

ANNUAL REVIEW 2020

THOUGHT LEADERSHIP,
TRANSPARENCY
AND PUBLIC
ACCOUNTABILITY



European Financial Reporting Advisory Group

▶ 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 that these views are properly considered in the IASB's 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 of 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 its endorsement advice. Its 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.

EFRAG is operating in a fast-evolving environment. It is attentive to the need to adapt its activities and its governance to meet new opportunities and challenges in corporate reporting.

[EFRAG Statutes and Internal Rules](#)

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▶ REPORT FROM THE EFRAG BOARD PRESIDENT



“I am very honoured by the confidence the European Commission is putting into EFRAG by requesting EFRAG to prepare technical advice with proper due process, public oversight and transparency, contributing to the delegated acts through which the sustainability reporting standards will be adopted.”

2020 has been a special year in many respects for EFRAG and not only because of the COVID-19 circumstances. I would in particular like to mention our endorsement advice to the European Commission on IFRS 17 *Insurance Contracts*; our further steps into sustainability reporting with the two mandates EFRAG received from Executive Vice-President Dombrovskis; the renewal of the EFRAG Board; UK leaving EFRAG following Brexit and Austria joining the EFRAG membership.

We have been affected by COVID-19 for well over a year with various lock downs, serious threats on health and well-being and strict teleworking measures, and without physical meetings since mid-March 2020. Like everyone else, EFRAG had to adapt to the circumstances and was fortunate to be able to do so. I personally want to commend the EFRAG Secretariat for their energy, commitment, and efforts in continuing the hard work and continuing to deliver the supporting papers of good quality allowing EFRAG to bring its positions within the deadlines.

2020 was also the year of IFRS 17. After EFRAG brought a list of six issues to the IASB in 2018, in June 2019 the IASB proposed amendments to IFRS 17 in an exposure draft and finalised the amendments to IFRS 17 in June 2020. EFRAG published its draft endorsement advice after the impressive work of the EFRAG Secretariat, EFRAG TEG and its Insurance Accounting Working Group and the EFRAG Board in September 2020. At the end of March 2021, the EFRAG Board agreed by

consensus on the final endorsement advice with an overall endorsement of IFRS 17 with the exception of split views on annual cohorts.

2020 was notably the year of EFRAG enhancing its sustainability reporting activities after the successful establishment of the European Lab in 2018, requested by the EC in its March 2018 Action Plan *Financing Sustainable Growth*. In the beginning of 2020 Executive Vice-President Dombrovskis referred in speeches to the preparatory work on possible EU non-financial reporting standards to be undertaken by EFRAG. This resulted in two mandates at the end of June: an invitation to appoint a project task force within EFRAG's European Lab to assess the possible content and structure of potential European non-financial reporting standards to support the implementation of the Non-Financial Reporting Directive; and an *ad personam* mandate to me to provide recommendations about the possible changes to the governance and financing of EFRAG if EFRAG were to be charged with developing EU non-financial reporting standards.

I want to commend all involved for their hard work leading to effective and efficient contributions, with the project task force under the leadership of Patrick de Cambourg being already operational in the beginning of September 2020. With the publication of the interim report in the first half of November and the final report early March 2021 the project task force and its project management office, all volunteers, did an amazing task. I would also like to express my thanks to all organisations, individuals and representatives of Member States that contributed to my consultations

resulting in my final recommendations published at the same time.

It is a great pleasure for EFRAG and me personally to contribute to the developments in sustainability reporting, with the immense momentum in Europa, both in Europe and at global level. EFRAG supports global standards also in the sustainability reporting domain but they need to meet the specific European requirements recognising that the EU is a leader in this domain. The acceleration at global level in the sustainability reporting standard setting domain is therefore much welcomed. I personally believe, also given the interconnectivity between financial and sustainability reporting, EFRAG's involvement brings added value to the process and look forward with confidence to the 2021 developments.

I am very honoured by the confidence the European Commission is putting into EFRAG by requesting EFRAG in the proposal for the Corporate Sustainability Reporting Directive published on 21 April 2021, to prepare technical advice with proper due process, public oversight and transparency, contributing to the delegated acts through which the sustainability reporting standards will be adopted. EFRAG has been advising the European Commission for many years on the endorsement of IFRS Standards and I am pleased that our reputation as a European centre of expertise on corporate reporting has been recognised. EFRAG is well placed to foster coordination between EU sustainability reporting standards and international initiatives that seek to develop standards that are consistent across the world.

Unfortunately, with the end of the transitional period following the UK's exit from the EU on 31 December 2020 the FRC had to leave EFRAG's membership after having been a National Funding Mechanism and after the Maystadt reform an EFRAG Member Organisation since 2009. I am very positive about our discussions with the FRC and the UK Endorsement Board on our future cooperation in the technical domain.

At the end of 2020 we also received the positive news that Austria would join the EFRAG membership after fruitful cooperation and technical contributions over several years. The Austrian Group of Standard Setters' admission was approved by the EFRAG General Assembly in March, and the Austrian Standard Setter AFRAC will be represented on the new EFRAG Board from 1 May. I hope that other countries will join so that

EFRAG's geographical representation will be further improved.

The EFRAG Board served till 30 April 2021. During 2020 the terms of EFRAG Board members were extended by six months so that we could complete the IFRS 17 endorsement advice with the existing Board. My great thanks to all EFRAG Board members and observers for their fruitful contributions and cooperation, collegiality, working together in the European public interest and finding our way to consensus. I want in particular to thank those that now leave or have left during 2020, several were there before I joined EFRAG as EFRAG Board President. We will miss you all, but I am sure our paths will cross again and see you back at EFRAG in one way or the other. A special thanks to my two EFRAG Board Vice- Presidents Andreas Barckow who stepped down in September and Hans Buysse who took over for their excellent leading of the technical debates arriving at the EFRAG consensus positions.

A warm welcome to all the newcomers in the EFRAG Board, I am looking forward to our cooperation.

I also want to thank the EFRAG Member Organisations for the support they gave for the work on the mandates and for concluding on a more transparent finance and governance structure for the financial reporting activities.

EFRAG would not exist without its Secretariat: a big thanks to all of them for their continued hard work, commitment, and enthusiasm to support EFRAG's activities and making EFRAG successful.

Jean-Paul Gauzès

EFRAG Board President



► EFRAG SUSTAINABILITY REPORTING ACTIVITIES

EUROPEAN CORPORATE REPORTING LAB @EFRAG (EUROPEAN LAB)

The European Corporate Reporting Lab @EFRAG (European Lab) was established in the third quarter of 2018 as called for by the March 2018 Action Plan on Financing Sustainable Growth of the European Commission. Its objective is to stimulate innovation in the field of corporate reporting in Europe by identifying and sharing good reporting practices. It serves the European public interest and its deliverables do not have any authoritative or normative status. The initial focus of the European Lab is non-financial reporting, including sustainability reporting.

The European Lab has a multi-stakeholder Steering Group responsible for:

- setting the agenda,
- appointing the members of project task forces (PTFs) for specific projects,
- monitoring project implementation and progress of activities,
- promoting outputs and mobilising networks, and
- giving direction on external communication.



The appointed PTFs are responsible for the project deliverables including the contents of the project reports. The PTFs incorporate a balanced representation of a broad range of stakeholders and also aims for a balanced geographical and gender spread.

FOREWORD BY THE EUROPEAN LAB STEERING GROUP VICE-CHAIR



In my capacity as Vice-Chair and the European Commission's representative on the European Lab Steering Group I commend the European Lab and notably its project task forces for their achievements in 2020 and the

first quarter of 2021. The quality of their contributions supports the Commission's work on the Green Deal and our proposal for the Corporate Sustainability Reporting Directive (CSRD). Sustainability reporting is increasingly relevant to understand the value creation of companies and the risks to which they are exposed, as well as the impact companies have on people and the environment. This double materiality concept is central to European initiatives and thinking. It is essential that we all contribute to a better planet and a better society for ourselves and future generations.

It is important to build bridges between the worlds of financial and sustainability reporting. EFRAG has been advising the European Commission for many years on the endorsement of IFRS Standards and is recognised as a European centre of expertise on corporate reporting. EFRAG is also well placed to foster coordination between European sustainability reporting standards

and international initiatives that seek to develop standards that are consistent across the world.

The first project of the European Lab identified good practices in climate-related reporting that helped and inspired companies for their reports published in 2020. With this first project EFRAG made a successful start in the sustainability reporting domain.

Despite the challenges of the COVID-19 crisis, the second project on reporting of non-financial risks and opportunities and linkage to the business model has advanced significantly. The good practices identified can contribute to EFRAG's sustainability standard setting work. We look forward to the publication of the project report before the summer.

The two EFRAG reports following the mandates of Executive Vice President Valdis Dombrovskis to EFRAG have been an important first step towards the development of EU sustainability reporting standards. These reports were also an important contribution to the Commission's recent proposal for a Corporate Sustainability Reporting Directive. EFRAG's work on draft standards will support the European Commission in meeting our ambitious deadlines to adopt a first set of EU sustainability reporting standards by October 2022.

Alain Deckers

European Lab Steering Group Vice-Chair;
Head of Unit, DG FISMA

PROJECT ON CLIMATE RELATED REPORTING (PTF-CRR)

The first European Lab project on climate-related reporting was completed in the beginning of February 2020 by the multistakeholder Project Task Force on climate-related reporting (PTF-CRR). The PTF-CRR was appointed in February 2019. The output of the PTF-CRR consisted of a main document titled [How to improve climate-related reporting: A summary of good practices from Europe and beyond](#), accompanied by two supplements. The focus of the PTF-CRR was on identifying good reporting practices and assessing the level of maturity in the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), while also taking into consideration the

climate-related reporting elements of the EU Non-financial Reporting Directive (NFRD) and the related European Commission non-binding guidelines.



PROJECT ON REPORTING ON NON-FINANCIAL RISKS AND OPPORTUNITIES AND THE LINKAGE TO THE BUSINESS MODEL (PTF-RNFRO)

► A word from the Co-chairs



Dawn Slevin
European Lab PTF
RNFRO Co-chair,
Managing Director of
ELS Europe



Charles Mario Abela
European Lab PTF
RNFRO Co-chair,
Director, Redefining
Value at WBCSD

As Co-chairs of the European Lab PTF-RNFRO, we have been privileged to work with a dynamic, thoughtful and articulated Project Task Force comprising a broad range of sustainability professionals from financial and non-financial sectors of the economy. This Task Force arrived at a very challenging time during the first wave of the pandemic and a period where non-financial reporting requirements and related institutional arrangements were in the process of being transformed. In such a period of change, our work was

to look back at the reporting of the business model and related risk and opportunities by EU issuers. The ‘look back’ necessarily evolved into a ‘look forward’ to introduce more complex issues of the viability and strength of business models against a backdrop of climate, environment and social disruption and change globally. The Green Deal and the promulgation of the EU Taxonomy and Corporate Sustainability Reporting Directive set the direction and speed of travel. The pandemic has underscored the importance of business resilience and the importance of looking beyond the financial to understand and manage environmental and social risks and opportunities.

