



European Financial Reporting Advisory Group

# ANNUAL REVIEW 2018

THOUGHT LEADERSHIP, TRANSPARENCY  
AND PUBLIC ACCOUNTABILITY

## ▶ ABOUT EFRAG

EFRAG - European Financial Reporting Advisory Group - is a private not-for-profit association established in 2001 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 and corporate 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 stimulates innovation in corporate reporting through the European Corporate Reporting Lab's work in sharing good practices, which also complements and contributes to our work on financial reporting.

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



*“EFRAG has strongly delivered on its mandate of providing respected advice to the European Commission and on representing the European view on financial reporting in the international arena.”*

### IFRS 17

IFRS 17 *Insurance Contracts* was issued by the International Accounting Standards Board in May 2017. EFRAG has risen to the challenge since receiving its formal endorsement request of the European Commission in October 2017.

The EFRAG Board has reviewed the concerns raised and has considered the evidence obtained during our extensive outreach activities. Constituents have raised a number of concerns during the course of this process. This complex, multifaceted standard may divide opinion, but it has once again demonstrated the value of EFRAG to the European financial reporting community.

Noting our stakeholders' concerns, the EFRAG Board decided to send a letter to the IASB in September 2018. The purpose was twofold. The letter sought clarification as to whether IFRS 17 as published in May 2017 could be regarded as a stable platform for the purposes of EFRAG's endorsement advice. It also identified certain matters which, in the EFRAG Board's view, merited further consideration by the IASB.

EFRAG's intervention was instrumental to the IASB decision to re-open IFRS 17. EFRAG will contribute to the IASB's due process during these deliberations. EFRAG is also continuing its endorsement-related work but expects to issue its advice only once the standard is stable.

### EUROPEAN LAB

In March 2018, the European Commission's Action Plan on Financing Sustainable Growth called on EFRAG to contribute to the work on non-financial reporting. We responded rapidly. By September, the European Corporate Reporting Lab (European Lab) was formally established. Since then a Steering Group has been appointed and a first project task force is being formed on climate-related reporting. The task force will begin its work in the first quarter of 2019. EFRAG is committed to ensuring that the latest corporate reporting ideas can contribute to the EU's sustainable finance ambition.

The European Lab will stimulate innovation in the field of corporate reporting in Europe by identifying and sharing good practices. Reporting such examples has the potential to encourage more widespread, high quality reporting on a voluntary basis and without the need for changes to the mandatory reporting requirements.

The European Lab Steering Group is identifying possible future projects which it will issue for public consultation in 2019 to ensure that our resources are dedicated to the projects which our stakeholders believe should have the highest priority.

I believe that the creation of the European Lab marks a significant milestone for EFRAG. While financial performance has long been the most significant metric by which companies are judged, society increasingly expects a more holistic view of corporate performance. The European Lab will help to meet this expectation by providing useful insights into non-financial reporting.

## COMMUNICATIONS

Communications provides essential support for EFRAG's activities. Our communications effort is designed to complement and enhance efforts to strengthen strategic relationships and broaden EFRAG's representation and membership.

EFRAG works hard to make sure that the real-world concerns of European stakeholders are reflected in the standard-setting and endorsement process. That is why I have insisted on modernising our communications activity. We are taking advantage of the latest technology to increase EFRAG's visibility and engagement.

In 2018, EFRAG launched a series of new communications initiatives involving webcasting, video and social media to help deepen our reach and to allow us to become even more effective in our role. Each of EFRAG's three core areas of activity – Upstream Influence (our research work), Improving IFRS (our input to the international debate) and Endorsement Advice (our advisory role with the European Commission) – benefit from clearer communication. As an organisation our legitimacy is built upon transparency and public accountability, something which our communications work actively supports.

In March 2018, we published the results of a Perception Audit of EFRAG conducted by FleishmanHillard.

Overall, the feedback suggested that those who interact closely with EFRAG hold overwhelmingly positive views. Stakeholders confirmed the high quality of EFRAG's work while suggesting that EFRAG should seek to boost its visibility and join the wider debate on corporate reporting.

## EFRAG TEG CHAIRMAN & CEO

The President's report is not typically a place to address geopolitical matters, however I note with regret that EFRAG has already felt the first effect of the Brexit fallout. It means that Andrew Watchman, our British EFRAG TEG Chairman and CEO, will have to step down at the end of March 2019.

Andrew and I were appointed as EFRAG's leadership team in 2016. We have worked closely together to strengthen EFRAG's influence in financial reporting circles and he can leave knowing that he has been more than successful in his mission.

It means that we are entering the next phase in EFRAG's journey with a new leadership team. I am happy to welcome Chiara Del Prete as our new EFRAG TEG Chairman as from April 2019. In addition, Saskia Slomp will take up the EFRAG CEO role. Saskia knows EFRAG better than anyone and so I look forward to working together with her and Chiara to build on the momentum we have generated over the past three years.

**Jean-Paul Gauzès**  
EFRAG Board President



## ▶ REPORT FROM THE EFRAG TEG CHAIRMAN AND CEO



*“I look back with satisfaction at EFRAG’s progress since I took on the role of EFRAG TEG Chairman and CEO.”*

### ENDORSEMENT-RELATED WORK

IFRS 17 *Insurance Contracts* dominated EFRAG’s endorsement-related work in 2018. IFRS 17 is almost certainly EFRAG’s most challenging endorsement advice to date, reflecting the need for in-depth impact assessment, the complexity of the Standard and some of the products it addresses, and the diversity of insurance accounting practices in Europe. EFRAG’s evidence-gathering activities included an extensive programme of case studies with individual insurers to evaluate the expected costs, benefits and potential wider effects of the new Standard and we appreciate the considerable efforts made by the participants in this process.

Our original timetable called for delivery of advice to the European Commission (EC) by the end of 2018 but the project has since taken a different course. EFRAG’s case study and other activities identified several concerns and we decided to write to the IASB to highlight some aspects of IFRS 17 that, in EFRAG’s view, merit further consideration. The IASB has since agreed to revisit the Standard and issue a new Exposure Draft in 2019. EFRAG will comment on the new proposal before progressing to an endorsement advice on a definitive version of the Standard.

Despite the various concerns raised with IFRS 17, I observe widespread agreement on the need for a high quality new insurance standard. EFRAG will continue to play its part in achieving this.

### INFLUENCING IFRS

The distinction between liabilities and equity has been an important issue for Europe and for EFRAG for many years. A landmark was reached in June when the IASB published its Discussion Paper (DP) *Financial Instruments with Characteristics of Equity* (FICE). EFRAG’s early and extensive involvement enabled us to publish our draft comment letter in August, only two months into the IASB’s seven-month comment period. We then embarked a programme of outreach events and stakeholder meetings – in partnership with other organisations, including with the IASB. Most notably, we selected this project to pilot an ‘early-stage effects analysis’. The concept is to assess the wider effects and potential unintended consequences of changes to rules on FICE reporting during the consultation phase, in order to reduce the risk of problems emerging in the endorsement phase. Gathering the necessary data at the DP stage is inevitably a challenge but this first exercise has yielded important insights and demonstrated the viability of EFRAG’s call on the IASB to consider effects throughout the standard-setting process.

