



European Financial Reporting Advisory Group

# ANNUAL REVIEW 2017

FINANCIAL REPORTING  
IN EUROPE'S INTEREST



## ▶ ABOUT EFRAG

EFRAG - European Financial Reporting Advisory Group - is a private not-for-profit association established with the encouragement of the European Commission to serve the public interest. EFRAG's member organisations are European stakeholder organisations and national organisations with an interest in financial reporting and a commitment to EFRAG's public interest mission.

### MISSION STATEMENT

EFRAG's mission is to serve the European public interest by developing and promoting European views in the field of financial reporting and ensuring these views are properly considered in the IASB standard-setting process and in related international debates. EFRAG ultimately provides advice to the European Commission on whether newly issued or revised IFRS Standards meet the criteria in the IAS Regulation for endorsement for use in the EU, including whether endorsement would be conducive to the European public good.

EFRAG seeks input from all stakeholders, and obtains evidence about specific European circumstances, throughout the standard-setting process and in providing our endorsement advice. Our legitimacy is built on transparency, governance, due process (which may include field tests, impact analyses and outreaches), public accountability and thought leadership. This enables EFRAG to speak convincingly, clearly and consistently, and be recognised as the European Voice in financial reporting.



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## ▶ REPORT FROM THE EFRAG BOARD PRESIDENT



*In 2017, EFRAG successfully delivered on its mission to serve the European public interest by developing and promoting European views in the field of financial reporting. Much progress has been made in our three core activities of producing high quality research, influencing the development of IFRS Standards and providing endorsement advice to the European Commission.*

### GOVERNANCE

It was our first full year of operation under my presidency, completing the reformed EFRAG governance structure based on the Maystadt recommendations. The composition of our Board is balanced, the respective responsibilities of the various EFRAG bodies are well established, our financial situation is sound and our financing is secured going forwards.

EFRAG's legitimacy is built on transparency, governance, due process - including field tests, impact analyses and outreach events - public accountability and thought leadership.

The European Commission's 2017 public consultation on the operations of the European Supervisory Authorities provided a welcome confirmation of the good work EFRAG is doing by signalling broad support for EFRAG's role, notably in the IFRS Standards endorsement process.

While it is clear to me that EFRAG is operating well, further enhancements can and must be envisaged. We are looking to improve in terms of geographical representativeness, gender balance and in the continuity and complementarity of the work performed throughout the organisation - from working group to TEG to Board level.

To help guide us in this matter, EFRAG commissioned a perception audit. By sampling stakeholders in this way we want to gain valuable insights into how our role and activity is understood.

### FINANCIAL REPORTING COMMUNITY

Throughout 2017 we have prioritised our outreach efforts with Europe's financial reporting community. I especially appreciate this enhanced cooperation between EFRAG and its stakeholders, notably preparers, accountants, auditors, users, academics and national standard setters (NSS). After all, we have a collective duty to build a strong platform that promotes European views in the field of financial reporting.

In fact, I believe that we have the potential to do even more, in particular by pooling or coordinating our ideas and resources. That is why I initiated and led a round of in-depth discussions with the leaders of EFRAG's member organisations, including the Administrative Board and its Chairman of the German standard setter and with the Board of the Luxembourg standard setter, CNC and its Chairman. I also met with the Chairs of the European supervisory agencies and the Vice-President of the ECB - organisations that have observer status on the EFRAG Board.

The EFRAG-OIC stakeholder event held in Rome in October 2017, at which the EFRAG Board participated, was a prime example of what such joint initiatives can offer. EFRAG's reach into the financial reporting community got another timely boost when ICAC, the Spanish standard setter, became EFRAG's latest member organisation at the General Assembly in

October. This new membership is the first response to the action taken to increase the number of national organisations that are members of EFRAG.

## PUBLIC GOOD CONSIDERATIONS

EFRAG works hard to ensure that the European views are properly considered in the IASB standard-setting process. We also advise the European Commission on whether standards meet the criteria for endorsement for use in Europe, including whether endorsement would be conducive to the European public good.

Looking beyond our technical accomplishments, the most notable of which EFRAG TEG Chairman and CEO Andrew Watchman highlights in his report, we also remain attentive to the wider context in which standards exist.

The recommendations of the European Parliament - and its IFRS Permanent Team in particular - provide an important barometer of that context. In 2017, we have been able to meet with this Group, led by MEP Theodor Stolojan, to discuss the work in progress and to explore how the Parliament can best contribute to the endorsement process.

## IMPACT ASSESSMENT

A unique feature of EFRAG in the post-Maystadt era is our enhanced ability to provide high quality impact assessments as part of the endorsement process. We need to consider both the technical accounting aspects and the wider impacts the new standard would have on the European ecosystem. In developing an impact assessment, we are examining whether a standard could have significant unintended consequences once implemented.



I fully realise that this task is not easy, in particular with complex standards. However, as we demonstrated with IFRS 16 *Leases*, such an assessment is worthwhile and strengthens the endorsement process. Next up is IFRS 17 *Insurance Contracts*. Once again, we will need to have the European public good dimension top-of-mind, even if the concept can sometimes appear nebulous. Again, we will need to exercise judgement when necessary, with the assistance of our community of stakeholders and observers.

## STANDARDS OF THE FUTURE

Many exciting new ideas are being expressed in the field of corporate reporting. A clear message coming through is that technological developments are having an increasing impact on the generation, dissemination and consumption of financial statements. There is a need for a fuller consideration in the disclosure debate.

I believe that directly or via our stakeholders EFRAG can make a significant contribution to the development of a new vision of corporate reporting from a European perspective. EFRAG provides the platform or forum from where progress can be considered. This idea does not imply significant additional resources, it simply implies mobilising and coordinating resources. It also implies being open-minded and being ready to contribute to the debate in this crucial area.

## CONTINUED COOPERATION

Finally, let me take this opportunity to thank all EFRAG Board members, EFRAG TEG members, observers, working group members and staff, for their dedicated contribution during the year. I would also like to mention the European Commission, the Accounting Regulatory Committee (ARC) and the European Parliament with which confident working relationships are now well established.

**Jean-Paul Gauzès**  
EFRAG Board President

## ▶ REPORT FROM THE EFRAG TEG CHAIRMAN AND CEO



*With our new leadership team in place, in 2017 our stakeholders expected EFRAG to fully deliver the ambition of our post-Maystadt structure and expanded public good mandate. I believe we have done exactly that, moving ahead with our 2017-2020 Strategy and taking steps to position the organisation for the future.*

### ENDORSEMENT-RELATED WORK

At the start of the year EFRAG delivered final endorsement advice on the IASB's Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*. EFRAG has long argued that requiring insurance companies to implement IFRS 9 before the new insurance contracts standard (IFRS 17 *Insurance Contracts*) would cause unnecessary cost and disruption. We therefore welcomed the IASB's Amendments, which include an option for predominant insurers to defer IFRS 9 until 2021. EFRAG recommended endorsement, but noted that the restriction to predominant insurers could create a competition issue. The Amendments were indeed endorsed, along with a European 'top-up' which extends the option to defer IFRS 9 to insurance entities that do not meet the IASB's predominance condition.

In March we delivered final endorsement advice on IFRS 16 *Leases*. For the first time EFRAG's advice was underpinned by a robust macro-economic impact analysis. We investigated the generic topics of costs, benefits and the risk of unintended negative consequences for European competitiveness, economic development and financial stability, and more specific topics such as anticipated effects on the leasing industry and the cost and availability of leasing as a source of finance for SMEs and other businesses.

EFRAG's advice was positive, and IFRS 16 was endorsed later in 2017. The European Commission and the IFRS Permanent Team of the European Parliament emphasised that our comprehensive impact analysis contributed to an efficient endorsement process. Timely endorsement also met the requests of several major European companies to be able to apply IFRS 16 at the same time as the new revenue recognition standard that is from 1 January 2018.

Impact analysis is again a key part of our endorsement advice process for IFRS 17, which is well under way and will continue throughout 2018. EFRAG is also committed to researching wider impacts throughout the standard-setting process and we plan to pilot an early-stage analysis on the IASB's forthcoming Discussion Paper *Financial Instruments with Characteristics of Equity*. Impact analysis places the real-world concerns of business and other stakeholders at the core of EFRAG's work.

Finally, a brief word on EFRAG's endorsement advice on the recent Amendments to IFRS 9 *Prepayment Features with Negative Compensation*. Without going into details, the publication of these Amendments – only three months before the effective date of IFRS 9 – presented a timing issue for Europe. EFRAG's ability to deliver final endorsement advice just four weeks after the publication date has avoided headaches for European preparers and users of financial statements.

## INFLUENCING THE DEVELOPMENT OF IFRS

To be influential in the development of IFRS Standards, EFRAG is involved right from the start of every project. The IASB is currently working on several important but early stage projects.

Our areas of focus in 2017 included the IASB's projects on *Financial Instruments with Characteristics of Equity*, *Rate-regulated Activities*, *Dynamic Risk Management*, and *Primary Financial Statements*. None of these projects reached a formal consultation stage in 2017 but EFRAG was able to provide input – and flag concerns when necessary – through various other channels including ASAF.

The IASB's *Principles of Disclosure* project did lead to a Discussion Paper in 2017 and EFRAG finalised its response in October. Improving disclosures in financial statements has been a high priority for many years: EFRAG's and our partners' 2012 Discussion Paper *Towards a Disclosure Framework for the Notes* made an important contribution to the debate. Our 2017 comment letter was informed by an extensive programme of outreach events carried out jointly with NSS and in cooperation with the IASB. I greatly appreciated engaging with NSS and stakeholders across Europe. Our letter calls on the IASB to prioritise a standard-by-standard review of disclosures with the aim of developing a coherent and comprehensive – but concise – set of requirements.