We have received tremendous support from EFRAG and special thanks to Saskia Slomp for helping us navigate through the requirements of the task, to Vincent Papa who wisdom and guidance has kept us on track and to Gloria Lebron who has been a master helping us with the planning of meetings and events. Patrick de Cambourg, the chair of the PTF-RNFRS has been generous with his time and helping us complement the work of his Task Force and avoiding any duplication of effort.

Early on as Co-chairs we formulated and promoted the overall vision and tasks needed to share responsibility and complete our work. Inter-connection between the tasks over the period of data input and analysis was key to successful outcomes for preparation of our report of findings and recommendations. Interactions

have always been lively, open and thoughtful with full participation in decision-making, and all members contributing to the Task Force outcomes as a whole. The commitment to identify good reporting practices and help the business community continuously improve this essential work is resolute.

Despite the challenge before our Task Force we have been very fortunate to have a brilliant team of professionals who have made sense of our mandate and undertaken an extensive amount of research from reviewing the content of disclosures through to conducting survey and interviews to understand what is currently driving the practice we observe in management and sustainability reports. The members of the Task Force have lightened our load as co-chairs by working incredibly hard and producing thoughtful and robust research. Their considerable resourcefulness comes at a time when the pandemic brought much change to workplace and home environments.

Our approach has been to present key findings into persuasive and clear topics so that experts across the European economic sectors are motivated to learn about the 'what, how and where' of good reporting practices and to foster shared learning by giving and receiving feedback – through the interviews, surveys and outreach events we conducted.

Our overarching aim in selecting and integrating good reporting practices is to help organisations to disclose high quality, relevant, consistent and comparable sustainability-related information. Thus helping to fulfill a commonly shared ambition for capital to flow towards sustainable growth, increased resilience to climate and environmental pressures, and support for social equality and solidarity.

► State of play and next steps

The European Lab's second project on reporting of non-financial risks and opportunities and the linkage to the business model, is being carried by a 19-person project task force of experts of varied backgrounds (PTF-RNFRO) that became operational in September 2020.

The PTF-RNFRO aims to identify good reporting practices around sustainability factors (also commonly known as ESG factors) and how these affect the business model. Specifically, the final deliverable will provide good examples of companies' reporting on how their business models are impacted by sustainability factors in the process of value creation. In other words, how companies report and convey the durability of their business models as a result of sustainability factors.

The PTF-RNFRO project builds on the success of the first European Lab project on climate-related reporting and, by going beyond climate-related reporting, extends the European Lab's activities into the wider domain of non-financial reporting. Against the backdrop of ongoing efforts to develop non-financial reporting standards at both the EU level and globally, the work of the PTF-RNFRO can serve as a vanguard of practical application.

In developing its findings, the PTF-RNFRO divided its work across four workstreams:

- the assessment of reporting practices;
- development of assessment criteria and a practical framework;
- the assessment of stakeholder needs and expectations; and
- the assessment of reporting data and technology.

Consistent with the notion of double-materiality in NFRD, the PTF-RNFRO has considered the needs and expectations of a wide range of users and other stakeholders and the extent to which these are addressed by current reporting practices. Lastly, the PTF -RNFRO also contemplated the challenges faced by companies in providing such information.

The PTF-RNFRO completed its field work in February 2021 and is in the process of drafting its final report with the completion expected before the summer holidays. Prior to publishing of its final report, the task force will conduct a targeted outreach to stakeholders on the findings of its field work.

EU SUSTAINABILITY REPORTING STANDARDS

► A word from the Chairman of the PTF-NFRS:



Patrick de Cambourg

European Lab PTF-NFRS Chairman;
EFRAG Board member, President of ANC

The project task force has been for its members and I a tremendous collaborative experience. We were able to put together a forceful and comprehensive set of recommendations in a very tight timeframe. I am amazed by the commitment and dedication of the project task force members, as well as the efficiency of the project management office support organised for this purpose on a voluntary in-kind basis.

Whilst we were unable to meet in person due to the peculiar circumstances of the global pandemic, I am grateful to have been able to mobilise the equivalent of nearly 40 full-time people for five months. This exceptional achievement is fully aligned with the momentum and credibility of EFRAG in the EU sustainability standard-setting landscape. Beyond the mobilisation of experts, it was a remarkable accomplishment to put together such high-level output on this crucial, fast developing dimension of corporate reporting.

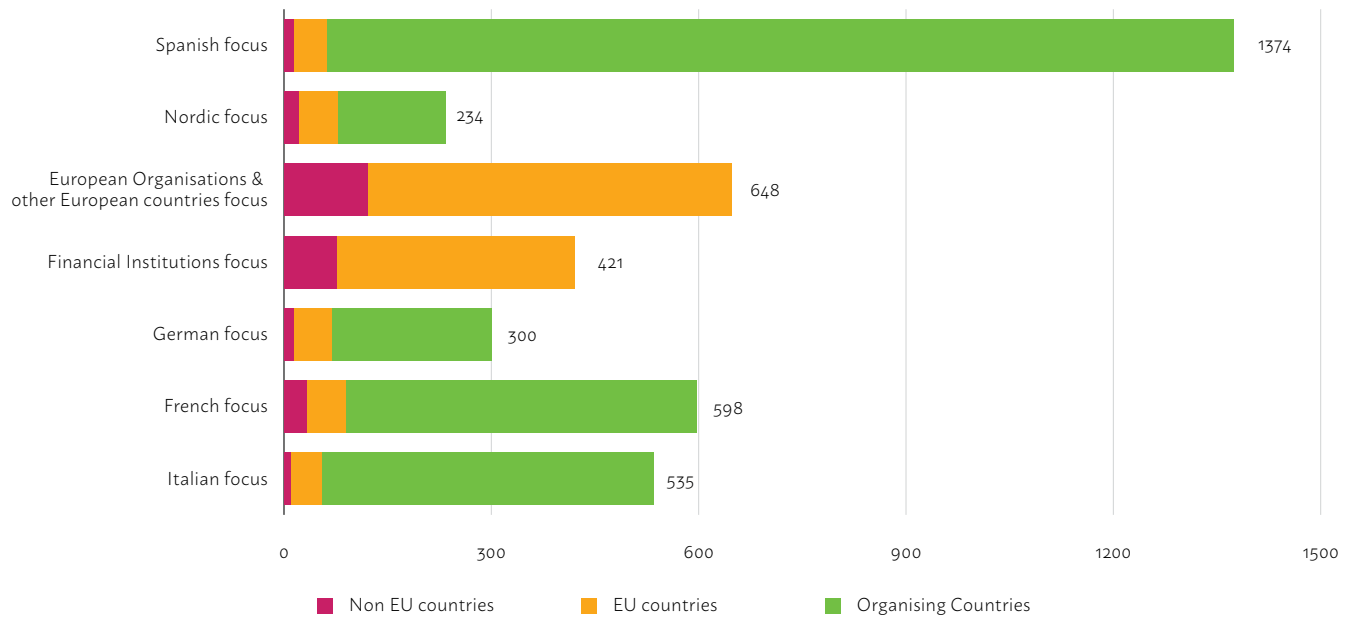
The project task force members, the participants in the outreaches and EFRAG can be justifiably proud of the project task force report. They can also rest assured that this report will remain the stepping stone to further game changing progress. I am looking forward to the developments in the EU sustainability reporting standards domain and the contributions EFRAG can bring.

► State of play and next steps

Both the European Council and the European Parliament have called on the European Commission to consider the development of EU sustainability reporting standards for corporates. The European Commission has taken a number of preparatory steps to speed up the development of European sustainability reporting standards. One of these steps was to ask EFRAG to explore what these standards might look like and to propose a roadmap for their development. On 25 June 2020, European Commission Executive Vice President Valdis Dombrovskis issued a mandate to EFRAG and an *ad personam* mandate to EFRAG Board President, Jean-Paul Gauzès. The first mandate was a request for technical advice while mandating EFRAG to undertake preparatory work for possible EU sustainability reporting standards in a revised EU Non-financial Reporting Directive. The second mandate was an invitation to Jean-Paul Gauzès to provide recommendations on the possible need for changes to the governance and funding of EFRAG if it were to become the EU sustainability reporting standard setter. The resulting reports were published by EFRAG on 8 March 2021, setting out recommendations on the development of EU sustainability reporting standards.

The preparatory work was carried out by a dedicated multi-stakeholder Project Task Force (PTF-NFRS) established in September 2020. After five months of very intensive work, the PTF-NFRS submitted [its final report proposing a roadmap for the development of a comprehensive set of EU sustainability reporting standards](#). Extensive outreach activity was conducted in the second half of January 2021, with seven webinars of regional, financial institutions and European organisations focus, based on a published outreach document and leading to the final report. Throughout its duration, the project benefited from the support of a secretariat generously provided by constituents and stakeholders in addition to the support by the EFRAG Secretariat.

Registrations - European Lab PTF-NFRS joint webinars - January 2021



The main conclusions of [the final report of the PTF-NFRS](#) are the following:

- The EU has a unique sustainable development and sustainability reporting landscape which constitutes strong foundations for standard-setting.
 - Standard setting should build on robust EU conceptual guidelines, addresses public good alignment as well as expected qualitative characteristics of information. It should also clarify the relevant time-horizons and boundaries as well as address double materiality and connectivity between financial and sustainability reporting.
 - The overall target architecture of standards should be coherent and comprehensive while reflecting appropriate layers of reporting (sector-agnostic, sector-specific and entity-specific), relevant reporting areas and cover sustainability topics classified under an ESG+ categorisation. Presentation should preferably be organised under 'sustainability statements' and digitisation should be considered from the start.
- The standard-setting roadmap towards the target architecture should be implemented in realistic phases. However, the first-time application of the revised NFRD should benefit from a robust first set of 'core' standards with draft standards finalised in Summer 2022.
 - Finally, there is significant merit in promoting a mutually reinforcing cooperation between EU standard setting efforts and international initiatives or fora.

