

This paper provides the technical advice from EFRAG FR TEG to the EFRAG FRB, following EFRAG FR TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG FRB. 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 FRB are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

## Supplier Finance Arrangements

### Cover note

#### Objective

- 1 The objective of this session is to discuss and approve the endorsement advice letter on the Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) ('the Amendments') as recommended by EFRAG FR TEG.
- 2 To support the decision making of the EFRAG FRB, the EFRAG Secretariat will provide a summary of the feedback received in response to the consultation on EFRAG's draft endorsement advice and a summary of the feedback obtained from the outreach events. EFRAG FR TEG considered this feedback to make its decision.

#### Background

- 3 In November 2021, the IASB published its Exposure Draft on Supplier Finance Arrangements ('[the ED](#)'), which proposed amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* that would require entities to disclose additional information in the notes about Supplier Finance Arrangements ('SFAs').
- 4 EFRAG published its [comment letter](#) on the ED on 28 March 2022. In its comment letter, EFRAG broadly supported the IASB's project which enhanced the transparency of reporting for SFAs and increased conformity with existing disclosure requirements in IFRS Accounting Standards.
- 5 However, EFRAG considered that the IASB's proposals did not completely address the wider issue of presentation and classification of such arrangements in the primary financial statements, the necessary transparency on liquidity risk and working capital leverage. EFRAG also considered that, at a later stage, further efforts were needed in terms of reporting for such arrangements and encouraged the IASB to consider possible improvements related to SFAs in other cross-related projects.
- 6 In November 2022, the IASB considered the feedback received from respondents together with the IASB staff analysis and recommendations on how to proceed on the project and took a number of tentative decisions related to the proposed disclosure requirements in the ED. An overview on the decisions taken by the IASB can be found in the following EFRAG FR TEG paper ([AP 06-02 EFRAG FR TEG 18-01-2023](#)).
- 7 On 25 May 2023, the IASB issued the final Amendments. A link to the IASB publication, on EFRAG's website, is provided under permission of the IASB and is only valid until the publication of the Amendments in the official journal ([here](#)).

## Supplier Finance Arrangements – Cover note

- 8 Appendix A of agenda paper 08-01 discussed at the EFRAG FRB meeting of 5 July 2023 ([here](#)) shows that most of the comments included in EFRAG’s comment letter were addressed by the IASB.
- 9 The European Commission sent a letter on 26 May 2023 requesting EFRAG to provide advice on the endorsement of the Amendments ([here](#)). The letter does not identify specific additional issues to consider.

### Draft endorsement advice

- 10 On 18 July 2023, EFRAG published its draft endorsement advice (DEA) on the Amendments. EFRAG’s initial assessment was that the Amendments met the technical requirements for EU endorsement as set out in the IAS Regulation and that endorsing the Amendments was conducive to the European public good.
- 11 In parallel to the consultation of the DEA, EFRAG has conducted limited outreach activities due to the concern from some constituents about the challenges for an entity to disclose the carrying amount of financial liabilities that are part of SFAs for which suppliers have already received payment. EFRAG has also consulted national standard-setters and users on its preliminary assessment of the costs and benefits and on the usefulness of the Amendments. A summary of the outreach activities and the comment letters received is included in agenda paper 06-02.
- 12 On 21 September 2023, EFRAG FR TEG agreed to recommend the final endorsement advice letter for approval. The EFRAG Secretariat have considered the feedback obtained from the consultation of the DEA and the outreach activities to prepare the final endorsement advice. Some concerns on the scope of the Amendments were discussed at the EFRAG FR TEG meeting.

#### Questions for EFRAG FRB

- 13 Does the EFRAG FRB have any comment on agenda papers 06-02 and 06-03?
- 14 Does the EFRAG FRB approve the endorsement advice letter contained in agenda paper 06-03?

### Agenda Papers

- 15 In addition to this cover note, agenda papers for this session are:
  - (a) Agenda paper 06-02 – Comment letters & outreach analysis; and
  - (b) Agenda paper 06-03a – Letter to the EC regarding endorsement of Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) (changes marked from DEA);
  - (c) Agenda paper 06-03b – Letter to the EC regarding endorsement of Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) (‘clean’).