## RESEARCH ACTIVITY

EFRAG's research work is essential to our longer-term influence and part of Europe's contribution to the international debate on financial reporting. Highlights in 2017 included our Discussion Paper *The Goodwill Impairment Test: Can It Be Improved?* and our assessment phase study responding to the European Commission's request for advice on potential long-term investing effects of IFRS 9's requirements on accounting for equity instruments.

EFRAG's research recommendations are evidence-based. Cooperation with the academic community helps us to achieve this. We made strong progress in this area in 2017, in particular by establishing EFRAG's Academic Panel and recruiting our first Academic Fellow to the team.

In 2018, we will launch a public consultation to help inform the EFRAG Board's decisions on the topics to address. EFRAG's future research agenda can help to ensure that Europe is at the forefront of developments in financial reporting – but only if we focus on the most important issues.

## EFRAG'S PEOPLE

EFRAG is nothing without our people and I would like to acknowledge the professionalism and dedication of everyone in the team. We operated with a below-budget headcount in 2017, but we have taken steps to address this while investing in our current people.

**Andrew Watchman**  
EFRAG TEG Chairman and CEO



## ▶ SPARKING THE DEBATE

One of the ways EFRAG gathers insight into financial reporting is through stakeholder events around Europe. These events, typically co-hosted with member organisations, are a targeted way of gathering opinion on the evolving world of financial reporting. In 2017, EFRAG held 11 such events, in 9 countries.

### ACCOUNTING MEETS VALUATION

The EFRAG conference on the use of fair value in financial reporting brought together valuation and financial reporting perspectives. Jean-Paul Gauzès, EFRAG Board President, noted that the objective of the event, held on 5 December 2017 in Brussels, was to “take stock of the latest views on fair value, a topic that encourages much debate.”

Six years after IFRS 13 *Fair Value Measurement* was issued, EFRAG wanted to understand how practice has developed and what challenges remain. The conference brought together leading preparers, valuation experts, users, regulators and academics to discuss the merits, limitations and challenges of fair value in financial reporting.

Fair value involves reporting an asset or liability based at its current market price. The participants at the event largely agreed that fair value enhances the transparency, comparability and relevance of financial statements. However, the challenges in applying fair value, especially when market conditions fluctuate significantly or prices are not observable, were highlighted in the panel discussion.

Fair value accounting can result in volatility in earnings and on the balance sheet of companies that apply IFRS Standards. The EFRAG conference asked whether such volatility could be problematic and sought to identify lessons learned about fair value in theory and in practice since the global financial crisis.

Pertinent questions were discussed: experts were asked for their views on whether fair value can be pro-cyclical or whether it encourages short-termism. It was noted that while fair value measurement may sometimes result in short term gains, it can also result in earlier loss recognition. How can fair value be measured in the absence of quoted prices in active markets? Panellists emphasised that fair values are then estimates, and standards are vital to ensure a consistent and neutral basis for estimation.

As for all such outreach events, EFRAG issued a report summarising the day’s discussion. The report and the speaker presentations are available from the EFRAG website.

**“Poor valuation practice was a significant contributor to the 2008 financial crisis. The remedy is valuations undertaken in accordance with generally accepted principles.”**

**Sir David Tweedie**

Chairman of the Board of Trustees of the International Valuation Standards Council (IVSC) & keynote speaker at the EFRAG fair value event





*“By providing a unique mix of public and private sector actors, EFRAG is proactive in developing a European vision for financial reporting.”*

Olivier Guersent  
Director-General of DG FISMA,  
European Commission



## IMPACT ANALYSIS AND BETTER COMMUNICATION

EFRAG, together with Italian member organisation Organismo Italiano di Contabilità (OIC), held a joint stakeholder event in Rome on 9 October 2017. The event reached out to Italian stakeholders on the topics of impact analysis and better communication through reporting.

The first round-table stressed the real-life economic effects of implementing new standards and the importance of impact analysis in identifying likely consequences. The need for early-stage analysis in the standard-setting process and the involvement of all stakeholders was highlighted. There remains an opportunity to better integrate the impact analysis work done by NSS at local level into the overall assessment made by EFRAG. The panellists felt that ex-ante impact analysis should be supplemented by ex-post analysis to confirm the accuracy of an initial assessment.

The second panel considered what, where and how information should be disclosed in the financial statements, the role of materiality judgements, implications of digital reporting and the interaction with other reporting requirements such as prudential reporting. The panellists called on the IASB to prioritise a comprehensive review of standards-level disclosure requirements and a deeper assessment of the impact of technology on the future of financial reporting.

The EFRAG–OIC event speakers comprised board members from EFRAG and the OIC, a representative of the European Commission and high level Italian stakeholders from the accounting, banking, business and regulatory fields.

The event was the final outreach activity prior to the finalisation of EFRAG’s comment letter on the IASB Discussion Paper Principles of Disclosure. All event details, including the summary report, are available from the EFRAG website.



## INVESTOR FOCUS

*Investors and analysts help to drive financial reporting information forwards. It is essential for EFRAG to be well informed about the needs and expectations of the users of financial statements when elaborating its views on IFRS Standards.*

EFRAG held three joint investor outreach events – in Brussels, Milan and Oslo – in 2017. The events primarily focused on getting feedback on the IASB's Disclosure Initiative. The Milan event also gathered views on IFRS 17 *Insurance Contracts* and on EFRAG's latest discussion paper on goodwill.

Outreach events complement the work of the EFRAG User Panel as does participation in CRUF, EFFAS FAC and similar groups. The Panel gets input from investors on key financial reporting questions and provides input to EFRAG TEG.

### THE INSIDE TRACK

Users who are part of the EFRAG community:

- Discuss specific issues regarding IFRS Standards in development
- Influence EFRAG's position in the standard-setting process
- Gain early insight into how changes to IFRS Standards may impact company analysis
- Get access to an extensive network
- Share views about future EFRAG projects

**“Gaps remain between the economic substance of business models and the way these are reported. Having invested across all industry groups I want to bring insight to EFRAG about how proposed changes in accounting will impact markets.”**

**Jed Wrigley**

Fidelity, EFRAG User Panel member and incoming EFRAG TEG member

## THE USER PERSPECTIVE



EFRAG TEG and User Panel member Serge Pattyn, independent financial consultant.

### Are IFRS Standards meeting European users' expectations?

*I am very much convinced they do. More valuable information is being provided now than was the case say 15-20 years ago. It means that users can now better understand the financial position and performance of entities. However, users who are not familiar with the reporting grammar might not agree. Another concern is that more and better reporting sometimes leads to information overload.*

### How does EFRAG make a difference for users?

*EFRAG is now a centre of excellence for IFRS Standards in Europe. No one is better placed to consider the standard-setting process on behalf of the user community. However, there is still quite some work to do to improve engagement. It is clearly in the interest of users of financial statements to interact with EFRAG. The greater their participation the more decisive an impact they can have on financial reporting.*

### What topic are European investors most interested in?

*For investors, the Primary Financial Statements project, together with everything that is linked to Better Communication, is probably the most important project on the table right now. Comparability is a key feature in financial reporting. At present no two sets of financial statements look the same, so some form of standardisation is needed.*

## THE EXTERNAL PERSPECTIVE

*Survey of financial reporting community members provides actionable insight into how EFRAG's work, governance and influence is perceived by its stakeholders.*

To coincide with the ending of the first three-year term of the EFRAG Board following the implementation of the Maystadt recommendations, EFRAG commissioned an External Stakeholder Perception Audit. The aim was to gauge awareness of EFRAG's work in the financial reporting community and provide a snapshot of EFRAG's progress in delivering our European public interest mission.

The audit, which took place in the final quarter of 2017, reached out to national and international financial reporting standard setters, private sector actors from the banking, asset management, pension, and insurance industries, accountancy firms and many other financial actors including financial analysts.

The report provides a current perspective into the organisation's strengths and areas for improvement. Overall, the feedback suggests that those who interact closely with EFRAG hold overwhelmingly positive views. Stakeholders confirm the high quality of EFRAG's work while suggesting that that EFRAG should seek to boost its visibility and join the wider debate on corporate reporting.

**Visibility and influence** – while EFRAG is recognised as a highly influential body by those closely involved in standard-setting, work remains to be done on

demonstrating EFRAG's role in shaping financial reporting developments with some in the European financial reporting community. The findings suggest that enhanced outreach efforts to those stakeholders less closely involved in EFRAG's work but affected by it, would be useful. Such communications would serve to boost and deepen engagement with the broader financial reporting community.

### **Inclusiveness, transparency and accountability**

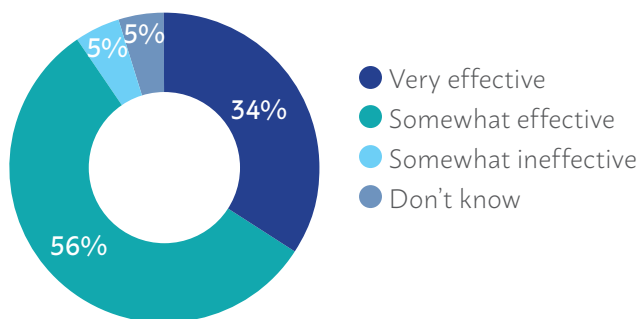
– the results were again positive, however, some reservations remain regarding the ability to capture the full breadth of stakeholder views in Europe. A possible solution is to explore how EFRAG could be more proactive in seeking feedback – especially with groups from outside its immediate sphere.