► **A thank you from Mairead McGuinness, European Commissioner for financial services, financial stability and Capital Markets Union**



“I am very grateful for the professionalism and competence with which EFRAG continues to carry out its founding role of providing endorsement advice to the Commission on International

Financial Reporting Standards and promoting European views in IASB standard setting activities. This function remains critically important.

EFRAG has also started to play a major role in advancing sustainability reporting, in particular through the various projects of the Corporate Reporting Laboratory, on climate reporting, on business model and risk reporting, and on standards.

The EU wants to lead the transition to sustainable finance. To do this, we need to put in place relevant, comparable and reliable corporate sustainability reporting standards across Europe.

The preparatory work by EFRAG helps us meet these objectives. The technical advice published by EFRAG earlier this year is reflected in our proposal for a new Corporate Sustainability Reporting Directive. On 21 April 2021, the Commission proposed a directive that is both ambitious and usable - it will significantly expand the range of companies in Europe that must follow EU sustainability reporting standards, while also being compatible with existing and emerging global initiatives. Thank you for your dedication and commitment. I look forward to your contributions as we take our next steps towards developing these EU standards.”

► **Ad personam mandate Jean-Paul Gauzès on changes to the governance and finance structure of EFRAG if EFRAG were to become the EU non-financial reporting standard setter; final recommendations**

Jean-Paul Gauzès' [report](#) proposes reforms to EFRAG's governance structure and funding, if it were to become the European sustainability reporting standard setter, to ensure that future EU sustainability reporting standards are developed in an inclusive and rigorous process. It sets out how national and European authorities could be involved, while ensuring that the process also draws upon the expertise of the private sector and civil society organisations. The report proposes the creation of a 'second pillar' within EFRAG to work on the sustainability reporting standards, alongside the existing financial reporting function of EFRAG. The proposed governance structure would also ensure the coordination and the interconnectivity between the two pillars. For his recommendations, Jean-Paul Gauzès considered feedback from two public consultations and input from extensive outreach. The publication of Jean-Paul Gauzès' report was accompanied by a feedback statement summarising the main feedback received from his second public consultation and explaining how this feedback had been considered when preparing his final recommendations.



► **Cooperation with international sustainability standard setters and related initiatives**

In the context of its two non-financial reporting mandates, EFRAG hosted together with the European Commission meetings with leading international sustainability reporting standard setters and other related initiatives. A first meeting in December 2020 aimed for a better understanding of how cooperation efforts can contribute to promoting high quality corporate sustainability disclosures in Europe and globally in the short and longer term. A second meeting took place in March 2021 to present the published recommendations for the development of EU sustainability reporting standards and explore possible cooperation in a co-constructive spirit, promoting convergence and maintaining momentum.

► **EC proposal for a Corporate Sustainability Reporting Directive**

On 21 April 2021, the European Commission adopted an ambitious and comprehensive package of measures to channel funding towards sustainable activities. This package includes a proposal for a Corporate Sustainability Reporting Directive (CSRD) aiming – over time – to bring sustainability reporting on a par with financial reporting. The proposal envisages the adoption of EU sustainability reporting standards with the draft standards to be developed by EFRAG. The standards will be tailored to EU policies, while building on and contributing to international standard-setting initiatives. EFRAG will work on draft standards and on changes to the governance and finance of EFRAG in parallel to the negotiation of the CSRD proposal with the co-legislators for finalising the text. The aim is adoption by the European Commission of a set of standards by October 2022.

► **EFRAG: observer to the Platform for Sustainable Finance**

EFRAG has been appointed as observer to the Platform on Sustainable Finance (PSF), a permanent expert group of the European Commission, established in October 2020 to assist with the further development of the common classification system for sustainable economic activities. The PSF supports the European Commission in the technical preparation of delegated acts, in order to implement the EU Taxonomy. EFRAG participates in the sessions of a subgroup on ‘Data and Usability’ and contributes significantly to one of its workstreams on ‘Accounting’.



► REPORT FROM THE EFRAG TEG CHAIRWOMAN



Chiara Del Prete
EFRAG TEG Chairwoman

We will remember 2020 not only for the pandemic, but also for the intensity of the workload. EFRAG delivered 64 publications, compared to 41 last year, and two major outreach plans; the number of EFRAG fieldwork publications, webinars and videos doubled compared to 2019.

For the ED *Primary Financial Statements* and the DP *Business Combinations: Disclosures, Goodwill and Impairment* EFRAG joined forces with the IASB, national standard setters and member organizations to run two online-based outreach programmes, involving six different countries. EFRAG conducted two impact studies and 11 events, each with hundreds of participants. And I also have to mention the targeted impact assessments for Rate Regulated Activities and Dynamic Risk Management.

EFRAG has been working intensively to complete the endorsement of IFRS 17 and this has been a topic on the agenda of every EFRAG TEG and EFRAG Board meeting in the first nine months. Insurers play a key role in the European economy and, with the implementation of IFRS 17, most are undertaking a modernizing journey. We have completed an ambitious technical plan to cover the long list of requests of the European Commission and European Parliament. EFRAG has been in constant dialogue with the stakeholders in the sector: preparers, auditors, actuaries, regulators and analysts. This included an extensive programme of case studies to evaluate the expected costs and benefits. The insurers that took part to the process represent some 75% of the total assets of all the European listed insurers. In the first part of the year, EFRAG's successful discourse with both the insurance community and the IASB led to the standard released in June amended a number of the initial requirements as recommended by EFRAG.

In 2020, to allow European entities the ability to apply urgent amendments, EFRAG unprecedentedly adjusted its processes, with three fast-track endorsement procedures (IBOR Phase 2, deferral of IFRS 9 for insurers and COVID-19 related rental concessions). EFRAG shortened the consultation process, issued pre-consultation documents and organized dedicated outreach events. EFRAG succeeded in issuing our advice less than two weeks after the publication of the final requirements.

In July 2020, EFRAG issued a discussion paper on the accounting for crypto-assets (liabilities). There are currently no specific rules for crypto-assets, an asset class which includes Bitcoin and other cryptocurrencies, whose importance is rapidly growing and may therefore currently be accounted differently. We are confident that the debate stimulated by this discussion paper may contribute to future developments, as this topic will likely be soon on the agenda of the IASB.

The ongoing research on another hot topic – that of better information for intangibles (that may soon enter the IASB agenda)- let us explore the boundaries of financial information and its linkages with non-financial information. EFRAG established an expert advisory panel of preparers, users and valuers from intangible-intensive sectors. They brought their practical perspective to our intensive discussions on the information that investors need, but are unable to find in corporate reports: how an entity creates, maintains, expands and/or preserves value.

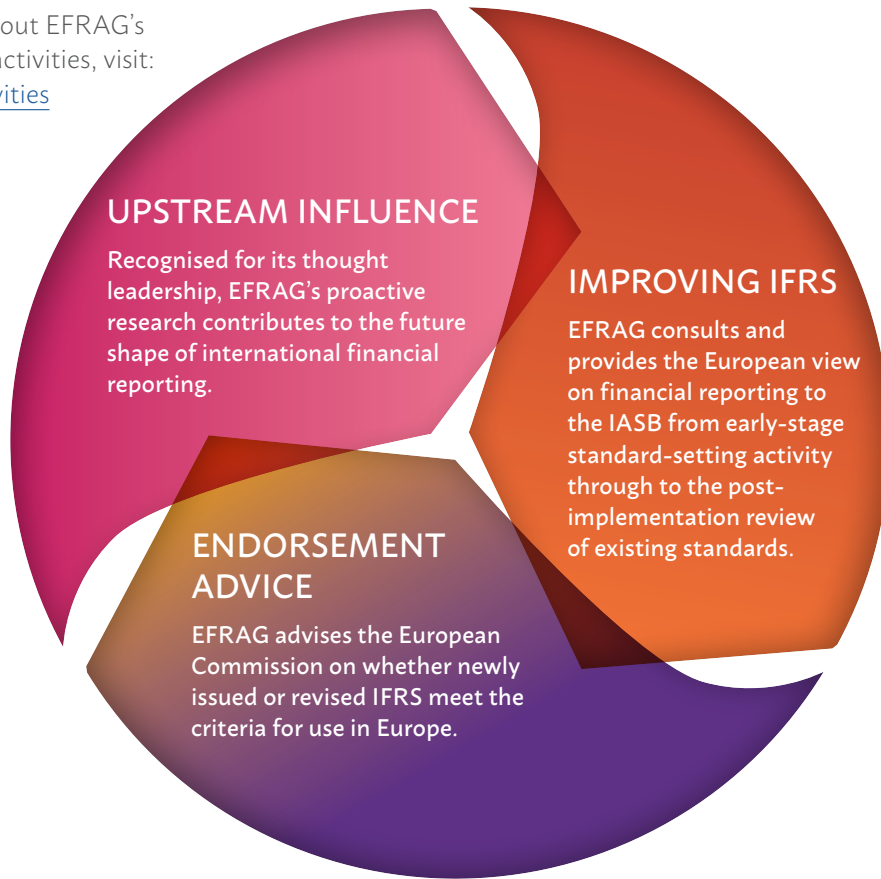
All this has been possible thanks to the dedication of our resources, the inputs of our constituents and working groups and thanks to the support of EFRAG TEG and EFRAG Board members. To them all goes my sincere gratitude.

Looking ahead, 2021 looks as challenging as 2020. We expect more than 10 IASB consultations; we plan to complete the ongoing EFRAG research projects and we will engage with our constituents to shape the work plan for the next years, with the consultations on the IASB and EFRAG agendas.

