanisms (L) 	Proposed alternative scope description in Note 1.
2	Connectivity between financial and non-financial reporting	N/A (not included in the IASB RFI list)	Proposed scope description in Note 2
3	Cryptocurrencies and related transactions	<ul style="list-style-type: none"> Develop educational materials Develop additional disclosure requirements for information on the fair value of cryptocurrencies (S) Permit cryptocurrencies to be measured at fair value and consider whether recognition of changes in fair value in the statement of profit or loss is appropriate in some circumstances (M) Consider amending the scope of the Standards for financial instruments to include cryptocurrencies (M) Develop a Standard for a range of non-financial tangible or intangible assets held solely for investment purposes (L) 	√
4	Digitisation	N/A	Proposed description in Note 3
5	Discontinued operations and disposal groups	<ul style="list-style-type: none"> Reconsider the single line-item presentation of discontinued operations and the disclosure requirements (M) Undertake a comprehensive review of the Standard (M) 	Undertake a PIR comprehensive review of IFRS 5 (M)
6	Government grants	<ul style="list-style-type: none"> Undertake a comprehensive review of the accounting requirements for government grants (M) 	√

² This potential project is separate from the strategic review being conducted by the IFRS Foundation considering a potential expansion in the role of the Foundation through the possible creation of a new board to develop global sustainability reporting standards.

	Project name (alphabetical order)	IASB proposed scope in RFI with estimation of project size (S—small, M—medium, L—large)	EFRAG Secretariat suggested scope
7	Intangible assets	<ul style="list-style-type: none"> Require improved disclosures about intangibles not recognised as assets (M) Require disclosures about the fair value of some intangible assets, especially those held for investment (M) Undertake a comprehensive review of IAS 38 <i>Intangible Assets</i>, including the recognition and measurement requirements (L) 	√
8	Other comprehensive income	<ul style="list-style-type: none"> Consider whether to amend the requirements for income and expenses that are classified in other comprehensive income (L) 	√
9	Reverse factoring	<ul style="list-style-type: none"> Not included as a separate project (possibly considered as part of the Statement of Cash Flows project) 	<ul style="list-style-type: none"> Proposed description in Note 4
10	Statement of cash flows and related matters	<ul style="list-style-type: none"> Develop more effective disclosures about ongoing maintenance expenses and growth expenditure (S) Consider whether to remove the requirement for financial institutions to produce a statement of cash flows (S) Undertake a targeted project to improve aspects of the statement of cash flows, including information about non-cash movements, such as arising from supply chain financing arrangements (M) Seek to develop a statement of cash flows for financial institutions (M) Undertake a comprehensive review of IAS 7 <i>Statement of Cash Flows</i> (L) 	<p>√</p> <ul style="list-style-type: none"> Work to align cohesiveness of balance sheet, income statements and cash flow statements³
11	Variable and contingent consideration	<ul style="list-style-type: none"> Make targeted changes to the Standards that describe the accounting for transactions that involve variable or contingent consideration (M) Develop a consistent approach to reporting variable and contingent consideration for all IFRS Standards (L) 	√
12	Hedge Accounting	N/A (could be addressed as part of the PIR of IFRS 17)	Hedge accounting for insurers
13	Hedge Accounting	N/A (could be addressed as part of the Dynamic Risk Management overall project)	Dynamic risk management for corporates

³ In its response to the IASB's consultation on *ED/2019/7 General Presentation and Disclosures*, EFRAG suggested this project.

Alternative scope descriptions

Note 1 Climate related information

- 38 The EFRAG Secretariat suggest that a more ambitious project than the proposals in the RFI would address more holistically the interconnection between IFRS Standards and sustainability related information.
- 39 A more holistic approach is supported by the following:
- (a) In the EC consultation on the renewed sustainable finance strategy one question asked whether stakeholders ‘see any further areas in existing financial accounting rules (based on the IFRS framework) which may hamper the adequate and timely recognition and consistent measurement of climate and environmental risks’. The following in particular could be considered:
 - (i) Disclosure on the alignment of the assumptions used for impairment and amortisation of fixed assets with the implications of the Paris Agreement.
 - (ii) Disclosures about how companies factor climate-related risks into the best estimate of provisioning amounts.
 - (iii) Assessment of IFRS rules on provisioning for future risks, considering (i) the broader implications of climate transition risk and (ii) significant climate-related contingent liabilities and (iii) the impact of biodiversity.
 - (b) A report recently issued by a group of Investors⁴ called for company accounts to be ‘aligned with the objectives of the Paris Agreement on climate change’. The report notes that ‘there is growing evidence that company accounts are leaving out material impacts linked to accelerating climate change and the associated regulatory response – namely, efforts to decarbonise our economies by 2050 in line with the Paris Agreement on climate change. This means there are risks that both capital and profits associated with activities that are harmful to the climate are overstated, driving excessive investment into damaging activities.’
- 40 The project could investigate the reasons for the omissions noted above and whether further standard setting could provide a solution.

