



# EFRAG UPDATE

JANUARY 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.

## **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 still 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 until further notice have been turned into electronic format (see below);
- 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 during working hours. The EFRAG offices are closed for visitors

You can find contact details [here](#).

## PUBLICATIONS

### **Final Comment Letter**

On 29 January 2021, EFRAG published its final comment letter in response to the IASB discussion paper *DP 2020/1 Business Combinations—Disclosures, Goodwill and Impairment*. In the letter, which benefits from the results of the extensive outreach conducted with European stakeholders, EFRAG supports the objective to explore whether companies can, at a reasonable cost provide investors with more useful information about acquisitions and addresses some practical aspects of such requirements. EFRAG notes room for improvement in goodwill accounting. Considering that an accounting policy should only be changed if it would provide reliable and more relevant information, EFRAG suggests the IASB further explore improvements to existing impairment test and any cost and consequences of reintroducing amortisation.

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



### Change in EFRAG TEG composition

The new EFRAG TEG composition has been approved by the EFRAG Board. EFRAG TEG will welcome effective from 1 April 2021 two new members: **Dennis Jullens** and **Massimo Tosoni**. Two EFRAG TEG members have been reappointed: **Erlend Kvaal** and **Olivier Scherer**. One vacancy has been left for candidates with a general accountancy profession background.

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

### Call for EFRAG TEG members

EFRAG is calling for candidates with an accountancy profession background with an EEA nationality other than France, Germany, Italy and Spain for the 2021 EFRAG TEG rotation.

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

### Change in composition of EFRAG Working Groups

EFRAG announced that **Ralph Welter** has been appointed Chair of the EFRAG Rate-regulated Working Group. He succeeds **Gerard van Santen** who has joined the EFRAG Board. The EFRAG Insurance Working Group welcomed two new members appointed by EFRAG TEG: **Matteo Brusatori** and **Cardi van Capelle**.

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

## WEBINARS AND ON-LINE OUTREACHES

### EFRAG survey relating to the *Post-Implementation Review of IFRS 10, 11 and 12*

EFRAG encourages constituents to participate in its survey about the *Post-implementation Review of IFRS 10, 11 and 12*. Responses are requested by **16 April 2021**.

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

## OPEN CONSULTATIONS

Title and description	Closing date
EFRAG Draft Comment Letter on the IASB Exposure Draft ED/2020/4 <i>Lease Liability in a Sale and Leaseback (Proposed Amendments to IFRS 16)</i>	22 February 2021
EFRAG survey on the <i>Post-Implementation Review of IFRS 10, 11 and 12</i>	16 April 2021
EFRAG Discussion Paper <i>Accounting for Crypto-Assets (Liabilities) - Holder and Issuer Perspective</i>	31 July 2021



For more information please see [EFRAG's consultations page](#).

## EFRAG BOARD

### Webcast meetings

The EFRAG Board held a webcast meeting on [14 January 2021](#) and discussed the following topic:

#### **IASB Project *Goodwill and Impairment***

The EFRAG Board considered the feedback received on the EFRAG draft comment letter on the IASB discussion paper *DP 2020/1 Business Combinations—Disclosures, Goodwill and Impairment* including the possible reintroduction of amortisation. It was decided to report to the IASB the move in opinion towards the amortisation of goodwill and then to elaborate on a number of outstanding points. The EFRAG Board agreed to reconvene on 26 January 2021 to approve the final comment letter.

The EFRAG Board held a webcast meeting on [26 January 2021](#) and discussed the following topic:

#### **IASB Project *Goodwill and Impairment***

The EFRAG Board approved the final comment letter on the IASB discussion paper *DP 2020/1 Business Combinations—Disclosures, Goodwill and Impairment*.

### **Next meeting**

The EFRAG Board will hold a next webcast meeting on [3 February 2021](#).

### January 2021 written procedures

The EFRAG Board has not approved any documents using written procedures in January.

### Expected February 2021 written procedures

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

## EFRAG TECHNICAL EXPERT GROUP (TEG)

### Webcast meetings

EFRAG TEG held a webcast meeting on [13 January 2021](#) and discussed the following topics:

#### **IASB Research Project *Business Combinations under Common Control***

EFRAG TEG discussed and agreed to recommend to the EFRAG Board a draft comment letter on the IASB DP/2020/2 *Business Combinations under Common Control* (BCUCC). EFRAG



TEG broadly agreed with the IASB proposals. However, members considered that the scope could be clarified, the IASB's flowchart on measurement selection could be improved and raised a few points on the application of the acquisition method and a book-value method to BCUCC. EFRAG TEG decided to include questions to constituents on these areas.

EFRAG TEG held a webcast meeting on [19 January 2021](#) and discussed the following topics:

#### **IASB Publication *Classification of Liabilities as Current or Non-current***

EFRAG TEG considered comments received in response to EFRAG's Invitation to Comment on its draft endorsement advice on the Amendments to IAS 1 *Presentation of Financial Statements* and the impact of the agenda topic discussed by the IFRS Interpretations Committee (IFRS IC) meeting of December 2020 on the final endorsement advice.