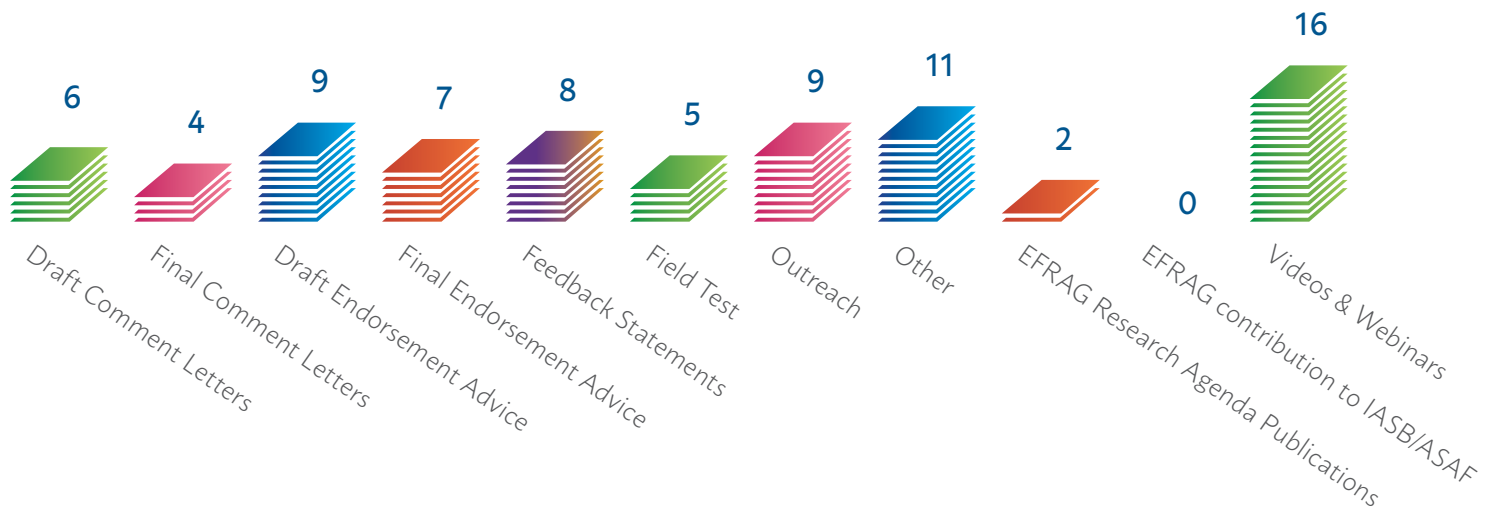
► EFRAG FINANCIAL REPORTING ACTIVITIES

CORE ACTIVITIES OVERVIEW

To find out more about EFRAG's financial reporting activities, visit: www.efrag.org/activities



EFRAG PUBLICATIONS IN 2020



► UPSTREAM INFLUENCE

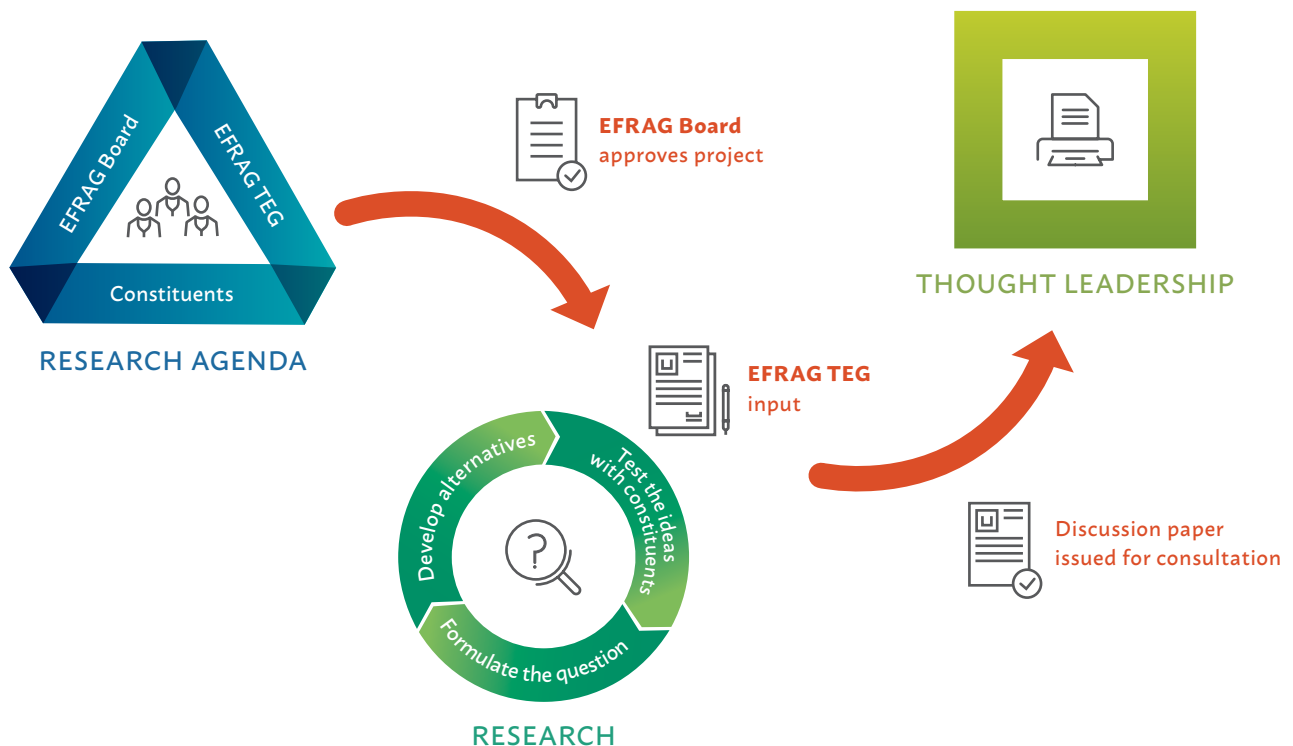
Since its creation, EFRAG has been proactive in research activities in the financial reporting field. Its contributions have had a meaningful impact.

These research activities also represent an opportunity to collaborate with other outstanding actors in the financial reporting community and extend EFRAG's international status.

With its research projects, EFRAG serves the European public interest by fostering Europe's position at the centre stage of the accounting debate, and as a frontrunner regarding the future accounting challenges.

EFRAG's research activities in 2020 focused on:

- Crypto Assets (Liabilities)
- Intangibles
- Variable and Contingent Consideration



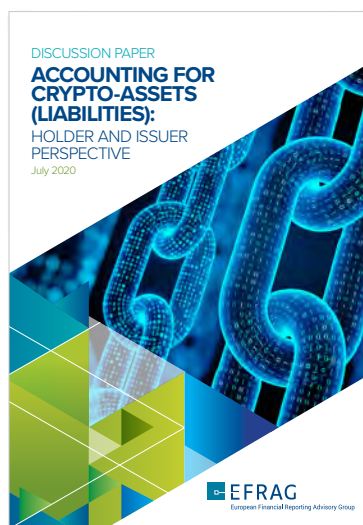
EFRAG RESEARCH ACTIVITIES

► Crypto assets (Liabilities)

There has been a rapid evolution in the crypto-asset ecosystem since the launch of bitcoin in 2009. There have been booms, busts and recoveries in the market capitalisation of crypto-assets and indications of increasing adoption by some institutions. In 2020 and 2021, several high-profile large corporations, institutional investors and financial institutions initiated or increased their individual holdings in bitcoin as a store of value or as a hedge. In addition to bitcoin, there is a diversity of crypto-assets (currently 6000+)- many have similar characteristics to bitcoin but there are also new and diverse economic use cases.

The unique and risky nature and growth potential of crypto-assets has also drawn the attention of National Standard Setters, and policymakers (EC, IMF, FSB, OECD, EBA, ESMA, IOSCO, ECB). There is a wealth of publications from these stakeholders addressing related questions including on investor and consumer protection, possible impact on financial stability, and on the necessary accounting requirements.

There are ongoing initiatives to enhance regulation across the globe including proposals at an EU level through the Markets in Crypto Assets (MiCA) regulation. Accounting requirements can be seen as part of the overall regime of regulation as they enable the transparency of companies that buy, issue or hold crypto-assets. In 2019, the IFRS Interpretation Committee (IFRS IC) issued an agenda decision that clarified the accounting requirements for a subset of crypto-assets (i.e., cryptocurrencies where there is no claim on the issuer such as bitcoin) ought to be classified as either intangible assets or inventories if held in the course of normal business and fall within the scope of IAS 38 Intangible Assets or IAS 2 *Inventories*. Concurrently, several National Standard Setters, accounting professional bodies, audit firms and academics have published papers highlighting various areas where there are challenges in the accounting for crypto-assets transactions.



To contribute to the debate on related accounting requirements, in July 2020, EFRAG published a Discussion Paper on [Accounting for Crypto-Assets \(Liabilities\)](#) (DP) that was developed as part of the EFRAG proactive research agenda. The DP is intended to inform the

forthcoming IASB agenda consultation process. It has a broader scope than the aforementioned IFRS IC agenda decision and it covers accounting for issuers and holders, and valuation considerations.

In its scope, the DP addresses three broad categories of crypto-assets, namely: payment tokens or cryptocurrencies, which are used as a means of exchange; utility tokens, which grant rights to access or consume network goods or services, and investment tokens, which are comparable to securities. The scope also includes hybrid tokens and stable coins, which are designed to minimise the price volatility associated with different crypto-assets. The DP encompasses a problem definition by providing an analysis of the crypto-ecosystem (economic characteristics, rights and obligations, and regulatory regimes) and an in-depth analysis of the current gaps in accounting requirements for both holders and issuers.

The DP points to the accounting challenge arising from the unique characteristics and multi-purpose use of different crypto-assets. While primarily meant to be a means of exchange (payment tokens), cryptocurrencies such as bitcoin have volatile prices and are often held as a de facto trading asset (i.e., for capital gains). Yet the measurement requirements under IAS 38 do not allow Fair Value through Profit or Loss (FVPL) and IAS 2 only allows FVPL if these are held in the ordinary course of business (e.g., by brokerages). As such, entities can fail to reflect price movements of their holdings in reported performance. Of note is that IAS 38 and IAS 2 were not written with crypto-assets in mind. The DP highlights the broader challenge arising from the lack of guidance whenever non- financial assets other than property

or other digitised rights are held as investments (e.g., commodities, emission trading rights). The DP also identifies challenges with classification of crypto-assets as financial assets and the need to consider the IFRS definition of cash or cash equivalents in light of the emergence of central bank digital currencies and some stable coins.

For issuers, the DP identifies areas that need clarification including IFRS 9 *Financial Instruments*; IAS 32 *Financial Instruments: Presentation*; IFRS 15 *Revenue from Contracts with Customers*; and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. It also identifies the need for clarification of IFRS 13 *Fair Value Measurement* guidance for the valuation of crypto-assets.

As a way forward, the DP proposes three options for addressing IFRS related requirements, namely:

- do nothing with preparers relying on existing IFRS requirements;
- update existing requirements- amend or clarify existing applicable requirements for holders and issuers;
- develop a new Standard with explicit requirements for the accounting for crypto-assets (liabilities).

