

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in 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.

Third IASB Agenda Consultation – summary of EFRAG TEG recommendations - Background paper

Objective

- 1 The objective of this paper is to provide a summarised overview of EFRAG TEG recommendations as discussed in the EFRAG TEG meeting of 28 September 2021.

EFRAG TEG agreed with the following changes to Question 1:

- 2 Instead of saying that projects should always be selected on the basis of their relevance and urgency rather than based on their resource needs, it should be stated that the IASB should prioritise its resources to ensure that important urgent issues can always be considered.
- 3 Note that the high number of PIRs envisaged in the upcoming IASB's work plan may slow these down. Therefore, it should be suggested that the IASB should revisit the PIR process to improve its efficiency to the extent possible. In addition, if application issues emerge before the PIR takes place, the IASB should tackle them in a timely manner.
- 4 Remark that in some cases there might be a fine line between activities on maintenance and consistent application of IFRS Standards and on major amendments to IFRS Standard. It should be noted that four of the six high priority financial reporting issues included in question 3 of the comment letter, could share both activities as these are major amendments but they may also improve existing standards.
- 5 It should be suggested that the functioning of the IFRS Interpretations Committee should be reviewed as constituents raised some concerns about it.
- 6 Other minor changes were proposed and agreed upon.

EFRAG TEG agreed with the following changes to Question 2:

- 7 In its draft response, EFRAG thought that the IASB should only apply the four criteria included in the IASB's due process handbook.
- 8 EFRAG TEG noted that while some respondents supported EFRAG's tentative position, more respondents supported the seven criteria suggested by the IASB. Some of the constituents supporting the seven criteria suggested by the IASB, thought that the additional three criteria should be added to the due process handbook. EFRAG TEG also noted that the criteria in the Due Process Handbook should apply to all projects that could potentially be included on the IASB's workplan and not only to projects resulting in new IFRS Standards and major amendments. EFRAG TEG therefore recommends that EFRAG's response provide some support for the criteria, but also recommends that the IFRS Foundation's Due Process Oversight Committee should consider whether, and if so how, the additional criteria should be added to the Due Process Handbook as there could otherwise be some alignment issues.

- 9 EFRAG TEG also noted the comment that the ‘capacity of the IASB and its stakeholders’ criterion should be given more importance. EFRAG TEG thus noted that the capacity of stakeholders to provide input to the IASB was a necessary condition for high-quality standards. EFRAG TEG decided to recommend this in the response to the IASB and note that the capacity of stakeholders would be further limited as a result of stakeholders having also to consider sustainability reporting.
- 10 EFRAG TEG considered the comment from some constituents that some of the criteria should be more important than others, but thought that would not be possible to attach different weights to different criteria. In addition, it was noted that considering the first four criteria to be more important than the last three criteria would be inconsistent with the recommendation to emphasise the importance of the capacity of stakeholders.
- 11 EFRAG TEG noted the comment of some respondents that the reference to ‘investors’ in one of the criteria in the RFI was too narrow. EFRAG TEG noted that the Due Process Handbook for the same criterion refers to ‘those who use financial reports’. EFRAG TEG, however, noted that a footnote in the RFI explained that ‘investors’ should be considered to mean the primary users as specified in the *Conceptual Framework for Financial Reporting*. EFRAG TEG noted that with the introduction of sustainability information it becomes important to be precise and specific when specifying user groups. EFRAG TEG recommended this to be included in the response to the IASB.
- 12 In its draft response to the IASB, EFRAG noted that the IASB could consider additional factors when prioritising financial reporting issues. However, the EFRAG TEG had some sympathy for the argument of one of one respondent, which was also included in EFRAG’s consultation document, that these additional factors could be covered by the current criterion: ‘Whether there is any deficiency in the way companies report the type of transaction or activity in financial reports’. EFRAG TEG accordingly recommended amending/clarifying EFRAG’s comment letter to suggest that the IASB should consider whether the factors can be used to assess, among other factors, whether there is a significant deficiency in the way companies report a transaction or activity in financial reports.

EFRAG TEG agreed with the following changes to Question 3:

- 13 Some EFRAG TEG members were of the view too many high priority projects were selected. However, it was noted that some of these projects are not new projects but rather relate to maintenance of existing standards. Others agreed with the proposed high priority project list.
- 14 High priority projects are to be listed in alphabetical order and it is to be indicated that sustainability reporting, crypto assets-liabilities and intangibles were preferred by constituents.
- 15 To add financial instruments with ESG features and their treatment under IFRS 9 as an urgent and prevalent issue to bring consistency with the message to limit the number of new projects.
- 16 Views on IFRS 5 differed but it was concluded not to request a Post Implementation Review for this Standard as the shortcomings were well known.
- 17 To describe the topics that were not selected as high priority as medium priority.