Several other significant but early-stage IASB projects are moving towards the public consultation stage. The *Primary Financial Statements* and *Disclosure Initiative* projects will have a far-reaching impact and have

probably attracted the most attention to date, although *Dynamic Risk Management*, *Goodwill and Impairment* and *Rate-regulated Activities* are examples of other important projects. EFRAG is fully engaged on all these projects and will continue to be so.

## 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. In November, EFRAG delivered its advice to the EC on *Equity Instruments – Impairment and Recycling* as part of our ongoing investigations as to whether the IASB's new requirements on accounting for equity investments are fully conducive to long-term investing and to Europe's sustainable finance aims.

EFRAG's Discussion Paper *Non-exchange Transfers ('NETs'): A role for societal benefit?* explores the accounting for transactions, including levies and government grants, which serve public benefit goals. The paper considers whether the IASB's new *Conceptual Framework* provides a sufficient basis to account for them.

EFRAG also consulted on its future research agenda during the year and, taking into account our stakeholders' priorities, has added three major new projects. The most ambitious of these is *Better Information on Intangible Assets* - which will explore what, if anything, should be done to address the ever-growing average gap between company value and the net assets reported in the financial statements.

## A REFLECTION ON THREE YEARS AT EFRAG

When I took on the role of EFRAG TEG Chairman and CEO I committed to build on the work of my predecessors by leaving the organisation in a stronger position than I found it. Political circumstances, or more specifically Brexit, dictate that I will serve only a single term but I look back with satisfaction at EFRAG's progress in this short time.

In the past three years EFRAG has: delivered its first full public good assessment and impact analysis on a major standard, conducted its first early-stage impact analysis; enhanced transparency with webcasting and publicly-available EFRAG TEG papers; launched the

European Corporate Reporting Lab; and enhanced our cooperation with Europe's academic community. Our mandate as the EC's endorsement adviser has been reaffirmed, Spain has joined our membership and our stakeholders have confirmed EFRAG's value and effectiveness. EFRAG is on a sound financial footing and, most importantly, has an excellent team of people whose dedication and professionalism have made this happen. Sincere thanks to them all.

I now pass on the role of CEO to Saskia Slomp, who richly deserves this advancement following her exceptional contributions to EFRAG over more than a decade, and the EFRAG TEG chairmanship to Chiara Del Prete. I wish them both, and all EFRAG's people and stakeholders, every success.

### Andrew Watchman

EFRAG TEG Chairman and CEO



## ▶ EUROPEAN REPORTING LAB@EFRAG

*In 2018, EFRAG established the European Corporate Reporting Lab in response to the European Commission's Action Plan on Financing Sustainable Growth. In a new departure for EFRAG, the European Lab will focus on non-financial reporting.*

The European Commission's March 2018 Action Plan on Financing Sustainable Growth signalled an important development in the creation of a financial system that supports the EU's climate and sustainable development agenda. As part of its #SustainableFinanceEU initiative, the European Commission called for a European Corporate Reporting Lab to be established.

EFRAG welcomed this opportunity to build on its already widely respected financial reporting work. In September, the EFRAG General Assembly formally established the European Corporate Reporting Lab (or European Lab) and it agreed the terms of reference for the European Lab Steering Group. The objective of the European Lab is to stimulate innovation in corporate reporting in Europe by identifying and sharing good practices.

Following a very positive response to the call for candidates, the European Lab Steering Group members – presenting a broad range of backgrounds – were appointed in November 2018. The multi-stakeholder European Lab Steering Group is responsible for setting the agenda of the European Lab, appointing the members of project task forces, monitoring project implementation, promoting the European Lab and mobilising networks.

***“The European Reporting Lab@EFRAG is taking shape. We look forward to seeing how the latest corporate reporting ideas can contribute to our shared sustainable finance ambition.”***

**Alain Deckers**

Vice Chairman of the European Lab Steering Group and Head of corporate reporting, audit and credit-rating agencies unit with DG FISMA, European Commission

The European Lab's first project will be on climate-related reporting, consistent with the #SustainableFinanceEU initiative. A Project Task Force will assess the current state of play for climate-related reporting by European companies and assess the current and potential use of climate-related information by investors and other users. Its first meeting will be held in February 2019.

Future topics for the European Lab may include good practices around: the use of KPIs, targets and outcomes; governance and internal controls in relation to non-financial information reporting; social and human rights matters; non-financial risks and business models; and innovations in various other aspects of corporate reporting. The European Lab Steering Group will discuss the future agenda and intends to launch a public consultation in the second half of 2019.

The European Lab will serve the European public interest. It has been designed to facilitate dialogue between reporting companies, users, civil society organisations, academic and other relevant stakeholders. It will publish its findings in response to these targeted dialogues and promote them widely.





*“The creation of the European Lab represents a logical extension of our mandate given that financial reporting is an important pillar of corporate reporting. It signals a welcome recognition of the good work EFRAG has been doing. We will ensure that the European Lab provides a welcoming space for companies and investors to share their good practices on corporate reporting.”*

Jean-Paul Gauzès  
EFRAG Board President



## #SustainableFinanceEU

The European Commission’s [Action Plan on Financing Sustainable Growth](#) signals an important new development in the creation of a financial system that supports the EU’s climate and sustainable development agenda. The [#SustainableFinanceEU](#) plan is part of the push to connect finance with the specific needs of the European economy to the benefit of our planet and society. It is also one of the key steps towards implementing the historic [Paris Agreement](#) and the [EU’s agenda for sustainable development](#).

The Final report of the High-Level Expert Group on Sustainable Finance which preceded the [#SustainableFinanceEU](#) plan stated that, “reaching our Paris agreement goals requires no less than a transformation of the entire financial system, its culture, and its incentives. Europe should lead this change. The goal is ambitious, but realistic: to make Europe the centre of gravity for global investment in the low-carbon, resource-efficient, and circular economy.”