**Research agenda** – the quality of EFRAG's research work was met with high satisfaction, although some remained unaware of how research contributes to EFRAG's mandate. Others felt that leveraging EFRAG's research expertise on emerging topics in financial reporting could help position the organisation more prominently.

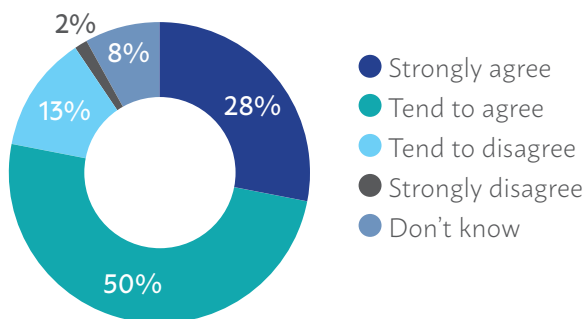
**Looking ahead** – interestingly, a variety of stakeholders expressed an appetite for EFRAG to consider wider corporate reporting issues, such as technology developments, sustainable finance, non-financial reporting, and long-term finance.

The perception audit provides valuable food for thought. The EFRAG Board will develop an action plan on the next steps for consideration by EFRAG's General Assembly in April 2018. This will help EFRAG to deliver continuous improvement and shape its future activities.

**EFRAG's influence on the development of IFRS Standards**



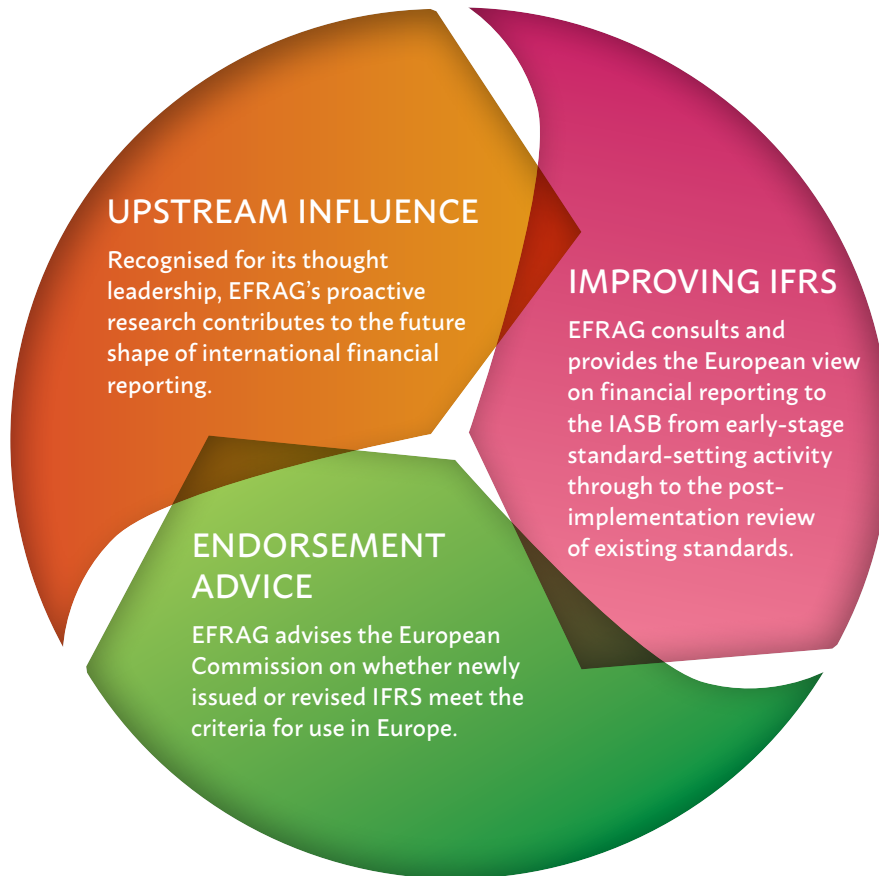
**EFRAG is effective in assessing IFRS Standards and the European public good**



# ► EFRAG ACTIVITIES OVERVIEW

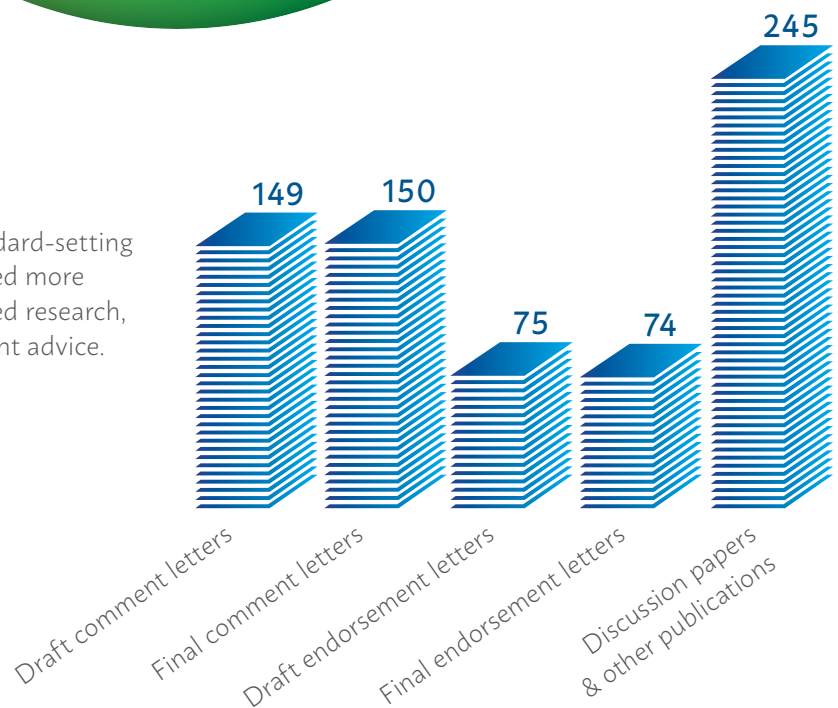
## CORE ACTIVITIES

To find out more about EFRAG's three core activities, visit: [www.efrag.org/activities](http://www.efrag.org/activities)



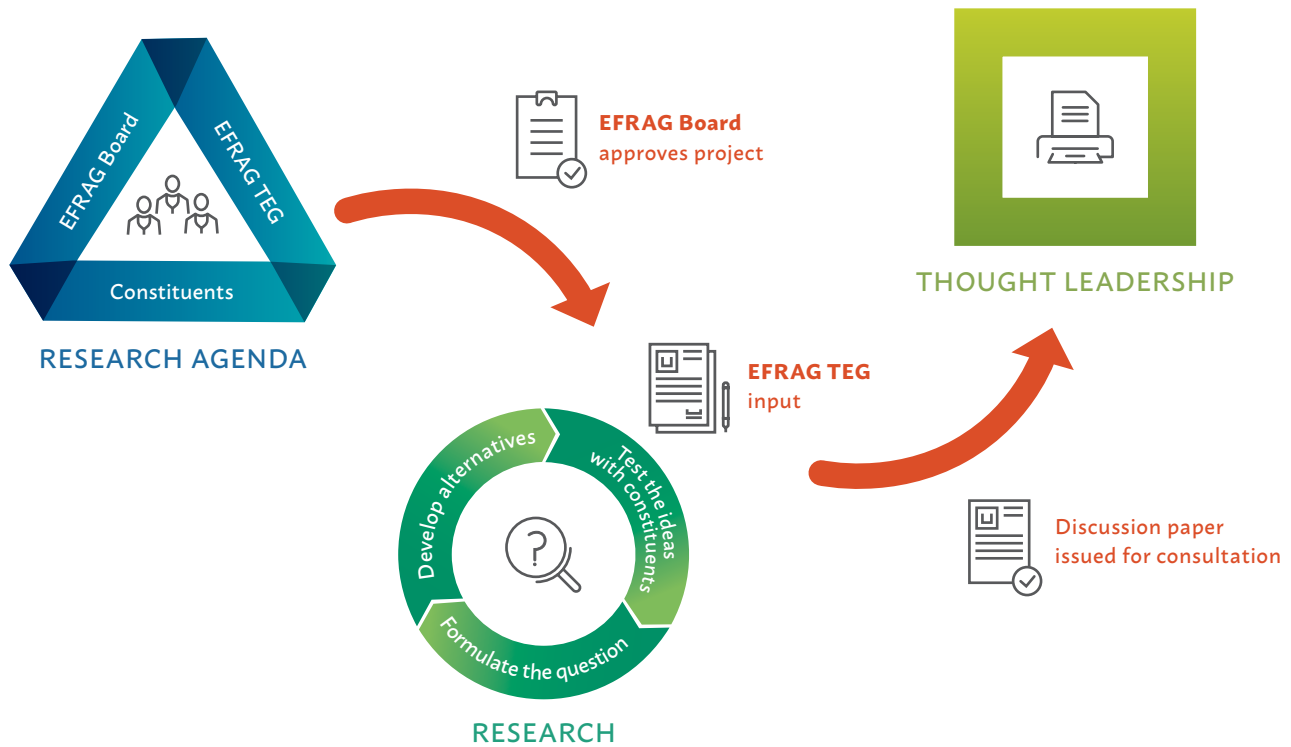
## PUBLICATIONS

EFRAG is highly influential in the IASB standard-setting process. Over the last 10 years it has published more than 690 documents covering evidence-based research, improvements to draft IFRS and endorsement advice.



## ► UPSTREAM INFLUENCE

EFRAG research influences future standard-setting by providing timely and effective thought leadership. In 2017, EFRAG's evidence-based studies of equity instruments and of goodwill have helped move thinking forward. EFRAG has also deepened its reach within the academic community.