EFRAG TEG proposed to further investigate the consequences of the Amendments after the conclusion of IFRS IC December 2020 consultation.

No decisions were taken at the meeting.

#### **IASB Project *Management Commentary***

EFRAG TEG discussed tentative decisions made by the IASB since July 2021 and expressed preliminary views on the proposals expected to be included in the exposure draft to be published in April 2021.

No decisions were taken at the meeting.

#### **IASB Research Project *Pension Benefits that Depend on Asset Returns***

EFRAG TEG was provided with an update on the status of the IASB's research project *Pension Benefits that Vary with Asset Returns* and discussed the IASB's proposed 'capped' ultimate cost adjustment model.

No decisions were taken at the meeting.

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

EFRAG TEG received an update on the status of the IASB work with regard to the *Post-Implementation Review of IFRS 9 Financial Instruments – Classification and Measurement*.

No decisions were taken at the meeting.

#### **Next meeting**

EFRAG TEG and EFRAG TEG-CFSS will hold a next webcast meeting on [3-4 March 2021](#).



## EUROPEAN REPORTING LAB

### European Lab Steering Group

On 22 January the European Lab Steering Group (European Lab SG) had an exchange of views on the outreach document published by the PTF-NFRS in the context of its outreach activities to collect input on its tentative proposals to the European Commission (see below for more details).

On 27 January the European Lab SG held a webcast meeting in which it received project progress updates from:

- the co-Chairs of the Project Task Force on reporting of non-financial risks and opportunities and linkage to the business model (PTF-RNFRO, see below);
- the Chair of the Project Task Force on preparatory work for the elaboration of possible EU non-financial reporting standards (PTF-NFRS, see below); and
- Jean-Paul Gauzès on his ad personam mandate on possible changes to the governance and funding of EFRAG if the latter were to become the European non-financial reporting standard setter (see below).

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

The PTF-RNFRO held plenary meetings on 13 and 28 January 2021. The four workstreams provided updates on the fieldwork conducted. In mid-January, the PTF-RNFRO launched a [survey questionnaire](#) to obtain stakeholder views on factors influencing current reporting practices related to non-financial risks and opportunities. In addition, as needed, follow-up interviews are being conducted with stakeholders. This feedback is intended to help contextualise the assessment of good reporting practices. The survey is open until the end of January.

### Preparatory work for the elaboration of possible EU non-financial reporting standards

During January 2021, the PTF-NFRS members discussed preliminary views, provided input and worked on the development of the proposals to be submitted to the European Commission in line with the relevant mandate. The overall process in January included two plenary meetings on 12 and 26 January 2021.

An outreach document was published on 11 January 2021, presenting the approach and possible orientations emerging from the ongoing work of the PTF-NFRS. A series of outreach events took place between 13 and 22 January 2021, with the objective to gather stakeholders'



views from different countries on the tentative proposals of the PTF-NFRS. The events took the form of public online webinars. The published outreach document served as a basis for the roundtable discussions at the events, that involved representatives from a wide range of stakeholder groups including the private and public sector, SMEs and civil society. Event participants contributed to the discussions through audience polling questions and the submission of written questions/comments. Five of the outreach events had a specific country/region focus (France, Germany, Italy, Spain and the Nordic countries), with a sixth event focused on obtaining input from European organisations as well as countries other than those where country/region specific webinars took place. A seventh event focused specifically on financial institutions. The overall number of event registrations was around 4 100 and viewers came up to almost 3 000.

It is noted that the European Commission has now extended the deadline for receiving the PTF-NFRS proposals to the third week of February 2021.

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

#### **Ad personam mandate of EFRAG Board President Jean Paul Gauzès**

In January 2021, Jean-Paul Gauzès considered the feedback received from his public consultation document and from his questionnaire to the of EU Member States representatives on the European Commission's Accounting Regulatory Committee (both consultations closed on 13 January 2021). He received 46 comment letters on his consultation document from a wide range of stakeholders. He continued his reflexion on the execution of his mandate and held an exchange of views with the EFRAG Board on 13 January 2021.

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

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

EFRAG was appointed as observer to the new Platform on Sustainable Finance (PSF) launched by the European Commission. EFRAG attends the plenary sessions of the PSF as well the sessions of Subgroup 5 on Data and Usability which is itself divided into four workstreams (Data, Accounting, Stakeholders and Outreach). EFRAG contributes to the workstream on 'Accounting'.

In January 2021, EFRAG attended the fourth plenary meeting of the PSF where progress of the different Subgroup activities was presented by their leaders, the European Commission provided an update on the Platform's work and the Chair of the PSF presented some of the feedback received on the operation of the Platform and some suggestions for the work forward. EFRAG also participated in a number of Subgroup 5 meetings and breakout sessions as well as in meetings of the Accounting work stream.

#### **Next steps**

The dates of the meetings of the European Lab Steering Group for February and the rest of the year are in the process of being set.



The next plenary meetings of the PTF-NFRS are scheduled for 4 and 15 February 2021, with a view to conclude on the project and the report to be delivered to the European Commission in line with its mandate.

Plenary meetings of the PTF-RNFRO are scheduled for 11 and 25 February 2021.