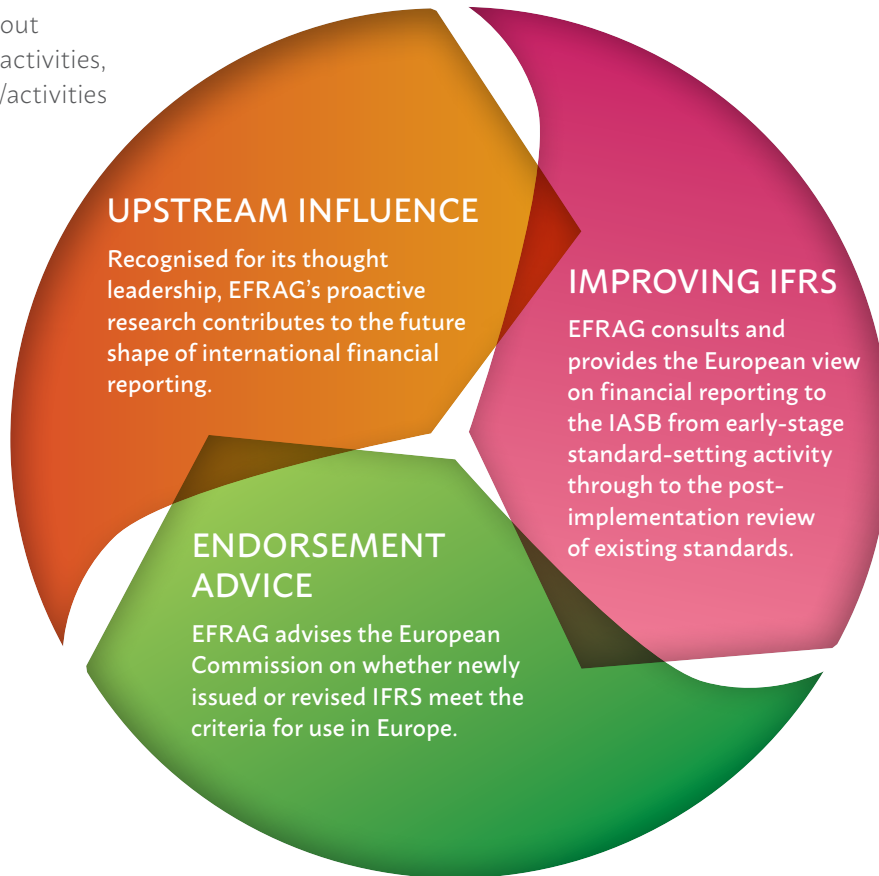
Valdis Dombrovskis, the European Commission Vice-President responsible for Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union noted that the far-reaching reform plans could, “set the global benchmark for sustainable finance. Only with the help of the financial sector can we fill the annual €180 billion funding gap to reach our climate and energy targets.”



# ► 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)



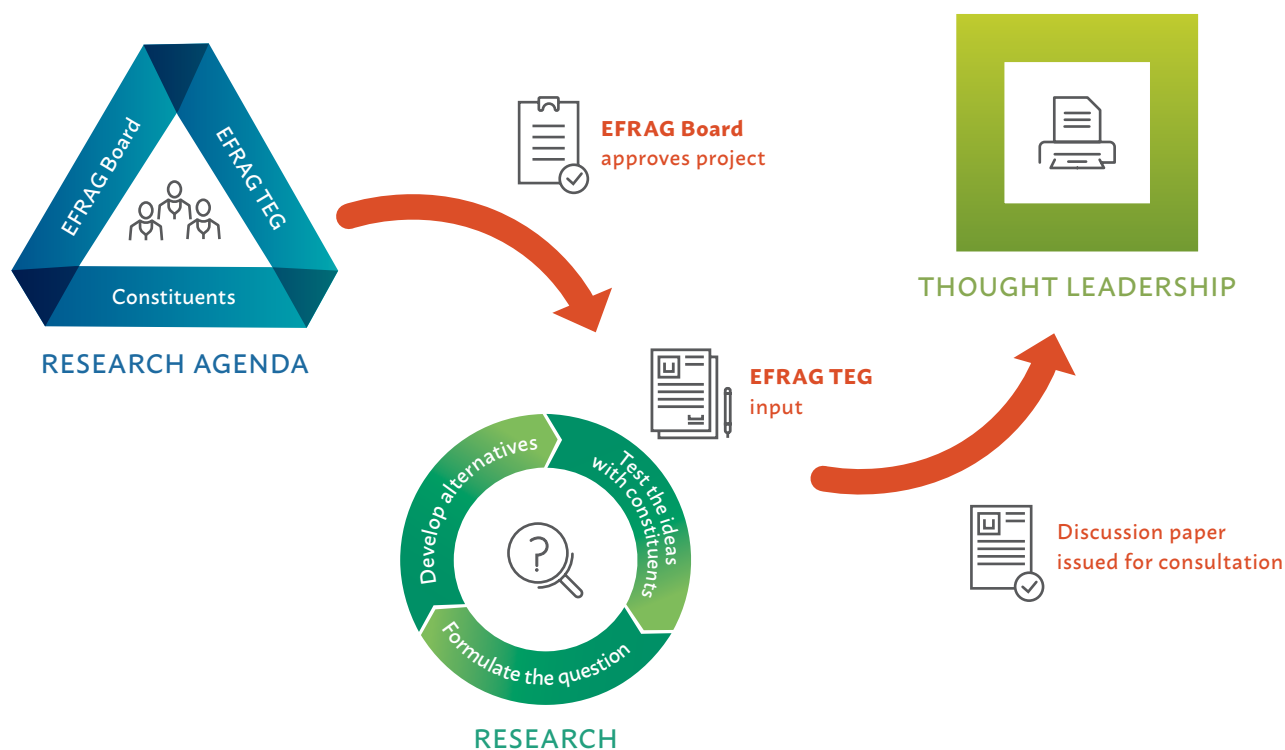
## PUBLICATIONS

Over the last 10 years EFRAG has published over 700 documents covering evidence-based research, improvements to draft IFRS and endorsement advice.



## ► UPSTREAM INFLUENCE

Evidence-based research is core to EFRAG's influence in the debate on International Financial Reporting Standards. Moving beyond inputs to the IASB's research agenda, EFRAG has conducted even more own-initiative work in response to feedback from the European financial reporting community, including from the European Commission and the European Parliament. EFRAG also consulted and agreed upon its future research priorities for the years ahead.



## RECALIBRATING THE RESEARCH AGENDA

As some EFRAG research projects drew to a close and with the major IASB projects in the pipeline still some way off becoming new standards, 2018 provided an opportunity to reflect on the future direction of standard-setting and financial reporting.

A public consultation on EFRAG's future research agenda was launched in March 2018. New types of transactions and assets that could require new and innovative solutions and potential areas of improvement in the application of existing IFRS Standards were considered.

Gathering input from the European financial reporting community is an essential part of EFRAG's role. It not only supports the organisation's transparent approach,

more importantly, it keeps EFRAG focused on the right issues. Taking account of stakeholder outreach and the 24 written responses to the consultation, EFRAG decided to focus on three research areas: intangible assets, digital assets and variable and contingent payments.



## FUTURE PRIORITIES

### Better Information on Intangible Assets

There has been much debate about the ever-increasing role played by intangibles in the performance of entities and the specific challenge they pose for financial reporting. Recognition and measurement of these intangibles is complex. Assessment of control is judgemental, especially at an early development stage, and future benefits can be highly uncertain.

EFRAG will explore alternatives that could provide more relevant information on intangible assets. The project will involve a categorisation and description of the different types of intangible sources of value (marketing, technological, social, reputational, or human capital) and how their different features are relevant in terms of financial reporting.

Rather than focusing on recognition and measurement versus disclosure in the notes, the objective of the project is to develop metrics to express earnings potential and value and improve the quality of information in this important area.