### EVIDENCE-BASED RESEARCH

EFRAG is strongly committed to evidence-based research and as such has always sought dialogue with the academic world. With research now taking up a substantial part of the IASB's agenda, leading academic input has become essential for EFRAG's activities. During 2017, EFRAG has taken significant steps to underpin its links with the academic community.

The EFRAG Academic Panel was announced in April. Chaired by EFRAG TEG member Professor Günther Gebhardt, the panel consists of 17 European academics specialised in financial reporting, including IFRS Standards, and knowledgeable in related topics of interest to EFRAG.

The call for applicants generated such interest that EFRAG also decided to establish the EFRAG Academic Network as a wider virtual group contributing to and being informed about EFRAG's research activities.

### EFRAG RESEARCH

- **RESPONDS** to issues raised by the European financial reporting community;
- **PROVIDES** thought leadership on the principles and practices underpinning financial reporting;
- **PROMOTES** solutions that improve the quality of information, are practical, and enhance transparency and accountability; and
- **INFLUENCES** the development of IFRS Standards.



The Academic Panel met for the first time in September. The panel provides input on the content of EFRAG's research work, as well as insights into appropriate knowledge sources and tools to employ, methodologies and innovative ways of thinking around research issues. The Academic Panel thus further strengthens the European voice in the international financial reporting debate

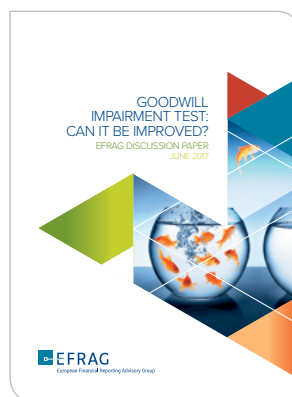
EFRAG also organised in September its first Academic Workshop. The objective was to explore some of the main issues around measurement. Following a general discussion on the objectives of measurement in financial reporting, subsequent working sessions focused on the purpose of discounting, how to reflect uncertainty in measurement and the implications of adopting the perspective of either the reporting entity or a market participant.

Reflecting its deep ties with the academic community, EFRAG regularly participates in academic community events. Highlights from the year included hosting a panel discussion at the European Accounting Association annual congress in Valencia in May. A distinguished panel of speakers moderated by EFRAG Board member Claes Norberg debated the EFRAG experience in assessing the wider impacts of new IFRS Standards on the European economy and how academic research may provide input to the process. EFRAG Board President Jean-Paul Gauzès was the keynote speaker at the European event. Another example was the participation in a panel discussion on goodwill and impairment trends at the 13<sup>th</sup> Workshop on European Financial Reporting event in Florence in September.

## IMPROVING THE GOODWILL IMPAIRMENT TEST

Goodwill arises in a business combination and, under existing IFRS Standards, must be tested for impairment at least annually. The IASB's Post-implementation Review of IFRS 3 *Business Combinations* noted various concerns with today's goodwill impairment testing requirements. EFRAG has been researching ways to address those concerns.

EFRAG has been at the forefront of the international debate on this complex and sometimes controversial topic. EFRAG published its first research paper on goodwill accounting in 2014, in coordination with the Italian and Japanese accounting standard setters. This was followed in 2016 by a quantitative study on trends in goodwill and impairment over ten years. In June 2017, EFRAG issued its third research publication: the Discussion Paper *Goodwill impairment test: can it be improved?*



The 2017 publication examined a number of potential amendments to the goodwill impairment test with the view to enhancing its application and effectiveness and reducing complexity. In an effort to advance the ongoing conceptual discussion on whether goodwill should only be tested for impairment

or also subject to annual amortisation, EFRAG focused on practical ways to improve the impairment test for goodwill, in an effort to bridge the gap between the two sides of the debate.

The 2017 publication illustrates possible improvements in areas such as the allocation of goodwill to cash-generating units, the introduction of a qualitative assessment test, or the calculation of value in use. EFRAG also addressed the long-standing issue of the potential shielding effect of goodwill generated after the acquisition date. Since this internally generated goodwill is not recognised on the balance sheet, it may offset the loss in value of the purchased goodwill and delay impairment losses. To address this, EFRAG designed a 'goodwill accretion' method to target the internally generated goodwill.

Many of the suggestions have since been taken-up by the IASB in its early-stage discussions. EFRAG was invited to present its goodwill accretion method at the September meeting of the Accounting Standards Advisory Forum (ASAF). EFRAG will assess the feedback from the financial reporting community to the discussion paper and use it to inform its thinking when responding to any future consultations arising from the IASB's Goodwill and Impairment research project.



## FUTURE RESEARCH AGENDA

EFRAG is deciding on the future research topics it wants to focus on. To help gather the best ideas, it will launch a consultation with the European financial reporting community in the second quarter of 2018.

## SUPPORTING LONG-TERM INVESTMENT IN EUROPE

When considering whether the application of a standard is conducive to the European public good EFRAG typically considers factors such as financial stability, economic growth and competitiveness.

In its Endorsement Advice on IFRS 9 *Financial Instruments*, EFRAG questioned whether the new accounting treatment of investments in equities would properly reflect the business model of long-term investors. EFRAG also assessed - based on the limited evidence available at the time - that it was unlikely that long-term investors would change their investment strategy as a result of IFRS 9. During the endorsement process, the European Parliament and some Member States underlined the importance of long-term investment for economic growth and called for close monitoring of the impact of IFRS 9.

IFRS 9's default requirement is that investments in equity instruments are carried at fair value with the changes in profit or loss (FVPL). Accordingly, when fair values are volatile, this will be reflected in reported performance. However, the IASB noted arguments that FVPL may not be indicative of performance for some investments and also provided an option to present fair value changes in Other Comprehensive Income (OCI). However, when this option is used the accumulated gain or loss on disposal is retained in OCI and never reported in profit or loss.

Despite EFRAG's initial assessment, concerns remain that IFRS 9 could affect some investors' willingness to invest in equities on a long-term basis. In 2016, EFRAG started to investigate possible ways to improve the accounting requirements. In May 2017, the European Commission asked for EFRAG's technical advice on the issue. The request has two distinct phases: an assessment phase followed by a possible solutions phase.

EFRAG has now completed the assessment phase, which investigated the extent of long-term investment in equities currently, the related accounting treatment, and the expectations of entities in the insurance, financial services and non-financial sectors about the impact of the new requirements on their asset allocation decisions.

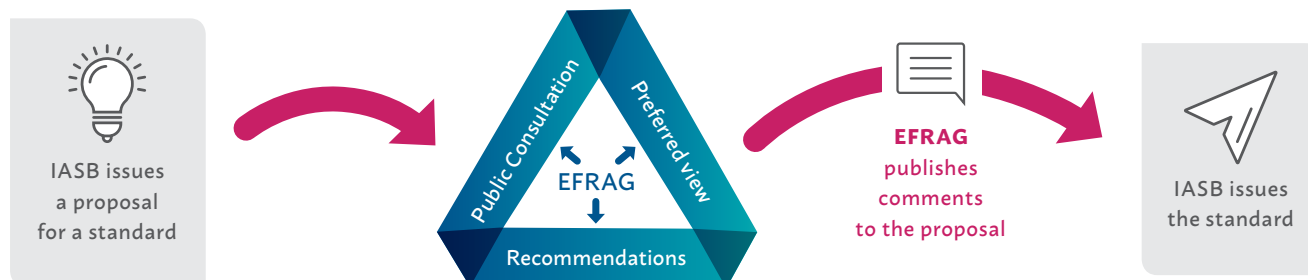
Although the work took place prior to IFRS 9 coming into force (IFRS 9 is effective from 2018 and for insurance entities from 2021), the report published in February 2018 provides some much-needed quantitative data and provides a basis to continue the discussion in a more informed and evidence-based way.

The input collected so far indicates that the impact of IFRS 9 is expected to differ among European long-term investors. Some long-term investors classify most or all of their equity instruments at FVPL even before the application of IFRS 9 and should not be affected by the new requirements. Some others, however, view the new requirements as possible impediments that may affect their investing behaviours. In 2018, EFRAG will continue its work to investigate if and how the new requirements may be improved by developing some ideas about possible impairment models for equity instruments.



## ► IMPROVING IFRS

EFRAG clearly and consistently raises specific European circumstances as part of the international standard-setting process. In 2017, an issue that EFRAG has long championed – the need to improve disclosures – made a significant move forward.



### PRINCIPLES OF DISCLOSURE

In March 2017, the IASB published a Discussion Paper *Disclosure Initiative - Principles of Disclosure*. The objective was to identify disclosure issues and develop disclosure principles to address those issues.

The publication was a result of the international debate over the nature and usefulness of financial disclosures. EFRAG has been at the forefront of this deliberation. In July 2012, EFRAG, together with member organisations the Autorité des Normes Comptables (ANC) and the Financial Reporting Council Accounting Committee (FRC), published a Discussion Paper *Towards a Disclosure Framework for the Notes*. It considered changes in how information is disclosed so that disclosures can be made more relevant for users.

EFRAG subsequently consulted actively to gather input from constituents across Europe and in March 2013 it published a feedback statement with the comments received by respondents.

Since then, improving disclosure requirements has been on the IASB agenda and EFRAG has remained a leading voice raising concerns associated with financial reporting disclosures and information overload in international standard-setting fora, such as ASAF.

Following the publication of the IASB's paper in March 2017, the EFRAG Board undertook a two-stage process in seeking the views of constituents. In May 2017, EFRAG published preliminary responses to the questions raised by the IASB.