The DP also proposes an emphasis on economic substance while thinking of the accounting requirements regardless of the rapid pace of technological innovation within the crypto-market.

From the fourth quarter 2020, EFRAG has been undertaking an ongoing outreach to seek stakeholders' views on the DP's proposals for possibly developing IFRS requirements and for feedback on the identified areas for possible amendment or clarification of existing IFRS requirements for both holders and issuers. The outreach is being targeted across key markets and is being conducted through interviews, a survey questionnaire, and presentations (e.g., IFASS, ASAF, IMA Conference in France, EACB and Virtual Accounting Research Seminars of the European Accounting Association (EAA)). The DP has also been translated into Japanese by the Accounting Standard Board of Japan.

► Better information on Intangibles

Following the input received in response to EFRAG's Research Agenda Consultation, EFRAG added a

research project on better information on intangibles to its research agenda. The focus of the project is to improve information on how entities create, maintain and/or improve their value. The project is limited to information to be provided in IFRS financial reports, including the notes accompanying the primary financial statements and the management commentary.

In 2020 the first deliverable was published: [an academic literature review](#). It provides insights on primarily academic literature on:

- How intangibles affect a company's performance;
- How intangibles affect a company's market value and competitive position;
- How information on intangibles is considered by users of financial statements.



One of the insights provided by the literature review was that although much research exists in the area of intangibles, there is not much research on how the information is used by users – and hence there is a lack of what information on intangibles would be useful for users.

EFRAG therefore established the EFRAG Advisory Panel on Intangibles (EFRAG API) which consists of valuers, users and preparers of financial statements to assist EFRAG TEG with its intangibles project. Members with either current or past experience in one of three intangibles-intensive sectors (pharma, fast-moving consumer goods and luxury goods, and IT/media) were selected. The API started its activity in March 2020, entirely working online. At API meetings, members:

- Shared examples of (good) reporting practices and how information is being reported/consumed;
- Discussed whether and how the current accounting framework could be improved;
- Discussed approaches to account for and/or provide information on intangibles developed by other organisations such as the Korean Accounting Standards Board and the UK FRC staff.

In addition, one-to-one interviews were held with EFRAG API members and written input from members collected. The EFRAG API members provided also input on other relevant projects, including the DP on *Business Combinations - Disclosures, Goodwill and Impairment*.

EFRAG TEG considered the input of the EFRAG API and this will form the basis of a discussion paper on the topic EFRAG plans to issue in 2021.

To test further some of the proposals of the EFRAG API to be included in EFRAG's discussion paper, EFRAG

also joined a research project to be performed by academics of the University of Ferrara and sponsored by ICAS. In this study, a case-study based survey will be distributed to a wide range of users and preparers of financial statements. This will allow EFRAG to receive input on some of its proposals from constituents who would normally not respond to EFRAG's discussion papers. The results of the research project, like EFRAG's discussion paper will be published in 2021.

► Cooperation with academics

EFRAG continued its cooperation with academics in 2020, although the mix of activities with academics differed from previous years. There was only one meeting with the EFRAG Academic Panel. The meeting was organised together with the IASB and dealt with the IASB's Exposure Draft *General Presentation and Disclosures*. This meeting was the first meeting chaired by the new chairman of the EFRAG Academic Panel, Erlend Kvaal.

As the annual congress of the European Accounting Association was unfortunately cancelled due to the pandemic, EFRAG did, contrary to previous years, not have the opportunity to involve academics in a symposium at that occasion.

On the other hand, EFRAG involved its Academic Network more than in previous years during the preparation of EFRAG's Draft Comment Letter (DCL)

in response to the IASB's Discussion Paper *Business Combinations-Disclosures, Goodwill and Impairment*. In that regard, EFRAG asked the Academic Network for research on goodwill.

EFRAG presented at the various EAA Virtual Accounting Research Seminars, its preliminary positions on the IASB exposure drafts and discussion papers and also on EFRAG's own research.

In 2020 EFRAG published an academic literature review on intangibles and initiated a new academic study on intangibles. In addition to this, EFRAG sponsored two academic studies together with ICAS - one on the link between intellectual capital disclosures and risk disclosures and another on discounting.

EFRAG highly values the cooperation with and the input from the academic sector.

► IMPROVING IFRS STANDARDS

IFRS 17 – CLOSURE AT LAST



Ambrogio Virgilio
Chairman of the
EFRAG IAWG
Partner EY

In March 2021, EFRAG delivered the Final Endorsement Advice on IFRS 17 *Insurance Contracts*. IFRS 17 was issued by the IASB in 2017 to replace IFRS 4 *Insurance Contracts*, issued in 2004 as a temporary standard. IFRS 17 is the result of a technical debate that lasted for more than a decade.

There are several important issues relevant in applying IFRS 17 for the first time. IFRS 17 is much more than an accounting change, it has a major impact on the entire organisation. For many insurance groups, both IFRS 9 *Financial Instruments* and IFRS 17 will be implemented at the same time, which increases the implementation effort of both standards.

It has been a pleasure and an honour to have served as Chairman of the EFRAG Insurance Accounting

Working Group (EFRAG IAWG) since June 2016 till the end of my mandate as EFRAG TEG member on 31 March. EFRAG IAWG spent a large number of sessions to provide and receive inputs on the final endorsement advice. EFRAG IAWG played an important role in assessing the effectiveness and efficiency of IFRS 17 accounting requirements as well as understanding the interaction between the accounting requirements of the two standards. In some ways, it represented for me a challenging and unique opportunity to interact with technical experts and leaders of the insurance industry across Europe on cutting edge issues. I appreciated the contribution of the working group's members in addressing the requirements of such breakthrough standard including the fair disagreement on some controversial issues.

The EFRAG IAWG could continue to share views on the implementation issues so the completion of the endorsement process should not hamper the readiness for an orderly application of the standard.

IFRS 17 *Insurance Contracts* establishes principles for the recognition, measurement, presentation, and disclosure of contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts.

IFRS 17 shall be applied for annual reporting periods on or after 1 January 2023. If an entity applies IFRS 17 earlier, it shall disclose that fact. Early application is permitted for entities that apply IFRS 9 *Financial Instruments* on or before the date of initial application of IFRS 17.

2020: an important year in the progress of the endorsement of IFRS 17 Insurance Contracts

 **32** meetings of EFRAG IAWG, EFRAG Board and EFRAG TEG

 **80** hours of scheduled meeting time

 **280** pages of the Draft Endorsement Advice ("DEA")

Three workstreams:

- Finalisation and issuance of the DEA on IFRS 17 as resulting from the 2020 amendments
- Endorsement advice on the temporary exemption from applying IFRS 9
 - Publication of the Amendments to IFRS 17 by the IASB

► **Publication and issuance of the Amendments to IFRS 17 by the IASB**

In June 2020, the IASB issued the Amendments to IFRS 17. Changes were introduced to in several areas of IFRS 17, in line with EFRAG's recommendations, such as:

- insurance acquisition cash flows,
- reinsurance,
- changes in CSM for contracts without direct participation features,
- presentation,
- the use of risk mitigation when using derivatives or reinsurance contracts held, and
- the effect of accounting estimates when doing interim financial statements.

These changes have been incorporated in the body of IFRS 17 and the standard is considered as a whole in the endorsement advice.

► **Finalisation and issuance of the endorsement advice on IFRS 17**

From November 2019 to July 2020, EFRAG worked intensively to collect inputs from the EFRAG Insurance Accounting Working Group experts and the participants to the case studies. These included:

- the relevant aspects of assessing the endorsement criteria, including European public good; and
- the various questions asked to EFRAG by the European Commission in its request for endorsement advice and by the European Parliament in its Motion for Resolution of the (September 2018).

These inputs were regularly discussed and queried by EFRAG TEG and EFRAG Board in drafting sessions to cover the relevant topics for the endorsement

assessment. In this way, the entire endorsement advice was shaped chapter by chapter. Also during the first half of 2020, the external consultants updated the economic study to incorporate the June 2019 proposed amendments and the subsequent changes arising from the IASB deliberations process until March 2020. The economic study contributed to EFRAG's impact assessment as part of the DEA.

In September 2020, EFRAG TEG recommended to the EFRAG Board the DEA and the invitation to comment of IFRS 17. Then EFRAG Board approved the publication of IFRS 17 DEA and set the consultation period to 4 months.

EFRAG released to the European Commission its endorsement advice on 31 March 2021. EFRAG's overall final assessment is:

- The EFRAG Board has concluded on a consensus basis that, apart from the requirement to apply annual cohorts to intergenerationally-mutualised and cash-flow matched contracts, all the other requirements of IFRS 17, on balance (i) meet the qualitative characteristics of relevance, reliability, comparability and understandability required to support economic decisions and the assessment of stewardship, raise no issues regarding prudent accounting, and that they are not contrary to the true and fair view principle; and (ii) are conducive to the European public good;
- Solely with reference to the requirement to apply annual cohorts to intergenerationally-mutualised and cash-flow matched contracts, EFRAG Board members do not have a consensus. Seven EFRAG Board members believe that the annual cohorts requirement meets the endorsement criteria, whereas seven EFRAG Board members believe it does not and two EFRAG Board members abstained.

ECON scrutiny procedure on IFRS 17

On 27 October 2020, EFRAG TEG Chairwoman presented EFRAG endorsement activities on IFRS 17, including the extensive impact study analysis and the status of the consultation on the draft endorsement

advice, in the scrutiny procedure of delegated acts and implementing measures. MEPs raised in the exchange of views a number of questions addressing cost/benefit balance, possible impact on product offering, annual cohorts, involvement of the ESAs (including EIOPA) in EFRAG's due process.

► **Issuance of an endorsement advice on the temporary exemption from applying IFRS 9**

In 2016, the amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (the Amendments) were issued by the IASB. This included a (voluntary) temporary exemption from insurers applying IFRS 9 until annual reporting periods beginning on or after 1 January 2021 for entities whose activities are predominantly connected with insurance in order to avoid accounting mismatches.

A further deferral ensures that those insurers applying the temporary exemption from IFRS 9 can continue to apply this temporary exemption until 2023 in order to align the application of IFRS 9 with that of IFRS 17.

To respond to the need to urgently apply these Amendments, EFRAG shortened its consultation process and adjusted its ordinary endorsement process. The endorsement advice was issued only 11 days after the issuance of the Amendments.