### Digital Assets

Crypto assets including crypto currencies and tokens and other blockchain technology-enabled applications are growing in prominence. Crypto assets have captured the attention of several

National Standard Setters that have issued related guidance. Furthermore, the IASB and different regulators across the globe continue to monitor the implications of related developments. Taking into account work done by others, EFRAG will assess the prevalence and trends of these assets, how existing IFRS Standards apply to them and if there is a need to propose new accounting solutions.

### Variable and Contingent Payments

In many transactions, the exchange price is not a fixed amount but can vary in relation to financial and non-financial factors. Recent Standards such as IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* include specific requirements around variable and contingent payments, but the guidance is neither comprehensive nor consistent.

Variable and contingent payments pose a fundamental challenge – ignoring them until they become certain brings a loss of relevance but recognising them requires the use of estimates that might be highly uncertain and subject to material adjustments and reversals.

EFRAG will conduct an in-depth review of the information users need in regard to variable and contingent payments and how accounting requirements may help to provide it.

## NON-EXCHANGE TRANSFERS – DISCUSSION PAPER

In commercial transactions it is typically assumed that the parties involved are exchanging equal value. But for certain transfers this is not the case. Examples of such 'Non-Exchange Transfers' or 'NETs' include income taxes, levies, and government grants.

While public sector entities account for such transfers, are specific requirements needed for private entities? This is the question EFRAG explored in its Discussion Paper *Non-exchange Transfers: a Role for Societal Benefit?*

The motivation to enter in such transfers can go beyond the maximisation of monetary benefits and may encompass an implicit goal of 'societal benefit'. In the Discussion Paper, which was published in November 2018, EFRAG explores a comprehensive reporting approach that employs traditional accounting concepts – such as the existence of performance-related conditions; but also suggests that 'societal benefit' could play a



role in determining the pattern of recognition in the financial statements.

At a time of lively debate about the role of financial reporting and how it affects economic behaviours, the Discussion Paper is encouraging debate on some pertinent ideas: whether NETs have differentiating characteristics that could warrant a specific accounting treatment; and if so what that treatment should be.

## EQUITY INSTRUMENTS – IMPAIRMENT AND RECYCLING

When EFRAG provided an endorsement advice on IFRS 9 *Financial Instruments* in 2015, it concluded that while it was an improvement over its predecessor IAS 39 *Financial Instruments: Recognition and Measurement*, some aspects of the new Standard were not optimal.

One such aspect concerns the treatment of investment in equity instruments by IFRS 9. These investments are required to be carried at fair value with the changes in profit or loss. EFRAG's concern was that the resulting volatility in the reported performance might not be the most appropriate way of depicting the performance of long-term investors. IFRS 9 also includes a Fair Value through Other Comprehensive Income (FVOCI) option to present changes in the fair value of designated equity investments in Other Comprehensive Income (OCI). However, in this case so-called 'recycling' is not permitted – in other words gains or losses are kept indefinitely in OCI, even when the instrument is sold. Concerns were expressed by EFRAG and by the European Parliament that a lack of recycling could potentially drive some entities away from long-term investment in equities. In 2018, EFRAG continued its investigation into whether the accounting requirements need improvement.

The IASB's reasons for this lack of recycling included the lack of a robust impairment model, which they and many other commentators considered to be an essential feature of a recycling approach. An impairment model would identify decreases in value that can be kept in OCI and those that represent losses to be charged to profit or loss. The impairment model in IAS 39 has been criticised as too judgemental with a resulting lack of consistency.

In January 2018, EFRAG reported the findings to the European Commission from its assessment

phase, which investigated current holdings of equity instruments and the potential effects of the new accounting treatment. Despite the difficulties in analysing the impact of a Standard not yet in force (IFRS 9 only became effective as of 2018), the report provided some much-needed quantitative data that continued the discussion in a more informed and evidence-based manner.

In March 2018, EFRAG issued its Discussion Paper (DP) *Equity Instruments – Impairment and Recycling* which analysed the relevance of recycling in the context of a long-term investment business model. It also presented arguments on the conceptual relationship between recycling gains and losses on derecognition and recognising impairment losses.



The DP also described two models that could accompany a FVOCI option if recycling was to be reintroduced. One model was referred to as a revaluation model – in which changes in fair value below the original acquisition cost (both decline in value and subsequent recovery) are recognised in profit or loss, and changes in fair value above the original acquisition cost are recognised in OCI. The second was an impairment model similar to the impairment model in IAS 39 for equity instruments but with additional guidance to reduce subjectivity.

To help gather constituents' views, EFRAG organised several outreach events. The DP received over 50 responses. Views were mixed. Some argued that recycling is needed to depict the performance of long-term investors. Others argued that reporting gains accumulated over long periods of time only in the period when the investment is sold fails to adequately depict performance in that period or over the holding period. Some only expressed a view that it was too early to discuss changes to IFRS 9 or that changes should only be introduced by the IASB at a global level.

Following EFRAG TEG and Board deliberations, EFRAG issued its response in November 2018. EFRAG concluded that any reintroduction of recycling would

need to be accompanied by an impairment model, which could be based on the model in IAS 39 but improved to ensure more comparability. EFRAG did not take any position on the reintroduction of recycling.

In June 2018, the European Commission sent EFRAG a second request to investigate alternatives to fair value measurement for equity and equity-like instruments held in a long-term investment portfolio. It is a challenging request, in part because no generally accepted definition of long-term investment exists in IFRS Standards. EFRAG has launched the project and plans to consult its constituents in early 2019.

## PROMOTING EVIDENCE-BASED RESEARCH

EFRAG values the contribution of the academic community to the financial reporting debate. In 2017, EFRAG stepped-up the quality and frequency of interaction with academia, notably with the creation of the EFRAG Academic Panel.

The panel allows EFRAG to stay informed about the latest research on accounting and financial reporting. The EFRAG Academic Panel met twice in 2018 and topics discussed included crypto assets, volatility in financial reporting and the use of quantitative data in EFRAG research activities.

EFRAG also takes part in academic community events. EFRAG together with its Italian member organisation, OIC, co-sponsored a panel discussion at the main European Accounting Association's 41st Annual Congress, hosted by Bocconi University in Milan. The speakers – including the IASB's vice-chair Sue Lloyd – considered the consistent application of IFRS Standards and discussed the challenge of striking a balance between information specific to each entity and comparability and enforceability.

In August 2018, EFRAG Research Director Filippo Poli and EFRAG Board member Claes Norberg took part in a panel discussion on the first impact of the implementation of IFRS 15 at the EUFIN 2018 event in Stockholm.