In June 2017, EFRAG published a draft comment letter, which superseded the preliminary consultation document. In order to provide constituents with the maximum opportunity to get involved, EFRAG also implemented an extensive outreach programme, organising nine events throughout Europe.

Following this consultation, EFRAG's final comment letter to the IASB in October 2017 noted the multi-faceted nature of the disclosure problem, which includes behavioural aspects that go beyond requirements in standards. The EFRAG response noted that a high priority should now be given by the IASB to a comprehensive standard-by-standard review of the requirements, to identify and remove any disclosure requirements that are disproportionate or redundant.



In its comment letter, EFRAG also raised the fact that some issues identified in the 2012 Discussion Paper were not addressed in detail, especially the boundaries of the financial statements and the effects of technology on financial reporting. In addition, the proposed role of the primary financial statements focused too much on elements such as assets and liabilities and too little on the objective of providing summarised information about financial performance and position. Furthermore, EFRAG considered that more work was needed to determine whether some of the proposed communication principles could be developed into requirements for inclusion by the IASB in a future standard. EFRAG will continue to engage strongly in the disclosure debate.

## INPUT TO THE IASB

In preparing its responses to the IASB's active projects, EFRAG draws on the experience of the European financial reporting community, which includes European and national organisations, political, supervisory and regulatory authorities, representatives of preparers and users of IFRS Standards, the accountancy profession, NSS and others.

By prioritising engagement, EFRAG obtains a better understanding of the types of problems users, preparers, standard-setters, auditors and regulators face in practice and this helps to assess whether there are immediate steps that the IASB could take to improve IFRS Standards.

During 2017, the IASB continued to make a small number of narrow scope amendments to IFRS Standards. The IASB Exposure Drafts raising most concern related to IFRS 8 *Operating Segments* and IAS 16 *Property, Plant and Equipment*.

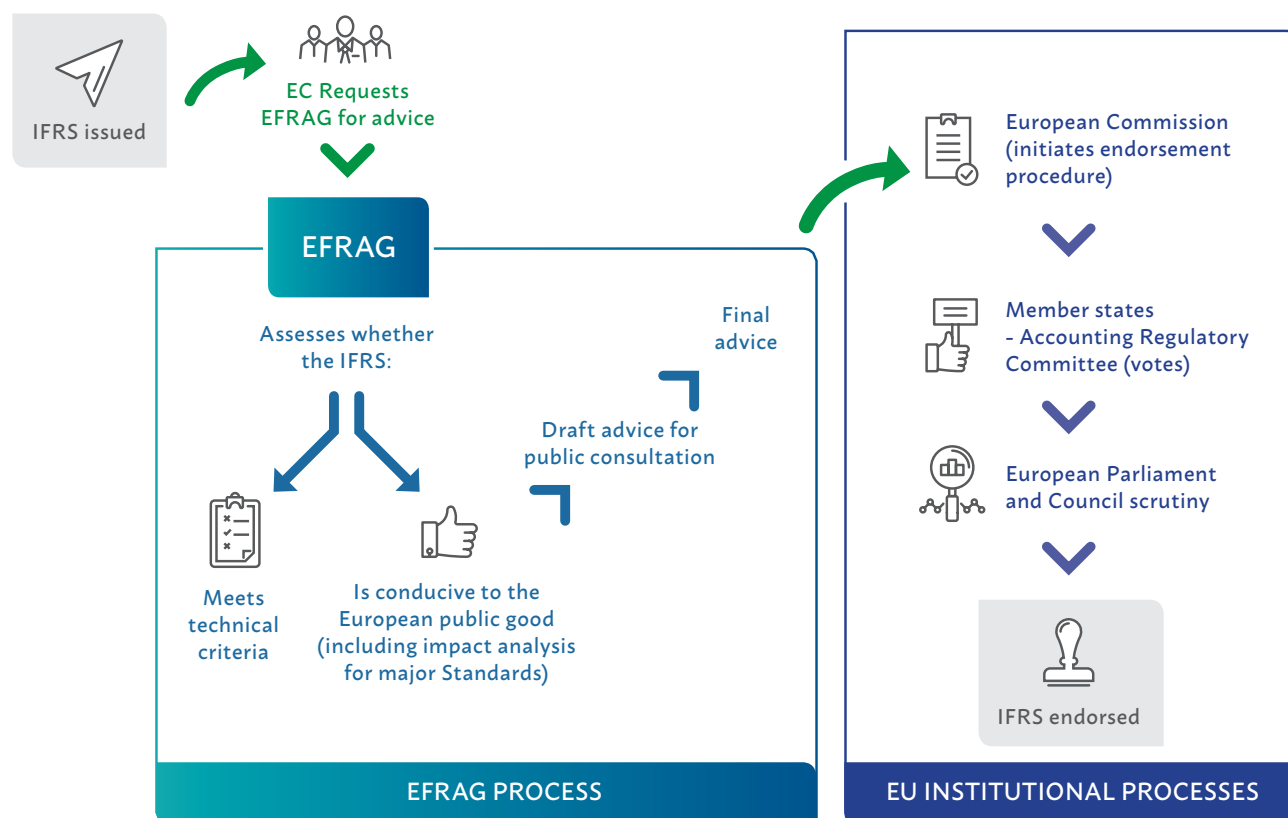
The proposed amendments to IFRS 8 arising from its 2012 post-implementation review saw EFRAG agree with many of the IASB's proposals. However, EFRAG disagreed with the proposal to require an entity to disclose in the notes why the reportable segments identified in an entity's financial statements are different to the segments reported outside of the financial statements as this was considered to be outside the scope of the IASB's work.

EFRAG considered that the IASB's proposed amendments to IAS 16 – intended to achieve consistency in the accounting for the proceeds generated from testing activities before an asset is ready for use – in fact raised some important, wider questions. EFRAG suggested that the IASB should consider taking on a broader project that would address the underlying principles and issues, and assess the effects on current practices, more comprehensively. In the interim, EFRAG suggested that the IASB could consider addressing the narrower issue submitted to the IFRS Interpretations Committee.



## ► ENDORSEMENT ADVICE

EFRAG advises the European Commission on whether newly issued or revised IFRS Standards meet the criteria for use in Europe. Impact analysis now forms a significant part of EFRAG’s endorsement work in judging if a standard is favourable to the European public good.



## INSURANCE ACCOUNTING REBOOT

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*. In replacing IFRS 4 *Insurance Contracts*, which allows insurers to use local GAAP, IFRS 17 is set to usher in a major change in the way European companies account for insurance contracts.

The May publication did not come as a surprise – the standard can be traced back to July 2010 when the IASB published an exposure draft as part of its project on insurance contracts, with the project origins stretching back to the late 1990s. The proposed new insurance contracts standard was the most significant project on the IASB’s agenda to which EFRAG contributed

in 2016. At that stage, EFRAG modelled the proposed new accounting treatment to understand the potential real-world impact the new standard could have when applied by European insurance entities.

EFRAG began its preparation for deliver endorsement advice as soon as the new standard was issued. Even before that the EFRAG Board and EFRAG TEG, supported by the EFRAG Insurance Accounting Working Group (IAWG), were considering the impact of the new requirements in Europe. This activity increased once the request for endorsement advice was received from the European Commission in October 2017.

In addition to evaluating whether IFRS 17 meets the technical endorsement criteria – including relevance and comparability of financial statements, EFRAG is gathering evidence on wider public good factors

such as the potential effects on financial stability, on competitiveness of the sector and on the European insurance market.

During the year, both the EFRAG Board and EFRAG TEG received presentations from key stakeholders on their early-stage views on IFRS 17. Notably, the EFRAG Board heard directly from the CFOs of four of Europe's largest insurers. At a more granular level, EFRAG TEG considered all the issues relating to IFRS 17 that were raised by members of the EFRAG IAWG.

An initial study of current accounting practices, using input from EFRAG IAWG members and other volunteers from the financial reporting community has provided a basis for assessing the changes IFRS 17 will engender. As part of its ambitious endorsement work, EFRAG is seeking a wide range of information on the impact of IFRS 17 through a major case study.

Given the importance of this project, the EFRAG Board will be closely monitoring progress throughout 2018. EFRAG is due to provide its independent, objective and Europe-focused final endorsement advice to the European Commission in the last quarter of 2018.

### NEXT STEPS:

- An investigation of existing trends in the insurance industry and their main drivers, including the role of financial reporting and investor perception of the insurance sector, in order to assist EFRAG evaluate how IFRS 17 might affect the investability and competitiveness of the European insurance sector.
- Issuing papers that explain some of the more controversial requirements of IFRS 17, such as level of aggregation; release of the CSM and transition.
- Issuing a simplified case study to facilitate insurers' participation in developing input for the draft endorsement advice.
- Detailed outreach with users.

## PROVIDING A LEVEL PLAYING FIELD FOR INSURERS

January 2017 saw the finalisation of EFRAG's endorsement advice on the IASB's Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*. EFRAG has long held the view that the mismatch between the effective dates of IFRS 9 and (then forthcoming) IFRS 17 *Insurance Contracts* – 2018 and 2021 respectively – needed to be addressed to avoid unnecessary cost and disruption for European insurance companies. The Amendments to IFRS 4 provided relief to predominant insurers, however in its endorsement advice EFRAG highlighted that the Amendments did not address the cost concerns of entities undertaking insurance activities that were not predominant insurers. To address this potential competition issue, the Amendments were endorsed for use in the EU with a 'top-up' to extend the option to defer IFRS 9 to insurance entities that do not meet the IASB's predominance condition.