PRIMARY FINANCIAL STATEMENTS

The IASB’s project on primary financial statements is a key project for European stakeholders, particularly for users of financial statements. The ultimate objective of this project is to replace IAS 1 *Presentation of Financial Statements*, an IFRS Standard dating back more than 20 years, with a new IFRS Standard. The publication

of IASB’s Exposure Draft *General Presentation and Disclosure* (ED) in December 2019 marked an important milestone to improve the communication of information in the financial statements.

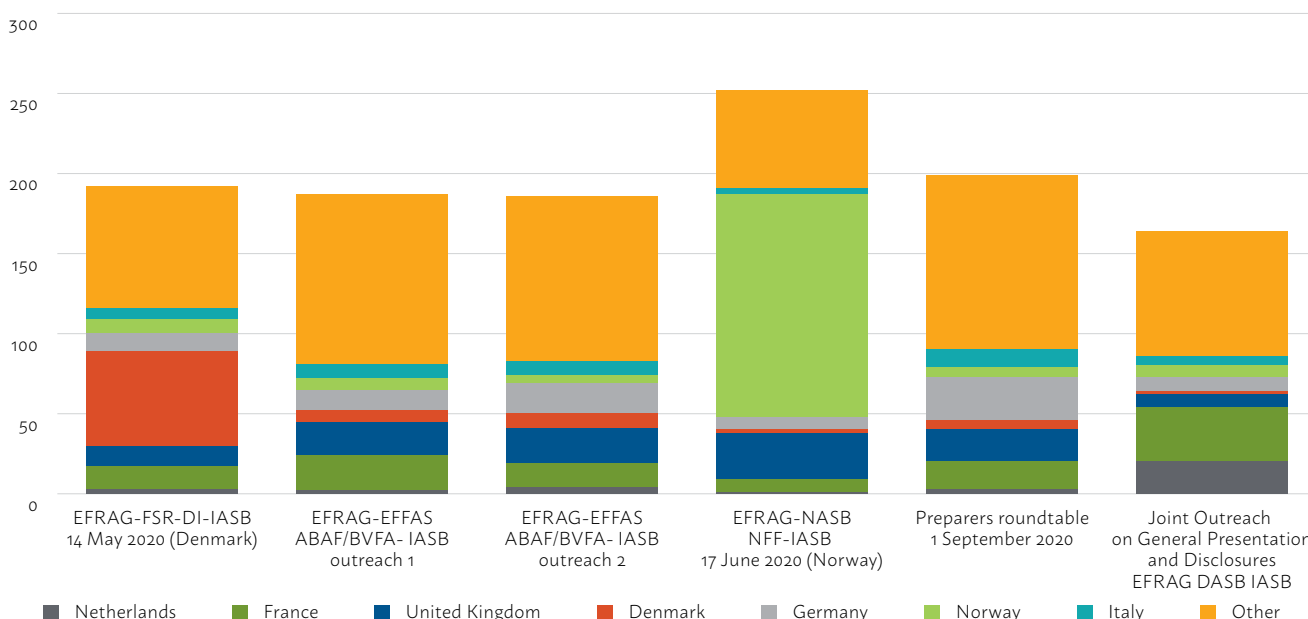
EFRAG’s early and extensive involvement, including an Early-Stage Analysis, enabled it to publish a Draft Comment Letter (DCL) in February 2020, only two months into the IASB’s nine-month consultation period (The IASB’s consultation period was extended because of the COVID-19 pandemic).

EFRAG then embarked into an extensive programme of outreach events and stakeholder meetings – in partnership with other organisations, including with the IASB – to obtain input on the IASB’s proposals and EFRAG’s initial views expressed in its DCL.

In March 2020, EFRAG, in close coordination with European National Standard Setters and the IASB, launched field testing of the IASB’s proposals included in the ED. The purpose of the field testing was to identify potential implementation and application concerns, to determine whether there was a need for additional guidance, and to estimate the effort required to implement and apply the IASB’s proposals.

Due to the pandemic situation, EFRAG converted all its outreach activities into online events. EFRAG organised six online public outreach events,

Registrations to EFRAG Joint Webinars



three online field-test workshops and participated in more than ten stakeholders' online meetings.

In addition, EFRAG actively participated in webinars organised by the Italian standard setter (OIC), the German standard setter (ASCG), and the French standard setter (ANC).

In general, participants at the outreach events and respondents to EFRAG DCL welcomed the IASB's ED and efforts to improve the communication of information in the financial statements. Nonetheless, most of them considered that there was still room to improve the IASB proposals. These stakeholders called for the IASB to further improve or discuss alternatives to its proposals before issuing a new IFRS Standard.

In November 2020 EFRAG issued its Final Comment Letter (FCL) where it reiterated its initial support for the IASB's efforts to improve the content and structure of the financial statements. However, EFRAG decided to give more prominence to the concerns raised by its constituents and by participants in the outreach events in its FCL.

EFRAG supported the IASB's proposals to present an operating, investing and financing category in the statement of profit or loss to improve comparability and reduce diversity in practice. However, EFRAG had reservations on some of the proposals in the ED.

EFRAG considered that the distinction between integral and non-integral associates and joint ventures could provide relevant information to users. However, EFRAG was concerned that the proposed definition would involve significant judgement and called for the IASB to improve its definition, expand the scope of its proposals, include additional indicators and more examples to reduce the level of judgement involved and reconsider its proposals on presentation.

EFRAG supported the IASB's proposal to continue requiring entities to present an analysis of expenses either by function or by nature. However, EFRAG recommended that the IASB further investigate the cost and benefits of its proposal to disclose expenses on a by-nature basis in the notes when presenting these by-function on the face of the financial statements.

EFRAG welcomed the IASB's efforts to define unusual income and expenses and to require entities to disclose such items in the notes, however EFRAG considered the definition of unusual items to be rather narrow, as it focuses on whether expenses/income will occur in the future.

EFRAG welcomed the IASB's efforts to provide guidance on management performance measures (MPMs). Nonetheless, EFRAG invited the IASB to reconsider the scope of MPMs (e.g., to include other measures, such as indicators of financial position or ratios) and questioned the IASB's proposals to present the effects of income tax and non-controlling interest components for each item disclosed in the reconciliation proposed by the IASB, from a cost-benefit perspective.

Finally, EFRAG considered that the IASB had not sufficiently articulated the link between MPMs and IFRS 8 *Operating Segments* and suggested that the IASB requires an explanation of how MPMs interact with performance measures already presented under IFRS 8.

On 30 November 2020, EFRAG issued a feedback statement, which summarised the main comments received by EFRAG on its DCL to the IASB ED and explained how those comments were considered in EFRAG's FCL. This last publication marked the end of a cycle for EFRAG, which started to monitor the IASB's discussions on this project, getting ready for the next planned re-deliberation phase.

GOODWILL AND IMPAIRMENT

The IASB started Goodwill and Impairment project in 2015 as a result of a post-implementation review (PIR) of IFRS 3 *Business Combinations* which revealed several concerns of stakeholders: impairment losses were recognised 'too little and too late'; users wanted to have more information about acquisitions and their subsequent performance; preparers found goodwill impairment test too costly and complex. In March 2020, the IASB published the discussion paper *Business Combinations – Disclosures, Goodwill and Impairment* (DP) which included proposals on the provision of better information about acquisitions and how to improve the accounting for goodwill.

The DP proposed requiring companies to disclose management's objectives for acquisitions and how acquisitions have performed against those objectives

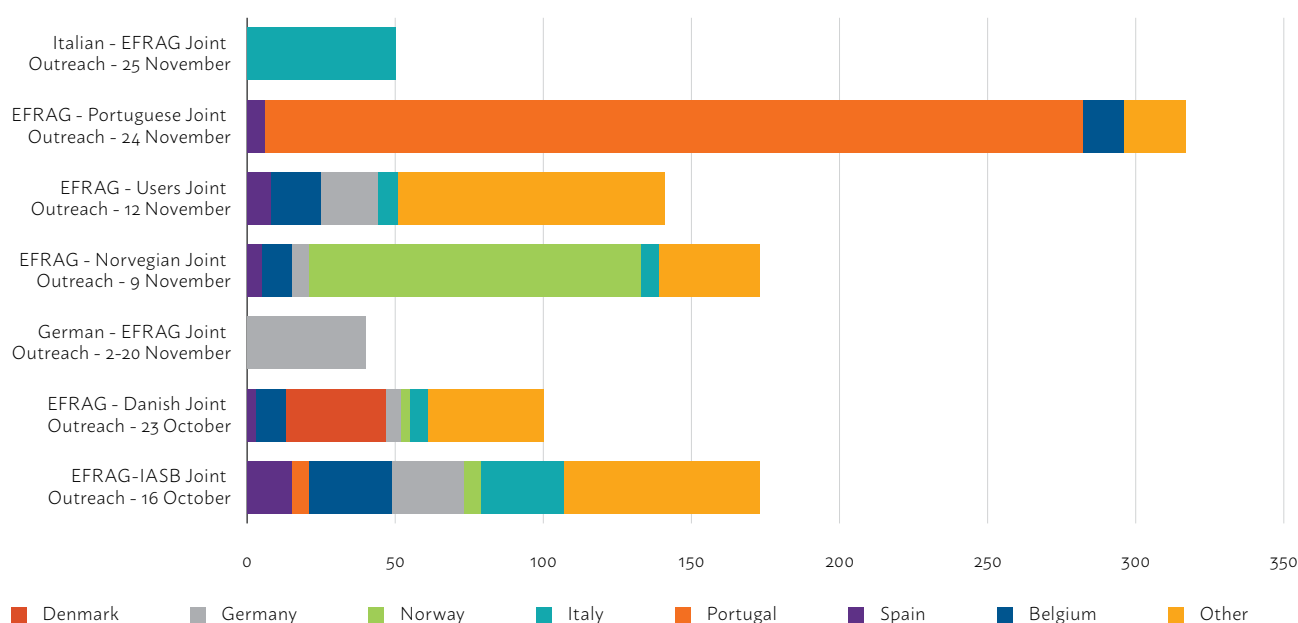
subsequently. The IASB also decided that it was not possible to make the impairment test more effective at a reasonable cost and proposed some simplifications to the test as well as to the value in use calculations. With a slight majority of votes the IASB decided to retain the impairment-only model and not to reintroduce goodwill amortisation.

EFRAG published its Draft Comment Letter (DCL) on the IASB proposals in May 2020. In the DCL, EFRAG supported the objective of the DP to explore whether companies could, at a reasonable cost, provide investors with more useful information about their acquisitions. This was based on the feedback from users about the insufficient information to assess acquisitions in the

financial statements. However, EFRAG did not express a position regarding the reintroduction of goodwill amortisation or whether major changes to the current accounting for goodwill were required and requested views from its constituents.