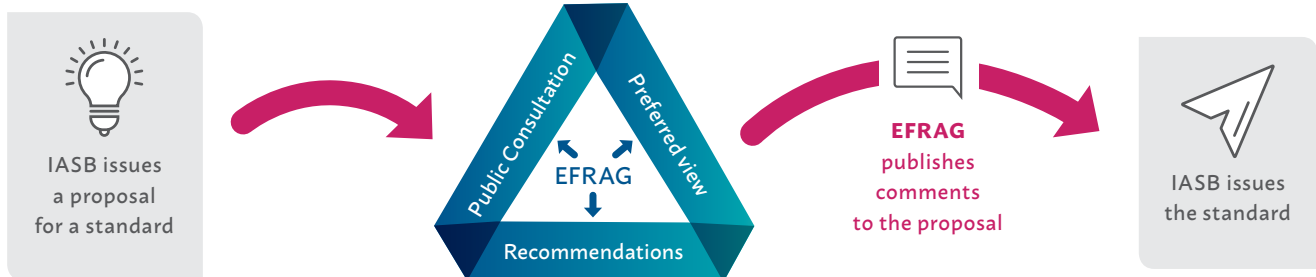
EFRAG is committed to developing evidence-based research. Recent EFRAG public tenders include the academic literature review on how users evaluate information on recycling, which complemented the EFRAG investigation on the treatment of equity instruments under IFRS 9.

EFRAG is also sponsoring a study together with the Institute of Chartered Accountants of Scotland on the purpose of discounting in financial reporting. The academic team is expected to complete its work in 2019 and there are plans to organise an event about the conceptual and practical challenges of selecting discount rates for reporting purposes.



## ► IMPROVING IFRS

EFRAG is committed to voicing European views in the international standard-setting process. A proactive approach, involving early stage evidence gathering, was taken to respond to a new IASB proposal on debt and equity classification that could have far-reaching consequences for company balance sheets.



### DEBT OR EQUITY?

EFRAG's work on Financial Instruments with Characteristics of Equity (FICE) was greatly enhanced by the way it successfully engaged with its constituents on a technical topic.

The IASB published its Discussion Paper on FICE in June 2018, setting out its preferred view on how to distinguish between equity and liabilities in the future. The IASB project was motivated by the various challenges that arise from the application of IAS 32 *Financial Instruments: Presentation*. Given the potential significance of this project on the balance sheets of companies using IFRS Standards, EFRAG launched an outreach campaign. The purpose was to energise the debate around FICE project and to allow for the creation of a final EFRAG comment letter to the IASB that reflects the full breadth of European views, by early 2019.

explain the key points of the Discussion Paper in a clear, accessible way. The bulletins addressed the proposed classification criteria (*Demystifying FICE - A clearer picture on classification*); and the proposed presentation and disclosure requirements (*Visualising FICE - A closer look at presentation and disclosure*). The bulletins were followed by a first-ever [EFRAG webinar](#) that summarised EFRAG's tentative views on the Discussion Paper.



The first step was to raise awareness of both the Discussion Paper and EFRAG's draft comment letter. EFRAG broke new ground in looking to increase understanding of FICE. A short video was prepared in-house to introduce the project. This was followed by two bulletins designed to



EFRAG conducted a series of outreach events throughout Europe – from Copenhagen to Milan – to stimulate response to the draft comment letter. These events were undertaken jointly with the National Standard Setter. The IASB and user organisations also took part at some events. In addition, EFRAG presented its preliminary views at seminars and conferences.

To support the final comment letter to the IASB, EFRAG prepared its first ever early-stage analysis of the effects of the Discussion Paper proposals. EFRAG has been calling on the IASB to prepare impact assessments at each key stage in a major project, and so decided to lead by example with FICE. The EFRAG team developed surveys – for both preparers and users of IFRS Standards – and reviewed available professional and academic literature.



The early-stage analysis and outreach campaign have been a success. The FICE campaign engaged a broader range of stakeholders in Europe than could normally be expected for what is a complex and technical financial reporting topic. Some 29 comment letters were received. Thanks to the early-stage analysis of effects, the debate on the FICE proposals was better informed on the probable costs and benefits of changes to the classification of certain financial instruments in the financial statements.

EFRAG issued its final comment letter to the IASB early in 2019. EFRAG does not support the IASB's preferred approach to classification as it introduces completely new terminology which is likely to cause some disruption. At this stage, EFRAG suggests that the IASB focuses on targeted improvements to current requirements in IAS 32 and other standards, particularly on disclosure requirements and the classification guidance on complex instruments with contingent settlement provisions. If the IASB pursues targeted improvements to IAS 32 in the shorter term, EFRAG suggests that the IASB then reconsiders whether to continue a more comprehensive FICE project in the longer term.

## FICE CAMPAIGN

**20 outreach events** 

Number of FICE outreach events organised in partnership with European National Standard Setters or other organisations and in cooperation with the IASB

**500 viewers** 

Number of participants and viewers of the FICE Webinar and the FICE Consultation and Feedback Statement videos

**49% of market** 

The FICE preparer survey included responses from some of the largest non-financial issuers of perpetual bond instruments – representing 49% of the European Economic Area outstanding issuance. It also includes responses from some of the largest EU banking and insurance entities.





## REPRESENTING EUROPE

One of EFRAG's roles is to promote European views on financial reporting on the international stage. The Consultative Forum of Standard Setters (EFRAG CFSS) is essential in allowing EFRAG to engage strongly in the international debate. The EFRAG CFSS – European National Standard Setters who meet regularly in Brussels – helps define and shape the European view.

EFRAG has a seat on the IASB's Accounting Standards Advisory Forum (ASAF). The ASAF, which brings 12 representatives of African, American, Asian and European standard-setters together, is just one of the channels by which EFRAG provides direct input to the IASB. In 2018, EFRAG led the discussion on early views on the IASB's FICE project.

Through its membership of the International Forum of Accounting Standard Setters (IFASS) – an informal network of national accounting standard setters from around the world, plus other organisations that have a close involvement in financial reporting issues – EFRAG presents European views, principally based on its active research agenda and by sharing developing positions on IASB projects.

In 2018, EFRAG presented its tentative views to IFASS on the FICE project, jointly with the UK standard-setter, and its work in response to the European Commission request for information on impairment and recycling of equity instruments. EFRAG also participates in the IASB's annual World Standard Setters Conference and contributes actively to the discussion.