## RAPID RESPONSE ON IFRS 9

Concerns were raised that IFRS 9 *Financial Instruments* did not address financial assets that included prepayment features with negative compensation while it did address those that included prepayment features with positive compensation. Early in 2017, the EFRAG Secretariat conducted background research and identified that such financial assets were common in Europe.

The IASB undertook a high-speed project to tackle the issue. Because it arose shortly before the effective date of IFRS 9, EFRAG alerted its constituents that a rapid turnaround was needed to avoid financial institutions having to measure these instruments at fair value through profit or loss for a short period before reverting to amortised cost. As a result, EFRAG issued its draft comment letter for a short comment period. EFRAG supported the general approach of the IASB but disagreed with some of the detail.



The IASB subsequently issued its Amendments to IFRS 9 *Prepayment Features with Negative Compensation* in October 2017, which addressed the concerns raised by EFRAG. This enabled the preparation of an endorsement advice to proceed very quickly, leading to a draft endorsement advice being issued for comment shortly after the IASB issued its Amendments. EFRAG's final endorsement advice was delivered to the European Commission in November 2017. By delivering final endorsement advice just four weeks after the IASB's publication, EFRAG has avoided complications for European preparers and users of financial statements.

***“By highlighting how a restriction to predominant insurers could have created a competition issue under IFRS 9, EFRAG played a vital role in defending the European public interest.”***



**Olivier Guersent**  
Director-General of DG FISMA,  
European Commission

## **PUBLIC GOOD ASSESSMENT**

The final endorsement advice for IFRS 16 *Leases* was delivered to the European Commission in March 2017. It was the first time EFRAG assessed the economic and behavioural impact of a new standard as part of its enlarged public good mandate. As such it was the most comprehensive endorsement advice EFRAG had ever prepared.

In preparing its advice, EFRAG issued two consultation documents: a Preliminary Consultation Document in October 2016; and a complete draft endorsement advice in February 2017.

## **EFRAG'S DETAILED ASSESSMENT OF THE IMPACT OF THE STANDARD WAS INFORMED BY:**

- quantitative analyses prepared within EFRAG;
- comments from constituents in response to consultation documents and a user questionnaire;
- additional research undertaken in respect of the impact of IFRS 16 on SMEs;
- findings from an economic study commissioned by EFRAG; and
- advice from the European Central Bank and the European Banking Authority in their areas of expertise.

The experience gained in preparing this endorsement advice is being applied to the work currently underway in preparing an endorsement advice on IFRS 17.



## ► GOVERNANCE AND TRANSPARENCY

### MEMBERSHIP

Further to the call for expressions of interest for EFRAG membership issued in March, Instituto de Contabilidad y Auditoria de Cuentas (ICAC) – the Spanish national standard setter – joined as an EFRAG Member Organisation in October. In joining, ICAC has signalled its determination to collaborate closely with EFRAG in its mission of serving the European public interest. ICAC’s membership deepens EFRAG’s connection with the Spanish financial reporting community and broadens the geographical reach. Dialogue is ongoing with a number of bodies that may seek to join EFRAG as a member organisation.

*EFRAG’s legitimacy is built on transparency, governance, due process – including field tests, impact analyses and outreach events – public accountability and thought leadership.*

**“We firmly believe that Spain can contribute very positively to the work of EFRAG, transmitting the Spanish point of view and providing the appropriate resources and contributions to ensure the continued strength of EFRAG in serving the European public interest.”**



Enrique Rubio Herrera  
President ICAC

### EFRAG BOARD & EFRAG TEG

Three years after the EFRAG Board was established following the implementation of the Maystadt recommendations, its composition was renewed and the geographical and gender balance was enhanced. EFRAG welcomed three new Board members: Rosa Bruguera (banking seat); Luca Cencioni (industry seat); and Enrique Ortega (NSS seat - ICAC). Andreas Barckow was reappointed as EFRAG Board Vice-President. The Board said farewell to Chris De Noose, Alphonse Kugeler and Patrice Marteau. An observer seat with speaking rights was established for European private investor organisations.

The EFRAG Board approved the EFRAG TEG composition effective from 1 April 2018. Two new members were welcomed: Emmanuelle Guyomard (preparer) and Jed Wrigley (user). Nicklas Grip was reappointed as EFRAG TEG Vice-Chairman.

### EUROPEAN PARLIAMENT

Under the leadership of EFRAG Board President Jean-Paul Gauzès, a former MEP, EFRAG has enhanced its relationship with the European Parliament and notably the IFRS Permanent Team, chaired by MEP Theodor Stolojan. In March, the IFRS Permanent Team visited EFRAG’s offices. The issues discussed included the IFRS 16 Leases endorsement advice and the post endorsement work on IFRS 9 *Financial Instruments* on the impairment and recycling of equity instruments. EFRAG also sought the Parliament’s input on IFRS 17 *Insurance Contracts* early in the endorsement advice process.

### TRANSPARENCY

EFRAG is committed to transparency. All EFRAG Board and EFRAG TEG meetings and their supporting documents are public. In the first quarter of 2018 EFRAG will introduce webcasting of its public meetings to make it even easier for the European financial reporting community to stay up-to-date. It will allow EFRAG’s public meetings to be visible at any time and will further enhance transparency.

## EFRAG STATUTES AND INTERNAL RULES

In 2017, EFRAG updated its Statutes and Internal Rules concerning the EFRAG General Assembly and the EFRAG Board and their committees and EFRAG's enhanced transparency. The latest versions are available from the EFRAG website.

## ACKNOWLEDGEMENTS

EFRAG pays tribute to those stepping down from the EFRAG Board. Patrice Marteau, who represented BUSINESSEUROPE has been a great supporter of and an important contributor to EFRAG. He has been involved at Board level since 2005, serving first on the EFRAG Supervisory Board and for the past three years on the EFRAG Board. Likewise, Alphonse Kugeler, the Chairman of CNC Luxembourg is warmly thanked for his contributions to the EFRAG Board. Chris De Noose, the Managing Director of ESBG, who graciously stepped in to fill a Board vacancy that arose in Spring 2017 also stepped down.

EFRAG also thanks former members Christian Chiarasini who stepped down on 31 May 2017 and Phil Aspin who left EFRAG TEG on 31 March 2017. EFRAG will continue to benefit from Phil's expertise, experience and knowledge in the field of rate-regulated activities as he has been appointed as Chairman of the EFRAG Rate-Regulated Activities Working Group as per 1 May 2017.

EFRAG would also like to thank all the participants in EFRAG bodies including the EFRAG Board, the EFRAG TEG and its working groups and advisory panels who give their time voluntarily to EFRAG.



## IN MEMORIAM



Philippe Maystadt, former Belgian finance minister and chairman of the European Investment Bank, passed away on 7 December 2017.

Philippe Maystadt played a crucial role in the development of EFRAG. In his report of October 2013, drafted upon the request of the European Commission and known as the Maystadt report, he designed a new governance structure that brought European Stakeholder Organisations and NSS together in EFRAG to strengthen European influence in financial reporting and notably in the IFRS standard-setting process.

Philippe Maystadt will also be remembered by the European financial reporting community for making the European public good assessment an important part of EFRAG's activities.

# MEMBER ORGANISATIONS

As of 31 December 2017

## EUROPEAN STAKEHOLDER ORGANISATIONS



Accountancy Europe  
[www.accountancyeurope.eu](http://www.accountancyeurope.eu)



BUSINESSEUROPE  
[www.businesseurope.eu](http://www.businesseurope.eu)



EUROPEAN ASSOCIATION  
OF CO-OPERATIVE BANKS

European Association  
of Co-operative Banks (EACB)  
[www.eacb.coop](http://www.eacb.coop)



European Banking Federation  
(EBF)  
[www.ebf.eu](http://www.ebf.eu)



European Federation of  
Accountants and Auditors  
for SMEs (EFAA)  
[www.efaa.com](http://www.efaa.com)



European Federation of  
Financial Analysts Societies  
(EFFAS)  
[www.effas.net](http://www.effas.net)



European Savings and Retail  
Banking Group (ESBG)  
[www.wsbi-esbg.org](http://www.wsbi-esbg.org)



Insurance Europe  
[www.insuranceeurope.eu](http://www.insuranceeurope.eu)

## NATIONAL ORGANISATIONS



Grouping of five Danish  
organisations  
[cbj@fsr.dk](mailto:cbj@fsr.dk)



Autorité des normes comptables  
(ANC) - France  
[www.anc.gouv.fr](http://www.anc.gouv.fr)



Accounting Standards  
Committee of Germany (ASCG)  
[www.drsc.de](http://www.drsc.de)



Organismo Italiano di  
Contabilità (OIC) - Italy  
[www.fondazioneoic.eu](http://www.fondazioneoic.eu)



Commission des normes  
comptables (CNC) -  
Luxembourg  
[www.cnc.lu](http://www.cnc.lu)



Dutch Accounting Standards  
Board (DASB)  
[www.rjnet.nl](http://www.rjnet.nl)



Instituto de Contabilidad y  
Auditoría de Cuentas (ICAC)  
[www.icac.meh.es](http://www.icac.meh.es)



The Association for Generally  
Accepted Principles in the  
Securities Market - Sweden  
[www.godsedpavpmarknaden.se](http://www.godsedpavpmarknaden.se)



Financial Reporting Council  
(FRC) - UK  
[www.frc.org.uk](http://www.frc.org.uk)

# ▶ OUR PEOPLE

As of 31 December 2017

## EFRAG BOARD

The EFRAG Board is responsible for all decisions made and positions taken at EFRAG. It makes its decisions to the extent possible on the basis of consensus with the objective of Europe speaking with one voice.

