

Accounting Standards Advisory Forum meeting
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ASAF

EFRAG's comment letter on the IASB's Agenda Consultation

December 2021

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Overall balance of activities

- The overall balance of the main activities of the IASB should reflect the selection of projects as resulting from this Agenda Consultation.
- The balance, as indicated in the RFI, is generally appropriate and should not be substantially modified over the 2022–2026 period.
- IFRSs are a mature reporting platform, hence more effort on maintenance and improvement of existing standards, including their understandability, compared to what is proposed in the RFI
- Suggest to increase the resources devoted to digital reporting
- Suggest a separate area: area connecting financial and sustainability reporting
 - Financial and sustainability reporting are currently not formally connected
 - Cooperation between financial reporting standard setters and sustainability reporting standard-setters to ensure the continuity and coherence of corporate reporting
 - 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.

Priorities

- Focus on finalising the projects in its active work plan
- Conducting on a timely basis the Post-implementation Reviews of IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and, towards the end of the 2022-2026 period, IFRS 17 Insurance Contracts
 - The high number of PIRs envisaged in the IASB's work plan may slow down the process to finalise some PIR projects. EFRAG recommends to revisit the PIR process to improve its efficiency to the extent possible. Application issues that emerge before the PIR is conducted should be addressed in a timely manner
- Although we understand that only a limited number of projects can be added to the IASB's agenda after setting aside capacity for the current active work plan and planned PIRs, EFRAG considers that, in adding projects to its agenda, the IASB should primarily rely on their relevance and urgency rather than the level of resources involved
- Continue to build on the work of other organisations such as EFRAG and other regional standards bodies, at standard setting level but also on topics not on the IASB's current agenda – it would allow the IASB to move faster.

Criteria

- The seven criteria suggested in the RFI are useful. EFRAG also suggests to consider updating the Due Process Handbook to reflect them.
- Consider the capacity of stakeholders to assess the proposals and provide input of a high quality, as an essential element for the IASB to issue high-quality standards. In this regard it could be noted that stakeholders' capacity is limited and in the coming period will also have to be used on sustainability reporting.
- EFRAG also suggests some factors that could be considered when assessing whether there is any deficiency in the way companies report the type of transaction or activity in financial reports.
 - Whether the proliferation of non-GAAP measures is indicative of the fact that some Standards are not considered to reflect the economic reality of transactions
 - Whether evidence of structuring opportunities exists to achieve an accounting outcome.

List of high priority projects

- Intangibles (*)
 - Sustainability in financial reporting, starting from climate (including connectivity and pollutant pricing mechanisms); and
 - Crypto assets-liabilities (*)
 - SPPI test for instruments with ESG features - this issue should be lifted from PIR IFRS 9 and treated as an urgent issue separately
 - Discontinued operations and disposal groups
 - Statement of cash flows and related matters and
 - Variable and contingent consideration (*)
- The first 3 topics attracted most of support in the EFRAG public consultation while the SPPI test for ESG topics has emerged as a priority topic in the outreach leading to EFRAG DCL on the IFRS 9 PIR.
 - (*) EFRAG proactive research may inform the IASB project (EFRAG DP on Cryptoassets issued in July 2020, EFRAG DP on Intangibles issued in August 2021; EFRAG DP on Variable and Contingent Consideration expected in 1H2022).



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THANK YOU

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