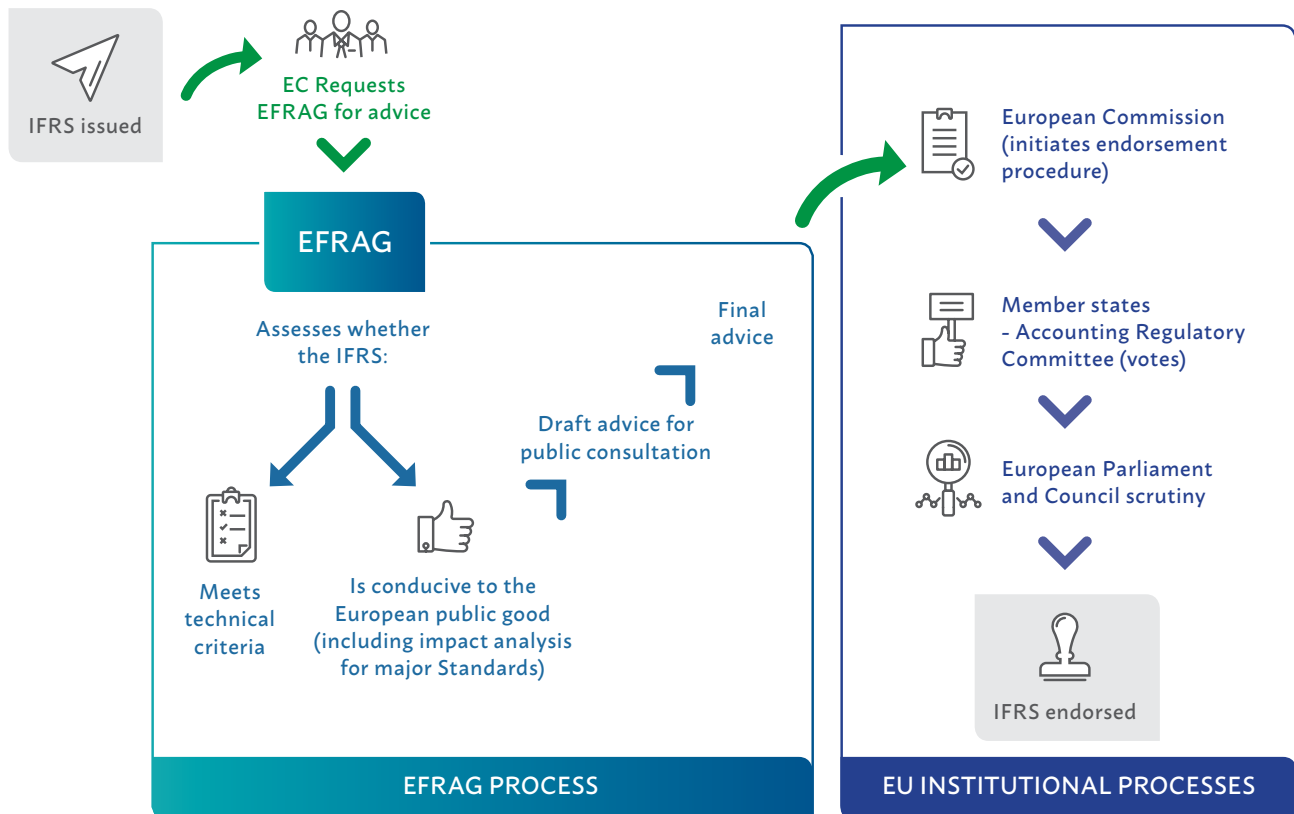
During 2018, EFRAG met bilaterally with representatives of the Accounting Standard Board of Japan and with the Korean Accounting Standards Board. These meetings provide updates on the latest financial reporting developments and explore potential opportunities for cooperation.

EFRAG is an influential presence in the international standard-setting debate. International engagement serves to build awareness and support for EFRAG positions on IASB Discussion Papers and Exposure Drafts. As a result, EFRAG frequently shapes both national and international responses to the IASB. In this way, EFRAG is seen as a leading voice that presents high quality views on financial reporting to the IASB.



## ► ENDORSEMENT ADVICE

Before advising the European Commission on whether IFRS Standards meet the criteria for use in Europe, EFRAG consults widely with the European financial reporting community. Insurance was top of the endorsement agenda in 2018. EFRAG gathered input from insurers, actuaries, users and auditors of financial statements, National Standard Setters as well as from political, supervisory and regulatory authorities. EFRAG's work has been influential in the IASB's decision to reconsider certain parts of the Standard .



## GETTING IFRS 17 RIGHT

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* to replace IFRS 4 *Insurance Contracts*, which allows insurers to use local GAAP with only limited modifications. IFRS 17 is therefore expected to usher in a major change in the way European companies account for insurance contracts.

The European Commission formally requested advice on the endorsement of IFRS 17 in the autumn of

2017. EFRAG immediately set about delivering on an ambitious target of developing its endorsement advice to the European Commission by early 2019.

The start of 2018 saw EFRAG collecting material to be used in preparing its draft endorsement advice. Due to the complexity of the standard, this necessarily involved an unprecedented level of consultation and research.

## ROBUST DUE PROCESS

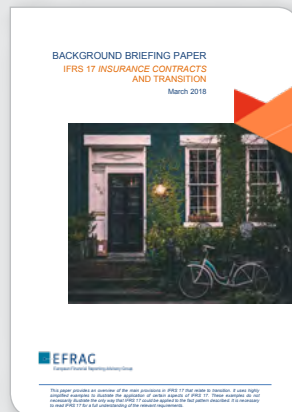
EFRAG consults publicly with all stakeholders that have an interest in financial reporting. This enables EFRAG to speak convincingly, clearly and consistently, and be recognised as the European voice of financial reporting. In preparing its IFRS 17 endorsement advice EFRAG has taken a number of important steps:

### Setting the scene

Because IFRS 17 is a complex standard which can be hard to understand even for insurance specialists, EFRAG decided to issue three background briefing papers early in 2018.

The papers were designed to assist the European financial reporting community with understanding IFRS 17, by explaining the key principles behind some of the more contentious issues in a straightforward manner:

- ▶ Level of Aggregation
- ▶ Release of the Contractual Service Margin
- ▶ Transition Requirements of IFRS 17 Insurance Contracts.



### Data collection

Key data collection activities in the first half of 2018 included two sets of case studies. Large European insurers from France, Germany, Italy, Spain and the UK completed an extensive questionnaire which resulted in each company producing over 100 pages of detailed technical information. For smaller insurers, EFRAG organised a simplified case study which required fewer resources. Taken together, these case studies provided information on current

practices of insurers, their early views of how their accounting for portfolios of insurance contracts might change and the perceived costs and benefits of IFRS 17.

**11** large European insurance companies participated in the extensive questionnaire and **49** European insurance companies of varying sizes participated in the simplified case study.

### Investor perspective

As the main aim of any new standard is to benefit users, EFRAG conducted a series of structured interviews with **31** investors and analysts. Those interviewed included insurance industry specialists and those who take a broader view of the financial markets. On the whole, users were supportive of the improvement in accounting for the insurance sector that would arise from the application of IFRS 17 although some also considered that it was too early to express a definitive view.

### Impact assessment

EFRAG is developing its own impact assessment for IFRS 17. Identifying the effect on a major industry arising solely from changes in financial reporting, without considering any other changes in the environment affecting that industry, is obviously very challenging. In addition to the case studies and other evidence-gathering activities described, EFRAG commissioned an economic study from London Economics/VVA. Their report will provide further input to EFRAG's impact assessment and, subsequently, its endorsement advice. The London Economics/VVA report provided economic analysis in areas such as industry trends, any potential impact on competition for capital and customers, and any potential impact on offerings of products and service by insurers.