It is also responsible for the general oversight over the organisation and reports to the EFRAG General Assembly.



**Jean-Paul Gauzes**  
EFRAG Board President



**Andreas Barckow**  
EFRAG Board Vice-President,  
President ASCG (Germany)



**Rosa Bruguera**  
Banks



**Hans Buysse**  
User



**Patrick de Cambourg**  
Chairman ANC (France)



**Angelo Casò**  
Chairman OIC (Italy)



**Luca Cencioni**  
Industrial and trading companies



**Karin Dohm**  
Banks



**Stig Enevoldsen**  
Member DASC (Denmark)



**Benoit Jaspar**  
Insurance companies



**Roger Marshall**  
Member FRC Board



**Claes Norberg**  
Industrial and trading companies



**Enrique Ortega**  
Member ICAC (Spain)



**Laurence Rivat**  
Accountancy profession



**Peter Sampers**  
Chairman DASB (Netherlands)



**Anders Ullberg**  
Chairman SFRB (Sweden)



**Mark Vaessen**  
Accountancy profession

The European Commission, the European Central Bank, the European Supervisory Authorities (EBA, EIOPA and ESMA) and Better Finance (appointed representative for European organisation representing private investors “end users”) are observers with speaking rights on the EFRAG Board, EFRAG TEG and supporting groups and advisory panels.

## EFRAG TECHNICAL EXPERT GROUP

The EFRAG Technical Expert Group (EFRAG TEG) is responsible for providing the EFRAG Board with expert advice in financial reporting matters. Its advice takes the form of recommended positions, either in draft

form to support public consultation or in final form after having duly considered all input received through EFRAG's due process.



**Andrew Watchman**  
EFRAG TEG Chairman (UK)



**Nicklas Grip**  
EFRAG TEG Vice-Chairman,  
Senior Vice-President  
Handelsbanken (Sweden)



**Ana Cortez**  
Partner KPMG (Spain)



**Silvia Dinova**  
Head of Assurance Department  
Grant Thornton (Bulgaria)



**Geert Ewalts**  
Head of Group Accounting  
Policies Aegon (Netherlands)



**Günther Gebhardt**  
Professor Emeritus of Goethe  
Universität Frankfurt am Main  
(Germany)



**Heinz Hense**  
Head of Accounting Excellence  
at ThyssenKrupp (Germany)



**Søren Kok Olsen**  
Partner EY (Denmark)



**Nicolas de Paillerets**  
Director of Accounting  
Principles Orange (France)



**Serge Pattyn**  
Independent Financial Analyst  
(Belgium)



**Andrew Spooner**  
Partner Deloitte (UK)



**Ambrogio Virgilio**  
Partner EY (Italy)

## COUNTRY LIAISON



**Anthony Appleton**  
Director - Accounting and  
Reporting, Financial Reporting  
Council (FRC) (UK)



**Tommaso Fabi**  
Technical Director, Organismo  
Italiano di Contabilità (OIC)  
(Italy)



**Sven Morich**  
Executive Director, Accounting  
Standards Committee of  
Germany (ASCG) (Germany)



**Cedric Tonnerre**  
Technical Director, Autorité  
des Normes Comptables (ANC)  
(France)



## EFRAG ACADEMIC PANEL

The objective of the Panel, which supports EFRAG TEG, is to contribute to the debate on relevant research topics. It consists of academics specialised in financial reporting (including IFRS Standards) and knowledgeable in different aspects specifically relevant to Europe.

- **Günther Gebhardt**, Chairman, Goethe Universität Frankfurt-am-Main
- **Paul André**, HEC Université de Lausanne
- **Richard Barker**, Oxford University
- **Véronique Blum**, Université Grenoble Alpes
- **Kees Camfferman**, Vrije Universiteit Amsterdam
- **Joachim Gassen**, Humboldt-Universität zu Berlin
- **Niclas Hellman**, Stockholm School of Economics
- **Ann Jorissen**, Universiteit Antwerpen
- **Irene Karamanou**, University of Cyprus, Nikosia
- **Erlend Kvaal**, BI Norwegian Business School, Oslo
- **Andrea Lionzo**, Università Cattolica del Sacro Cuore Milan
- **Araceli Mora**, Universidad de Valência
- **Roberto di Pietra**, Università di Siena
- **Lucia Maria Portela de Lima Rodrigues**, Universidade do Minho, Braga
- **Thorsten Sellhorn**, Ludwig-Maximilians-Universität München
- **Frank Thinggaard**, Aarhus Universitet
- **Alfred Wagenhofer**, Karl-Franzens-Universität Graz

## EFRAG FINANCIAL INSTRUMENTS WORKING GROUP

The Financial Instruments Working Group (EFRAG FIWG) provides support to EFRAG TEG on financial instrument reporting issues. Members of the group have considerable expertise in financial instrument reporting matters and more generally in IFRS Standards issues and practice.



- **Andrew Spooner**, Working Group Chairman, EFRAG TEG member
- **Jens Berger**, Deloitte Germany
- **Jannis Bischof**, University of Mannheim
- **Lisa Bomba**, Deutsche Bank
- **David Bradbery**, Barclays
- **Alan Chapman**, Grant Thornton UK
- **Pierre-Henri Damotte**, Société Générale
- **Karin Eisenhut**, DZ Bank AG
- **Fabio Goia**, Intesa Sanpaolo S.p.A.
- **Laure Guegan**, EY France
- **Vincent Guillard**, Mazars France
- **Selma Marte**, BNP Paribas
- **Colin Martin**, KPMG UK
- **Riccardo Bua Odetti**, PwC Italy
- **Martin Petrov**, Bulgarian Development Bank
- **Chiara Del Prete**, Mazars Italy
- **Raoul Vogel**, PwC Austria

The European Commission, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), the European Investment Bank (EIB), and the International Swaps and Derivatives Association (ISDA) have been granted observer status.



## EFRAG INSURANCE ACCOUNTING WORKING GROUP

The Insurance Accounting Working Group (EFRAG IAWG) provides support to EFRAG TEG on insurance related financial reporting issues. Members of the group have considerable expertise in insurance accounting and more generally in IFRS Standards issues and practice.



- **Ambrogio Virgilio**, Chairman, EFRAG TEG member, EY Italy
- **Sébastien Arnault**, Mazars France
- **Alexander Dollhopf**, PwC Sweden
- **Luca D'Onofrio**, EFFAS FAC member – AIAF Board Member
- **Geert Ewalts**, Aegon
- **Hugh Francis**, Aviva
- **Joachim Kölschbach**, KPMG Germany
- **Jasper Kolsters**, EY Netherlands
- **Malin Löfbom**, Skandia
- **Sophie Massol**, AXA
- **Richard Olswang**, Prudential
- **Jean-Michel Pinton**, CNP Assurances
- **Sabrina Pucci**, University of Rome
- **Thomas Ringsted**, Deloitte Denmark
- **Roman Sauer**, Allianz
- **Massimo Tosoni**, Generali
- **Gail Tucker**, PwC UK
- **Carsten Zielke**, EFRAG User Panel Vice-Chairman

The European Commission and the European Insurance and Occupational Pensions Authority (EIOPA), the International Credit Insurance & Surety Association (ICISA), the European Securities and Markets Authority (ESMA), Insurance Europe, the Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE), and the reinsurance industry have been granted observer status.

## EFRAG PENSION PLANS ADVISORY PANEL

The EFRAG Pension Plans Advisory Panel advises and provides input to EFRAG TEG discussions aiming at investigating possible improvement to the accounting requirements in IAS 19 *Employee Benefits*, with a particular focus on plans that promise a benefit linked to the return on specified assets.

- **Nicklas Grip**, Chairman, EFRAG TEG Vice-Chairman
- **Vincent Caire**, Zodiac Aerospace
- **André Geilenkothen**, Aon Hewitt
- **Selim Gogus**, Crédit Suisse
- **Heinz Hense**, ThyssenKrupp
- **Patrice Kalfon**, Ellis Alliance
- **Anne Laning**, TKP Investments
- **Julián Villanueva Lara**, MAPFRE
- **Gabriel van de Luitgarden**, Royal Philips N.V.
- **Kazim Razvi**, Fitch Ratings
- **Geert De Ridder**, Deloitte
- **Jean-François Vaccaro**, Nestlé Capital Advisers S.A.

The European Commission, EIOPA, ESMA and PensionsEurope have been granted observer status.

## EFRAG RATE-REGULATED ACTIVITIES WORKING GROUP

The EFRAG Rate-Regulated Activities Working Group (EFRAG RRAWG) advises and provides input to EFRAG TEG discussions aiming at developing positions on rate-regulated activities financial reporting issues.



- **Phil Aspin**, Chairman, former EFRAG TEG member, United Utilities
- **Nicola Bruno**, Atlantia SpA
- **José Luis Daroca**, Deloitte Spain
- **Isabelle Triquera Gonbeau**, EDF Group
- **Simon Grant**, National Grid plc
- **Isabelle Grauer-Gaynor**, Mazars France
- **Cosimo Guarini**, Terna Spa
- **Lieve Kerckhof**, Elia Group
- **Miriam de Loose**, Engie
- **Markus Lotz**, 50Hertz Transmission GmbH
- **Thomas Possert**, Energie Steiermark AG
- **Fabien Rock**, SNCF Reseau
- **Gerard van Santen**, EY Netherlands
- **Laura López Sotomayor**, Ferrovial SA
- **Ralph Welter**, PwC Germany
- **Javier Pastor Zuazaga**, Iberdrola SA

The European Commission has been granted observer status.