Note 2 - Interconnection between financial and non-financial reporting

- 41 Developments in the non-financial reporting area are occurring at both the European and global level including the revision of the Non-financial Reporting Directive (NFRD) and the European Union’s sustainable finance initiatives.
- 42 The issue of interconnection between financial and non-financial reporting will require significant attention in order to providing a complete picture of reporting by companies. Greater synergies between financial and non-financial reporting may pave the way towards a more holistic and integrated reporting system.
- 43 The perspective of such a technical discussion would still be within the scope of financial reporting. For example, there is growing momentum in sustainable or responsible investments and the question is to what extent IFRS Standards accommodate the growing interest of primary users of financial statements (providers of financial capital). In addition, the project could investigate how financial reporting requirements and in particular disclosure could evolve to facilitate the contextualization or reconciliation with selected key performance indicators generally used to report the outcome of an entity’s policies on ESG matters.

Note 3 - Digitisation

⁴ Investor Expectations for Paris-aligned Accounts November 2020 ([here](#)).

- 44 EFRAG has recommended that the IASB better considers the effect of technology on standard setting in several of its recent comment letters⁵. Developments are taking place rapidly with ESEF and other forms of digitisation. Digitisation of reporting information could be considered to be part of the assessment of IFRS Standards.
- 45 The use of technology is so pervasive in financial reporting that the technologic usability of a given item of information (from the users' side) and the complexity of incorporating a new datapoint into the existing financial reporting systems (from the preparers' side) may already be considered as relevant aspects in assessing the impacts of proposed new standards or amendments. As such, a technical discussion on how to better structure this assessment would improve the digitisation angle in the IASB due process and, in general, in standard setting.

Note 4 Accounting for reverse factoring

- 46 IFRS Standards do not specifically address reverse factoring and other forms of supply chain financing., although some existing standards may be relevant in determining the appropriate accounting policies (IFRS 9, IAS 1 *Presentation of Financial Statements*, IAS 7). Applying these standards requires significant judgement, particularly, as reverse factoring arrangements can differ significantly.
- 47 In its 2020 comment letter in response to the IASB's exposure draft ED/2019/7 *General Presentation and Disclosures*, EFRAG called for further guidance in particular on:
- (a) The presentation of the liabilities arising from such transactions (trade payables versus financial debt/borrowing) in the statement of financial position.
 - (b) The presentation in the cash flow statement as an operational cash flow or a financing cash flow in the statement of cash flows.
- 48 The RFI describes the Statement of Cash Flows project as being limited to cash flow presentation. EFRAG has taken the view in comment letters that the scope should be broader.

⁵ For instance, EFRAG's comment letter in response to the IASB's Principles of Disclosure DP.

Table 2 - Other projects described in the RFI not considered as priorities by EFRAG

- 49 Table 2 contains the other projects described by the IASB with their proposed scopes that are not considered ‘high priority’ by EFRAG
- 50 The EFRAG Secretariat has assessed their level of priority (as either medium or low and indicates (with a tick mark) which of the scope alternatives proposed in the RFI we would recommend if the project were to be selected by the IASB (recommended scope is signalled by a tick mark and bold characters)

			EFRAG’s level of priority		
			High	Medium	Low
	IASB Project title	IASB Scope description and estimation of project size (S—small, M—medium, L—large)			
1	Borrowing costs	<ul style="list-style-type: none"> • Undertake a targeted project to improve, clarify or simplify aspects of the borrowing costs Standard (S) • Undertake a comprehensive review of the Standard (M) 			√
2	Commodity transactions	<ul style="list-style-type: none"> • Develop requirements for some of the most common types of transactions involving commodities—for example, commodity loans (M) • Undertake a broader project on commodity transactions (L) • Develop a Standard to set out accounting requirements for a range of non-financial tangible or intangible assets held solely for investment purposes (L) 		√	
3	Discount rates	<ul style="list-style-type: none"> • Reconsider discount rate requirements in all IFRS Standards and, when appropriate, eliminate variations in present value measurement techniques (L) 		√	
4	Employee benefits	<ul style="list-style-type: none"> • Review the requirements in the employee benefits Standard on the rate used to discount pension liabilities in the absence of a deep market in high-quality corporate bonds (M) • Develop accounting requirements for hybrid pension plans (L) • Undertake a comprehensive review of the Standard (L) 			√ √
5	Expenses — Inventory and cost of sales	<ul style="list-style-type: none"> • Undertake a comprehensive review of the accounting for inventory costs and cost of sales (L) 		√	
		•			