During the consultation period EFRAG has conducted in partnership with other organisations, including the IASB and National Standard Setters, an extensive on-line outreach programme to reach out to stakeholders to inform its final position in the form of eight webinars. These webinars were of great interest and attracted around 1,000 registered participants. There was a wide geographical coverage of participants which is presented below.

Registrations to EFRAG joint webinars



EFRAG published surveys, conducted field tests and webinars jointly with the IASB, and follow-up survey interviews with preparers to better evaluate the impact of the IASB proposals and potential implementation concerns. The interviews covered 15 EU preparers while the survey was completed by 30 EU preparers.

EFRAG also presented to several EFRAG Working Groups, such as EFRAG Advisory Panel on Intangibles, EFRAG User Panel, EFRAG Financial Instruments Working Group, EFRAG Insurance Accounting Working Group and EFRAG Consultative Forum of Standard Setters. EFRAG also introduced the DCL at closed

meetings of National Standard Setters, industry and user organisations.

Overall, the respondents to the EFRAG DCL supported the IASB objective to provide users and investors with more information about business acquisitions.

The constituents considered that the proposed disclosure requirements could result in useful information to assess business acquisitions, their subsequent performance and would help to hold management to account for its investments decisions. However, respondents questioned the usefulness of

some quantitative requirements, such as quantifying future synergies, commercial sensitivity of some of the proposed disclosures and their placement in financial statements and not in the management commentary.

The respondents also noted that the IASB proposals did not address, through disclosure or enhancement of the impairment model, the perceived shortcomings in goodwill accounting and so the proposals result in some limited improvements.

The participants in the outreach events and the comment letters received agreed with the IASB and EFRAG (which had also conducted several studies on possible alternatives and improvements to the impairment test) that it was impossible to significantly improve the current impairment test at a reasonable cost. Participants confirmed that the 'shielding effect' and management over-optimism were the main reasons for it not working as intended.

EFRAG proposed several additional simplifications to the impairment test, such as more guidance on goodwill allocation to cash-generating units ('CGUs') and better disclosures of estimates used to measure recoverable amounts of CGUs containing goodwill. The majority of constituents supported EFRAG proposals.

There were strong opinions and mixed views on the reintroduction of goodwill amortisation.

In its Final Comment Letter (FCL), EFRAG noted the controversial nature of the question of whether the impairment-only model should be kept, subject to suggested improvements, or the amortisation of goodwill should be reintroduced and observed that valid arguments exist in both camps. EFRAG acknowledged the conceptual and practical arguments for both the impairment-only model and reintroduction of amortisation and noted that there were slightly more support in favour of the latter - mainly for practical reasons. However, considering that an accounting policy should only be changed if it would provide reliable and more relevant information, EFRAG suggested to the IASB to further explore improvements to existing impairment test and any cost and consequences of reintroducing goodwill amortisation. This includes

aspects around the determination of useful life and amortisation method; the impairment test to be applied under the amortisation model and any transitional provisions. All of which should be regarded as a package.

The IASB attempts to simplify the impairment test were welcomed by the respondents. The IASB has taken on board previous EFRAG suggestions on the use of post-tax rates and removal of the restriction to include cash flows arising from a future restructuring or from improving or enhancing an asset's performance for the calculation of value in use.

Respondents, however, expressed reservations about introducing an indicator-only approach. The majority of stakeholders did not support this approach in connection with the impairment-only model on the grounds that it had the potential to further delay the recognition of goodwill impairment losses and put more pressure on the qualitative assessment.

EFRAG published its FCL on the IASB DP reflecting the feedback received from the respondents in January 2021. The feedback statement, summarising the views of constituents on the EFRAG tentative position and how these views were taken into account in the EFRAG FCL was published in February 2021.

DYNAMIC RISK MANAGEMENT: A KEY TOPIC FOR THE EUROPEAN BANKING COMMUNITY

Banks and other preparers have been requesting the IASB to reconsider the macro hedge accounting solution currently in IAS 39, *Financial Instruments: Recognition and Measurement* which focusses on interest rate management in banking operations. The IASB intends to retire the remaining paragraphs in IAS 39 that deals with fair value portfolio hedging which has implications for the carve out as applied in Europe. The project now named Dynamic Risk Management (DRM) has been progressing since In April 2014, when the IASB published Discussion Paper *Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging*.

In the next phase of this project, the IASB developed a core model to approach macro-hedges of interest rates in the banking book. In 2020, the IASB staff started their outreach to discuss phase 1 of the IASB's core

model with individual preparers. EFRAG DRM team participated to the meetings involving European banks.

The objectives of the outreach were to assess on a preliminary basis the viability and operability of the core model; to determine whether the core model allows a better reflection of risk management strategies and activities in the financial statements and to identify specific elements that need further consideration or improvement during the next phase of the project. Certain aspects such as hedging with options or the hedging of equity also did not form part of the core model.

The outreach involved the largest European banks participated, but there was also a good spread across geography, size and type of banking institution amongst the contributors. Most of these preparers apply the European carve-out and provided an invaluable perspective in this regard.

During the outreach, the EFRAG DRM team participated in 17 interviews and received answers from one participant in writing.

IBOR PHASE 2: A URGENT RELIEF TO AVOID CONSEQUENCES OF THE TRANSITION TO IBOR RATES

To enable entities (particularly financial institutions), to avoid harmful accounting impacts of the transitioning from IBOR to alternative benchmark rates, such as creating major disruption to hedge accounting, the IASB issued Amendments in April 2020 to:

- IAS 39 — *Financial Instruments: Recognition and Measurement*,
- IFRS 9 – *Financial Instruments*, IFRS 4 *Insurance Contracts*,
- IFRS 7 – *Financial Instruments: Disclosures*; and
- IFRS 16 – *Leases*.

These amendments were added to the IASB workplan as an urgent project given the importance of the topic and the widespread implications.

These Amendments grant similar reliefs as those granted by the IASB in 2019 for the period preceding the start of the transition to IBOR. Given the need for European preparers to apply these Amendments in time for the issuance of their 2020 annual financial reporting, EFRAG adopted a fast-track consultation

and endorsement process, issuing a pre-consultation document before the issuance of the ED. The draft endorsement advice was issued two days after the Amendments and the comment period was shortened to one week and the consultation was integrated with a public outreach event in September. The endorsement advice was issued two weeks after the issuance of the Amendments.

COVID-19 RENTAL RELATED CONCESSION: A URGENT RELIEF TO SUPPORT LESSEES DURING THE PANDEMIC

In April the IASB issued an ED, proposing amendments to IFRS 16 Leases to permit lessees, as a practical expedient, not to assess whether particular COVID-19-related rent concessions were lease modifications. This was in response to the COVID-19 crisis where a high number of rental concessions were agreed to alleviate the financial conditions of lessees. Given the urgency of the matter both the IASB and EFRAG have substantially reduced their consultation periods and EFRAG adopted a fast-track due process. In order to receive timely input from stakeholders, EFRAG issued jointly a Draft Comment Letter and a preparatory draft of the Endorsement Advice one week after the issuance of the ED. The endorsement advice was issued less than one week after the issuance of the Amendments.

IFRS ROUND-UP

As well as commenting on the ED *Primary Financial Statements*, the DP *Goodwill and Impairment*, *COVID-19-Related Rent Concessions* and *IBOR phase 2*, EFRAG prepared in 2020 (Draft) Comment Letters, consulted with Europe's financial reporting community on the following IASB Exposure Drafts and Discussion Papers:

- Classification of Liabilities as Current or Non-current
- Extension of the temporary exemption from applying IFRS 9
- Lease liability in a Sale and Lease back



Gerard van Santen
EFRAG RRAWG
Chairman in 2020,
partner EY

The EFRAG RRAWG plays an important role in contributing accounting and industry expertise to EFRAG TEG on specific aspects of European rate-regulated industry sectors. During 2020 the EFRAG RRAWG closely monitored the discussions at the IASB in expectation of the Exposure Draft to be published by the end of 2020.

The publication of the ED ultimately in January 2021 was a key milestone in the project and provides the opportunity to all stakeholders to see how the IASB has translated its decisions taken in the course of the project into actual drafting of the proposed standard. As RRAWG we have been focusing on the key messages expected to be included in EFRAG's Draft Comment Letter. One of the most challenging aspects of the proposals is actually the scoping of the project and concerns raised by various stakeholders

that certain activities would unintentionally become within the scope of the proposal when entities would actually start applying it. This is a key focus area in the various outreaches and request for input that will be taking place. As a whole the EFRAG RRAWG in general strongly supports the proposed accounting model for regulatory assets and liabilities which provides additional information in respect of the financial position and performance of the related entities providing better insights to users and other key stakeholders. I would like to thank especially the EFRAG staff for their continuous and relentless efforts in relation to this lengthy process; however, maybe that is illustrative for the industry which is focusing on its long-term investments and delivering a sustainable performance. I am confident that the new chair of the EFRAG RRAWG, Ralph Welter, together with the other members of the RRAWG will provide key support to EFRAG in the upcoming year(s). I will personally remain closely interested in the topic, especially also in my role as EFRAG Board member.

Cooperation with Users

Investors and other capital providers play an important role in improving the quality of financial statements and ensuring that IFRS Standards provide users of financial statements with information they need to support investment decisions and build trust in the capital markets.

EFRAG has created a [User Corner](#) on its webpage to help identify the appropriate information. On this page, users will find information on:

- The relevant EFRAG activities
- The User Update
- The contact persons in the EFRAG Secretariat.