In addition to advising on whether newly-issued IFRS Standards meet technical endorsement criteria - which involves assessing whether they provide relevant,

reliable, comparable and understandable information - EFRAG considers whether application of the standard would be conducive to the European public good.

For IFRS 17 this included the development of briefing papers, case studies, structured interviews and an impact analysis to investigate the potential effects of the standard on European insurers of all sizes. The EFRAG Board also heard directly from insurance companies, auditors, actuaries and users of financial statements as well as representatives from of the insurance industry as a whole.

As a result of this process, and after listening carefully to the various concerns raised, the EFRAG Board identified six issues with IFRS 17 that merited further consideration by the IASB.

EFRAG wrote to the IASB early in September 2018. In light of EFRAG’s comments and additional comments raised in other jurisdictions, the IASB has signalled

its intention to reopen the Standard. It is currently considering how IFRS 17 should be amended in response to the issues raised and is expected to issue an Exposure Draft later in 2019.

As a result, EFRAG’s original endorsement advice timetable has changed. The IASB has now tentatively decided to defer the effective date of IFRS 17 by one year to 2022. EFRAG will develop its preliminary view on the appropriate effective date for IFRS 17 and on any other changes to the Standard when it responds to the IASB’s new Exposure Draft.

While the IASB is developing proposals for consultation, EFRAG is monitoring the IASB’s activity, and continuing to work on its own impact assessment and draft endorsement advice.

## RESPONDING TO THE EUROPEAN PARLIAMENT

IFRS 17 has drawn the attention of Europe’s political representatives. On 17 May 2018 the European Parliament’s Committee on Economic and Monetary Affairs (ECON) held an exchange of views with EFRAG Board President Jean-Paul Gauzès.

The hearing took place as EFRAG was working on its draft endorsement advice and ECON was working on its draft motion for a resolution on IFRS 17.

The MEPs raised questions on a number of topics including the potential impact on consumers of insurance products, the compatibility of IFRS 9 and IFRS 17, whether a high level of aggregation would

lead to a loss of information and the costs and complexity of implementation.

In October, the European Parliament adopted a Motion for a Resolution on IFRS 17 Insurance Contracts which raised a number of concerns and included a call on EFRAG to consider the impact of the requirements in IFRS 17 relating to accounting for reinsurance in particular.

EFRAG cooperates regularly with the European Parliament via the IFRS Permanent Team chaired by MEP Theodor Stoiljan.

## IFRS ROUND-UP

As well as working on IFRS 17, EFRAG prepared draft advice, consulted with Europe’s financial reporting community and reached a final position on the endorsement of a number of amendments to the suite of IFRS Standards:

IFRS AMENDMENT AND ENDORSEMENT STATUS	IFRS 17	IFRS 16	IFRS 15	IFRS 14	IFRS 13	IFRS 12	IFRS 11	IFRS 10	IFRS 9	IFRS 8	IFRS 7	IFRS 6	IFRS 5	IFRS 4	IFRS 3	IFRS 2	IFRS 1
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures																	
Annual Improvements to IFRS Standards 2015-2017 Cycle																	
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement; and																	
Amendments to References to the Conceptual Framework in IFRS Standards																	

- ▶ Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- ▶ Annual Improvements to IFRS Standards 2015-2017 Cycle;
- ▶ Amendments to IAS 19: Plan Amendment, Curtailment or Settlement; and
- ▶ Amendments to References to the Conceptual Framework in IFRS Standards.

## ► GOVERNANCE AND TRANSPARENCY

### EUROPEAN CORPORATE REPORTING LAB

The most important governance change in 2018 was the establishment of the European Corporate Reporting Lab. The European Reporting Lab@EFRAG is directly accountable to the EFRAG General Assembly and thus the EFRAG Member Organisations. With a focus on non-financial reporting, it constitutes a stream of activities separate from EFRAG's IFRS activities. EFRAG had to change its Statutes and Internal Rules and published Terms of Reference for the European Lab Steering Group and Operating Guidelines for its project task forces. In November, the EFRAG General Assembly appointed the first European Lab Steering Group.

### EFRAG BOARD AND EFRAG TEG

In 2018, EFRAG welcomed Maria Urrea as new member of the EFRAG Board appointed by the EFRAG General Assembly in December. The EFRAG Board approved the EFRAG TEG composition effective from 1 April 2019. Chiara Del Prete will be the new EFRAG TEG Chairman and a new member, Isabelle Grauer-Gaynor (accountancy profession), was also appointed. Saskia Slomp was appointed EFRAG CEO from 1 April 2019.

### TRANSPARENCY

In March 2018, EFRAG started webcasting its public meetings. EFRAG's stakeholders can either watch in real-time or afterwards, as the meetings remain available to watch online. With the webcasting complementing the already available meeting documents, EFRAG is practising best-in-class levels of transparency.



### EUROPEAN PARLIAMENT

Under the leadership of the EFRAG Board President Jean-Paul Gauzès, a former MEP, EFRAG has continued to enhance its relationships with the European Parliament, notably with ECON and the IFRS Permanent Team chaired by MEP Theodor Stolojan. In May 2018, an exchange of views took place with the EFRAG Board President and EFRAG TEG Chairman and CEO, Andrew Watchman, and ECON in its public meeting. In 2018, the discussions with the European Parliament focused on IFRS 17 *Insurance Contracts*.

### GDPR

During 2018, EFRAG has implemented steps to make the organisation General Data Protection Regulation (GDPR) compliant. EFRAG's Privacy Policy is available from the EFRAG website.

### EFRAG STATUTES AND INTERNAL RULES

In 2018, EFRAG updated its Statutes and Internal Rules to allow for the establishment of the European Corporate Reporting Lab and to make them GDPR compliant. The latest versions are available from the EFRAG website.

### ACKNOWLEDGEMENTS

EFRAG pays tribute to Enrique Ortega representing the Spanish Standard Setter ICAC who stepped down from the EFRAG Board in November and thanks him for his contributions during his Board membership.

EFRAG also thanks its former TEG members Nicolas de Paillerets and Serge Pattyn, who after having served their maximum term of six years had to step down per 31 March 2018. EFRAG will continue to benefit of Serge's contributions as member of the EFRAG User Panel.