			EFRAG's level of priority		
			High	Medium	Low
6	Foreign currencies	<ul style="list-style-type: none"> • Undertake a targeted project to improve aspects of the accounting for foreign currencies (M) • Undertake a comprehensive review of the Standard (L) 		√	
7	Going concern	<ul style="list-style-type: none"> • Develop enhanced requirements on how management should assess whether the going-concern basis of preparation is appropriate (M) • Develop enhanced specific disclosure requirements about the going concern assumption (M) • Develop requirements to specify the basis of accounting that applies when an entity is no longer a going concern (L) 		√	
8	Income taxes	<ul style="list-style-type: none"> • Develop educational materials • Develop accounting requirements for emerging types of taxes (S) • Develop enhanced disclosures about income taxes (M) • Undertake a comprehensive review of income tax accounting (L) 			√
9	Inflation	<ul style="list-style-type: none"> • Assess whether accounting requirements for hyperinflationary economies could be extended to economies subject to high inflation (S) • Undertake a comprehensive review of the accounting requirements for hyperinflationary and high-inflation economies (L) 			√
10	Interim financial reporting	<ul style="list-style-type: none"> • Develop enhanced disclosure requirements to provide an update on the latest complete set of annual financial statements (S) • Clarify what transition disclosures are required in interim financial statements in the first year of applying a new Standard or major amendment (S) • <u>Address interim accounting issues in each new IFRS Standard or major amendment as it is developed (M)</u> • Undertake a comprehensive review of Standard (L) 			√

			EFRAG's level of priority		
			High	Medium	Low
11	Negative interest rates	<ul style="list-style-type: none"> • <u>Develop specific accounting requirements for negative interest rates (M)</u> 		√	
12	Operating segments	<ul style="list-style-type: none"> • <u>Undertake targeted improvements to the segment aggregation criteria and develop enhanced disclosure requirements about operating segments (M)</u> 		√	
13	Pollutant pricing mechanisms	<ul style="list-style-type: none"> • <u>Develop accounting requirements for various types of pollutant pricing mechanisms (L)</u> 			√
14	Separate financial statements	<ul style="list-style-type: none"> • Develop more disclosure requirements in separate financial statements (S) • Address some of the specific application questions about separate financial statements (M) • <u>Undertake a comprehensive review of the Standard for separate financial statements (L)</u> 			√

APPENDIX 2: OTHER POSSIBLE TOPICS OF EUROPEAN PUBLIC INTEREST

- 51 The European Commission recently ran a consultation on the *Renewed Sustainable Finance Strategy*. This consultation investigated whether stakeholders saw any area in existing financial accounting rules (based on the IFRS framework) which may hamper the adequate and timely recognition and consistent measurement of climate and environmental risks. The following areas were reported⁶ by respondents
- (a) **Impairment and depreciation rules:** most respondents suggested that environmental and climate risks should be considered as part of the reporting under existing IFRS standards. Several respondents indicated that IFRS depreciation rules do not fully reflect climate risks. Other respondents mentioned that the current body of IFRS standards can cater for climate and environmental risks, but companies should disclose the (key) assumptions used for impairment and depreciation charges and align these with the **Paris Climate agreement**. Auditors should review this. Companies should also better align their narrative reporting on climate and environmental risks with the financial statement numbers.
 - (b) **Provisioning:** Several respondents pointed at the importance of adequate provisioning for (future) **climate change impact**. This also because charges for provisioning are costs that reduce companies' distributable amounts for dividend pay-out. Some respondents called for disclosures about how companies factor climate-related risks into the best estimate of provisioning amounts. A Few respondents pointed out that IFRS rules on provisioning for future risks are too strict to allow sufficient provisions for repairing.
 - (c) **Contingent liabilities:** most stakeholders highlighted the need for additional emphasis on significant **climate-related contingent liabilities** and to consider the impact of biodiversity.
 - (d) **Other:**
 - (i) most stakeholders indicated that IFRS Standards do not allow for a proper reflection of sustainability risks. Several respondents mentioned that the IFRS short-term cash flow generation focus and the long-term character of (future) sustainability risks, which are often not reflected in market prices, make it unlikely to capture all sustainability risks in financial statements. Some respondents considered that existing IFRS Standards can adequately capture the financial implications of sustainability risks but more IASB / EFRAG guidance is needed on this.
 - (ii) Several respondents pointed at a specific IFRS 9 accounting issue: the classification of sustainability linked (e.g., green) loans that were largely non-existing when IFRS 9 was issued in 2014. Contractual links to sustainability performance targets can imply that such loans do not meet the criteria for measurement at amortised cost. Consequently, under IFRS 9, companies (in particular financial institutions) should measure these at fair value, which does not reflect the hold to collect cash flows business model.

⁶ [Source: Consultation on the renewed sustainable finance strategy - Summary of Responses](#)