## EFRAG USER PANEL

The EFRAG User Panel provides input, from a user perspective, on important and topical accounting issues that EFRAG TEG is considering.



- **Andrew Watchman**, Chairman
- **Andrea Bellucci**, University of Perugia
- **Martijn Bos**, Eumedion
- **Luca D'Onofrio**, EFFAS FAC member – AIAF Board Member
- **Hilary Eastman**, CRUF
- **Javier de Frutos**, Chairman EFFAS FAC
- **Jacques de Greling**, Co-chairman SFAF Accounting Committee
- **Sam Holland**, Standard & Poor's
- **Dennis Jullens**, University of Rotterdam
- **Thomas Justinussen**, Danskebank
- **Peter Malmqvist**, Malmqvist EQR AB
- **Felipe Herranz Martin**, UAM, Board Member (AECA)
- **Vincent Papa**, CFA Institute
- **Serge Pattyn**, EFRAG TEG Member
- **Marie-Pascale Peltre**, Independent Financial Analyst
- **Richard Schreuder**, Saemor Capital
- **Ian Sealy**, Neptune IM
- **Norbert Seeger**, PensionsEurope
- **Jerome Vial**, CPM Advisory
- **Jed Wrigley**, Fidelity International
- **Carsten Zielke**, EFRAG User Panel Vice-Chairman

The European Commission, the IASB, the FRC and the Financial Reporting Lab of the FRC have been granted observer status.

## EFRAG CONSULTATIVE FORUM OF STANDARD SETTERS

Meetings with the EFRAG Consultative Forum of Standard Setters (EFRAG CFSS) address current European financial reporting issues, major proposed changes to IFRS Standards and EFRAG's proactive work in the presence of IASB members. These discussions allow EFRAG TEG to have a better understanding of the impact of the proposed amendments on national business practice and national accounting standards.



- **AFRAC** - Austrian Standard Setter
- **ANC** - French Standard Setter
- **ASCG** - German Standard Setter
- **CFRSB** - Croatian Standard Setter
- **CMF** - Czech Ministry of Finance
- **CNC** - Portuguese Standard Setter
- **CNC / CBN** - Belgian Standard Setter
- **CNC LU** - Luxembourgish Standard Setter
- **DASB** - Dutch Standard Setter
- **DASC** - Danish Standard Setter
- **EASB** - Estonian Standard Setter
- **FAB/KILA** - Finnish Standard Setter
- **GMEF** - Greek Ministry of Economy and Finance
- **HASB** - Hungarian Accounting Standard Setter
- **ICAC** - Spanish Standard Setter
- **ICPAC** - Cyprus Standard Setter
- **LMF** - Latvian Ministry of Finance
- **LMoF** - Lithuanian Ministry of Finance
- **MFSR** - Slovak Ministry of Finance
- **MIA** - Maltese Standard Setter
- **MOFB** - Bulgarian Standard Setter
- **MOPF** - Romanian Ministry of Public Finance
- **NASB** - Norwegian Standard Setter
- **OIC** - Italian Standard Setter
- **PASC** - Polish Standard Setter
- **SFRB** - Swedish Standard Setter
- **SIR** - Slovenian Standard Setter
- State Administration of Liechtenstein
- **UK FRC** - United Kingdom Standard Setter

### Observers

- **FER** - Swiss Standard Setter
- **TASB** - Turkish Standard Setter

## SECRETARIAT



- **Andrew Watchman**, EFRAG TEG Chairman and CEO
- **Patricia McBride**, Technical Director
- **Filippo Poli**, Research Director
- **Saskia Slomp**, Governance & Admin Director
- **Didier Andries**, Senior Technical Manager
- **Isabel Batista**, Senior Technical Manager
- **Fredré Ferreira**, Senior Technical Manager
- **Hocine Kebli**, Senior Technical Manager
- **Rasmus Sommer**, Senior Technical Manager
- **Filipe Alves**, Advanced Technical Manager
- **Ioanna Chatzieffraimidou**, Technical Manager
- **Sapna Heeralall**, Technical Manager
- **Joachim Jacobs**, Technical Manager
- **Ioana Kiss**, Technical Manager
- **Raffaele Petruzella**, Technical Manager (seconded by OIC)
- **Robert Stojek**, Technical Manager
- **Mari Paananen**, Academic Fellow
- **Lara Canto e Castro**, Communication Manager
- **Neha Mehra**, HR & Executive Support Officer
- **Cristina Rodriguez**, Office Administrator

## ▶ FINANCIAL SUMMARY

Abbreviated financial statements as of 31 December 2017

INCOME STATEMENT	2017 000 EUR	2016 000 EUR
<b>CONTRIBUTIONS</b>		
European Stakeholder Organisations	765	765
National Organisations	1,605	1,555
European Commission	2,624	2,432
Contributions In Kind	1,197	1,028
<b>TOTAL CONTRIBUTIONS</b>	<b>6,191</b>	<b>5,780</b>
<b>OPERATING EXPENSES</b>		
Human resources	-3,512	-3,120
Building	-386	-361
Travel	-49	-28
Special events	-15	-38
Publications	-17	-30
Outsourcing (economic and academic studies)	-95	-200
Meetings	-50	-49
Other costs	-278	-256
Expenses in kind	-1,197	-1,028
<b>TOTAL OPERATING EXPENSES</b>	<b>-5,599</b>	<b>-5,110</b>
Operating surplus	592	670
Financial result	0	-5
<b>NET SURPLUS</b>	<b>592</b>	<b>665</b>

BALANCE SHEET	31/12/2017 000 EUR	31/12/2016 000 EUR
Tangible assets	41	50
Office guarantee	120	118
<b>TOTAL FIXED ASSETS</b>	<b>161</b>	<b>168</b>
Accounts receivable	207	0
Current investments	368	370
Cash	4,431	4,071
Deferred charges and accrued income	27	14
<b>TOTAL CURRENT ASSETS</b>	<b>5,033</b>	<b>4,455</b>
<b>TOTAL ASSETS</b>	<b>5,194</b>	<b>4,623</b>
Equity: Accumulated surplus	4,123	3,531
Liabilities:		
• leasing debt	6	8
• accounts payable	151	413
• taxes, remuneration and social security	537	495
• provision for pension guarantees	114	63
• rent accrual	0	27
• deferred contributions	263	86
• other accruals	0	0
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>5,194</b>	<b>4,623</b>

The financial highlights are based on statutory financial statements audited by BDO, Belgium, who issued an unqualified audit report on those statements on 8 March 2018. The statutory financial statements have not yet been approved by the EFRAG General Assembly and will be presented for approval to the EFRAG General Assembly on 10 April 2018.

## NOTE

### Guaranteed return on EFRAG's pension fund

Belgian law requires that contributions paid on behalf of employees by their employers are subject to a guaranteed minimum return of 3.25% until 31 December 2015, and 1.75% from 1 January 2016. Since 2013 the minimum return guaranteed by EFRAG's pension provider has been less than these rates (2% in 2013, 1.5% in 2014 and 2015, 1% in 2016 and 0% in 2017). EFRAG has an obligation for any shortfall at retirement arising from these differences. The financial statements include a provision for the obligation arising from past contributions, based on an actuarial estimate. The provision as of 31 December 2017 is 114 k€, an increase of 51 k€ since 31 December 2016.

### Contributions and expenses in kind

CONTRIBUTIONS IN KIND 2017	000 EUR
<b>TIME AND TRAVEL CONTRIBUTIONS</b>	
EFRAG Board	188
EFRAG TEG	682
Other Groups and Panels	287
OIC Secondment <sup>1</sup>	40
<b>TOTAL CONTRIBUTIONS IN KIND</b>	<b>1,197</b>

## FINANCIAL STRUCTURE OF EFRAG

EFRAG is a publicly and privately funded organisation working in the European public interest. The European Commission provides the public sector funding.

EFRAG Member Organisations comprise European Stakeholder Organisations and National Organisations. Supported by the European Commission the Council and the European Parliament, EFRAG is seeking to broaden its membership base. ICAC - the Spanish National Standard Setter joined EFRAG as a National Organisation in 2017.

In addition to cash funding, EFRAG receives contributions in kind provided by the members of EFRAG TEG, the EFRAG Board, the Working Groups and Advisory Panels as well as in form of free secondments.

The breakdown of contributions by member organisation is as follows:

CONTRIBUTIONS	000 EUR	2017	2016
<b>EUROPEAN STAKEHOLDER ORGANISATIONS</b>			
Accountancy Europe		300	300
BUSINESSEUROPE		125	125
INSURANCE EUROPE		75	75
EBF		75	75
ESBG		75	75
EACB		75	75
EFAA		25	25
EFFAS		15	15
<b>TOTAL</b>		<b>765</b>	<b>765</b>
<b>NATIONAL ORGANISATIONS</b>			
France		350	350
Germany		350	350
UK		350	350
Italy		290	290
Sweden		100	100
Denmark		50	50
Netherlands		50	50
Spain		50	0
Luxembourg		15	15
<b>TOTAL</b>		<b>1,605</b>	<b>1,555</b>
<b>EUROPEAN COMMISSION</b>		<b>2,624</b>	<b>2,432</b>
<b>TOTAL CONTRIBUTIONS</b>		<b>4,994</b>	<b>4,752</b>

<sup>1</sup> OIC seconds a technical manager to EFRAG, for 2017 the contribution in kind is 40k EUR, which brings the total OIC contribution to 330k EUR





European Financial Reporting Advisory Group

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The contents of this document is the sole responsibility of EFRAG and can under no circumstances be regarded as reflecting the position of the European Union.



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