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

# MEMBER ORGANISATIONS

As of 31 December 2018

## 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 (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 2018

### 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 Gauzès**  
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 Jaspard**  
Insurance companies



**Roger Marshall**  
Member FRC Board



**Claes Norberg**  
Industrial and trading companies



**Laurence Rivat**  
Accountancy profession



**Peter Sampers**  
Chairman DASB (Netherlands)



**Anders Ullberg**  
Chairman SFRB (Sweden)



**Maria Dolores Urrea Sandoval**<sup>1</sup>  
Member ICAC (Spain)



**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.

<sup>1</sup> In December 2018, Maria Dolores Urrea Sandoval succeeded Enrique Ortega as a member of the EFRAG Board

## 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)



**Emmanuelle Guyomard**  
Sanofi



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



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



**Andrew Spooner**  
Partner Deloitte (UK)



**Ambrogio Virgilio**  
Partner EY (Italy)



**Jed Wrigley**  
Eight Roads

## 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 València
- **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**, 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
- **Alexander Dollhopf**, PwC Sweden
- **Luca D'Onofrio**, EFFAS FAC member – AIAF Board Member
- **Geert Ewalts**, EFRAG TEG member
- **Hugh Francis**, Aviva
- **Joachim Kölschbach**, KPMG Germany
- **Jasper Kolsters**, EY Netherlands
- **Malin Löfbom**, Skandia
- **Sophie Massol**, AXA
- **Richard Olswang**, Prudential
- **Jean-Michel Pinton**, EY France
- **Sabrina Pucci**, University of Rome
- **Thomas Ringsted**, Deloitte Denmark
- **Roman Sauer**, Allianz
- **Maxime Simoen**, Mazars France
- **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, EFRAG TEG member
- **Patrice Kalfon**, Ellis Alliance
- **Anne Laning**, TKP Investments
- **Julián Villanueva Lara**, MAPFRE
- **Gabriel van de Luitgaarden**, 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 Réseau
- **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
- **Carsten Zielke**, Vice-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**, EFRAG TEG member

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

## EFRAG SECRETARIAT



- **Andrew Watchman**, EFRAG TEG Chairman and CEO
- **Patricia McBride**, Technical Director
- **Filippo Poli**, Research Director
- **Saskia Slomp**, Governance & Admin Director
- **Vincent Papa**, Associate Director
- **Vera Palea**, Academic Fellow
- **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
- **Almudena Alcalá**, Technical Manager
- **Galina Borisova**, Technical Manager
- **Sapna Heeralall**, Technical Manager
- **Joachim Jacobs**, Technical Manager
- **Ioana Kiss**, Technical Manager
- **Lina Lemessiou**, Technical Manager
- **Robert Stojek**, Technical Manager
- **Ricardo Torres Ruiz-Olivares**, Technical Manager (seconded by Deloitte)
- **Neha Mehra**, HR & Executive Support Officer
- **Cristina Rodriguez**, Office Administrator

## EUROPEAN LAB STEERING GROUP



The European Corporate Reporting Lab is intended to stimulate innovation in the field of corporate reporting in Europe by identifying and sharing good practices. This initiative follows the call of the European Commission in its Action Plan on Financing Sustainable Growth.



- Jean-Paul Gauzès, Chairman
- Alain Deckers, Vice-Chairman
- Hilde Blomme, Accountancy Europe
- Ossian Ekdahl, Första AP-fonden
- Simonetta Ferrari, ENI
- Elisabeth Gambert, AFEP
- Sebastien Godinot, WWF
- Filip Gregor, Frankbold
- Imre Guba, S&P Global
- Albert Hasselmeyer, BASF
- Esko Antero Kivisaari, Finanssiala
- Arlene McCarthy, AMC Strategy
- Flavia Micilotta, Eurosif
- J. Jason Mitchell, Man Group plc
- Linda Nielsen, University of Copenhagen
- Nancy Kamp-Roelands, EY/University of Groningen
- Steven Marcus Tebbe, CDP



## ► FINANCIAL SUMMARY

Abbreviated financial statements as of 31 December 2018

INCOME STATEMENT	2018 000 EUR	2017 000 EUR
<b>CONTRIBUTIONS</b>		
European Stakeholder Organisations	765	765
National Organisations	1,600	1,605
European Commission	2,817	2,624
<i>Contributions in kind</i>	1,178	1,197
<b>TOTAL CONTRIBUTIONS</b>	<b>6,360</b>	<b>6,191</b>
<b>OPERATING EXPENSES</b>		
Human resources	-3,956	-3,512
Building	-336	-386
Travel	-41	-49
Special events	-1	-15
Publications	-21	-17
Outsourcing (economic and academic studies)	-172	-95
Meetings	-59	-50
Other costs	-495	-278
<i>Expenses in kind</i>	-1,178	-1,197
<b>TOTAL OPERATING EXPENSES</b>	<b>-6,259</b>	<b>-5,599</b>
Operating surplus	101	592
Financial result	5	0
<b>NET SURPLUS</b>	<b>106</b>	<b>592</b>

BALANCE SHEET	31/12/2018 000 EUR	31/12/2017 000 EUR
Tangible assets	83	41
Office guarantee	121	120
<b>TOTAL FIXED ASSETS</b>	<b>204</b>	<b>161</b>
Accounts receivable	562	207
Current investments	0	368
Cash	4,537	4,431
Deferred charges and accrued income	132	27
<b>TOTAL CURRENT ASSETS</b>	<b>5,231</b>	<b>5,033</b>
<b>TOTAL ASSETS</b>	<b>5,435</b>	<b>5,194</b>
Equity: Accumulated surplus	4,229	4,123
Liabilities:		
• leasing debt	3	6
• accounts payable	244	151
• taxes, remuneration and social security	613	537
• provision including pension guarantee	274	114
• rent accrual	0	0
• deferred contributions	72	263
• other accruals	0	0
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>5,435</b>	<b>5,194</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 April 2019. The statutory financial statements have been approved by the EFRAG General Assembly on 25 April 2019.

## Contributions and expenses in kind

CONTRIBUTIONS IN KIND 2018		000 EUR
<b>TIME AND TRAVEL CONTRIBUTIONS</b>		
<i>EFRAG Board</i>		232
<i>EFRAG Technical Expert Group</i>		609
<i>Other Groups and Panels</i>		302
<i>OIC Secondment</i>		35
<b>TOTAL CONTRIBUTIONS IN KIND</b>		<b>1,178</b>

### NOTES

#### *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 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 and 2018). EFRAG has an obligation for any shortfall at retirement resulting from these differences. The financial statements include a provision arising from past contributions, based on an actuarial estimate. The provision as at 31 December 2018 is 174k€, an increase of 60 k€ since 31 December 2017.

EFRAG receives funding from the European Commission (EC) in accordance with annual grant agreements. EFRAG's grant returns for the year 2015 onwards are subject to future 'on the spot' checks by the EC. Certain matters in the application of those grant agreements are under discussion, which could ultimately result in material adjustments to the amount of grant funding. In the interest of prudence EFRAG has recorded a provision in relation to possible future adjustments.

## 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.

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 the form of free secondments.

The breakdown of contributions by Member Organisation is as follows:

CONTRIBUTIONS	000 EUR	2018	2017
<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 <sup>1</sup>	290
Sweden		100	100
Denmark		50	50
Netherlands		50	50
Spain		50	50
Luxembourg		10	15
<b>TOTAL</b>		<b>1,600</b>	<b>1,605</b>
<b>EUROPEAN COMMISSION</b>		<b>2,817</b>	<b>2,624</b>
<b>TOTAL CONTRIBUTIONS</b>		<b>5,182</b>	<b>4,994</b>

<sup>1</sup> OIC seconds a technical manager to EFRAG, for part of 2018 the contribution in kind is 35k€



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