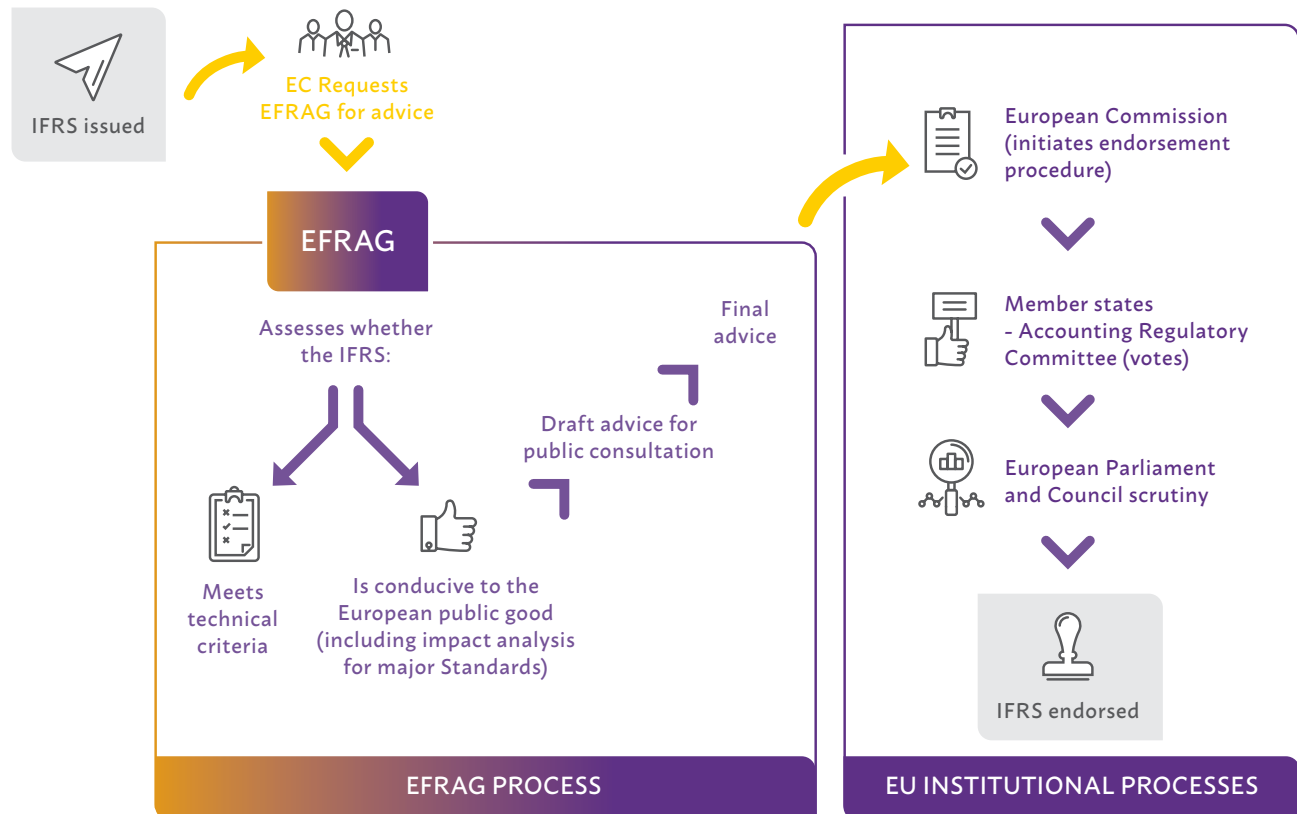
EFRAG consulted users of financial statements extensively on different projects. For example,

EFRAG organised multiple joint events with users' representatives (EFFAS and BVFA/ABAF) on the IASB's projects *Primary Financial Statements* and *Business Combinations — Disclosures, Goodwill and Impairment*. EFRAG also participated in several meetings organised by users' representatives such as the Corporate Reporting Users' Forum (CRUF), the EFFAS Commission on Financial Reporting and member societies of EFFAS such as the Spanish Institute of Financial Analysts (IEAF).

In addition, EFRAG organised one-to-one interviews and launched surveys focused on users for the post-implementation review of IFRS 10, 11 and 12 and on the reporting practices for intangible assets. Finally, EFRAG gathered the information needs of users of financial statements on various topics by consulting the EFRAG User Panel.

► ENDORSEMENT ADVICE

The IASB/IFRS Interpretations Committee's documents that have been endorsed in the course of 2020, as well as their effective dates of application in the European Union, the dates of endorsement and of publication in the Official Journal are set out in the table that follows.



	EFRAG Draft Endorsement Advice	EFRAG Endorsement Advice	ARC Vote	When might endorsement be expected	IASB Effective date
IASB AND IFRS IC DOCUMENTS IN PROCESS TO BE ENDORSED					
IFRS 17 <i>Insurance Contracts</i> (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	30/09/2020	31/03/2021			01/01/2023
Amendments to IAS 1 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date</i> (issued on 23 January 2020 and 15 July 2020 respectively)	06/11/2020				01/01/2023
Amendments to ▶ IFRS 3 <i>Business Combinations</i> ; ▶ IAS 16 <i>Property, Plant and Equipment</i> ; ▶ IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> ▶ <i>Annual Improvements 2018-2020</i> (All issued 14 May 2020)	24/06/2020	23/10/2020	01/03/2021	H2 2021	01/01/2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 <i>Interest Rate Benchmark Reform – Phase 2</i> (issued on 27 August 2020)	28/08/2020	14/09/2020	26/10/2020	13/01/2021	01/01/2021
IASB AND IFRS IC DOCUMENTS ENDORSED					
Amendments to IFRS 4 <i>Insurance Contracts – deferral of IFRS9</i> (issued on 25 June 2020)	25/06/2020	15/12/2020	28/08/2020	16/12/2020	01/01/2021
Amendment to IFRS 16 <i>Leases Covid 19-Related Rent Concessions</i> (issued on 28 May 2020)	30/04/2020	09/10/2020	02/07/2020	12/10/2020	01/01/2021
Amendments to IFRS 3 <i>Business Combinations</i> (issued on 22 October 2018)	14/01/2019	21/10/2020	06/09/2019	22/04/2020	01/01/2020
Amendments to IFRS 9, IAS 39 and IFRS17: <i>Interest Rate Benchmark Reform</i> (issued on 26 September 2019)	30/09/2019	15/01/2020	05/11/2019	16/01/2020	01/01/2020
Amendments to IAS 1 and IAS 8: <i>Definition of Material</i> (issued on 31 October 2018)	12/12/2018	20/02/2019	01/08/2019	10/12/2019	01/01/2020

▶ REPORT FROM THE EFRAG CEO



Saskia Slomp
EFRAG CEO

2020 was a very important year for EFRAG as will be 2021 not only for its activities but also in terms of strategy and governance. This includes the COVID-19 crisis, Brexit, the sustainability reporting developments, EFRAG's Strategic Plan for 2021-2024 and concluding on the finance and governance structure of EFRAG's financial reporting activities.

The COVID-19 crisis has been central in our daily professional and private life. We all had to adapt to the special circumstances where teleworking was the norm and obligation. All our meetings and events were turned into online webcast meetings. Panels and Task Forces had to start and work without having a single physical meeting which required special efforts to build a team spirit. We faced challenges in maintaining and developing stakeholder engagement without having physical meetings and events. By virtual meetings and through the support and activities of our Member Organisations we have maintained contacts with our main stakeholders. We also engaged with a much wider range of stakeholders than in the past due to the EU sustainability reporting standard setting mandates.

With our staff induction task force, we prepared to go back to the office and to physical or hybrid meetings, but unfortunately each time this was continually postponed.

We have been able to retain all our staff during the COVID-19 crisis, but it turned out to be difficult to attract new staff as we did not know when they could actually work in the offices and starting on a virtual basis was less attractive. We therefore worked more with secondments and other forms of short-term contracts to have sufficient human resources whilst having flexibility to adapt to future developments. Thanks to the commitment, energy and efforts of our staff, EFRAG has been able to deliver high quality documents within deadlines and continue to exercise influence.

But the crisis had upsides as well as downsides: we learnt a lot about how to be creative in applying, for us new, technologies and systems in support of our (public) meetings and events. Our on-line webinars attracting participants from all over the world and the use of polling questions allowed to gather views from a wider range of

stakeholders. Without doubt we will continue to benefit from this experience and will use more online meetings and online or hybrid events which will bring efficiency and importantly reduce our ecological footprint.

During 2020 EFRAG developed its Strategy for 2021-2024, after an analysis of the risks and opportunities in EFRAG's environment and an evaluation of the achievements of the EFRAG 2017-2020 Strategy. EFRAG confirms and enhances its strategic goals for the coming years: to be at the centre of Europe as a recognised body of expertise and facilitating exchanges on corporate reporting, covering both financial and non-financial reporting and provide thought leadership on corporate reporting at global level; to maintain and enhance relationships with relevant European and international stakeholder organisations; and to have an appropriate and sustainable governance and finance structure supporting EFRAG's activities. EFRAG's activities for 2021 and beyond support the achievement of these strategic goals. The EU sustainability reporting standard setting developments may demand a revision of our strategy.

After some two and half years of discussions, in March 2021 EFRAG finalised a more transparent finance structure and some related implications for the governance structure also taking into account Brexit. The EFRAG Member Organisations are divided into two chapters: European Organisations and National Organisations. For the European stakeholder organisations there will be a sector approach both in finance and governance and for the National Organisations the financial contribution will be based on GDP. This brings transparency to our structure and for countries and organisations that may wish to join EFRAG. In addition, the possibility was created of associate membership and other forms of cooperation agreements. We hope to enter in our first cooperation agreement with the FRC and the UK Endorsement Board. In addition, we introduced the Friends of EFRAG concept, giving individual entities the right to be an observer with speaking rights in their choice of one of the EFRAG Working Groups or Advisory Panels after a financial contribution.

We look forward to going back to a new normal and to the opportunities and challenges we will be facing in our wider range of activities in 2021.

A big thanks to all the colleagues in the EFRAG Secretariat for their efforts, engagement and energy in difficult times and counting on you for 2021!

► GOVERNANCE AND TRANSPARENCY

EFRAG MEMBER ORGANISATIONS

The UK (FRC) was a full EFRAG Member Organisation/ National Funding Mechanism from March 2009 to 31 December 2020. Its membership ended with the end of the transitional period, following the UK's exit from the European Union. EFRAG is discussing with the FRC and the UK Endorsement Board future cooperation in the technical domain.

Austria in form of the Austrian Group of Standard Setters has joined EFRAG in the first quarter of 2021.

Welcome to our new Member Organisation: Austria

"We believe in the concept of double-materiality.

From an outside-in perspective EFRAG has done tremendous work by developing and promoting European views in the field of financial reporting and ensuring that these views are properly considered in the IASB standard-setting process and in related international debates. In future EFRAG will presumably even play a bigger role by developing European non-financial reporting standards.

From an inside-out perspective Austria can contribute to the work of EFRAG too. Austria's economy is

characterised by a high share of Financial Market Institutions which are subject to the disclosure and taxonomy regulation and therefore have a strong demand for financial and non-financial information. But Austria is also a country of SME, where the proportionality of providing these information plays a big role. Mr Prachner, who was nominated by the Austrian Group for the EFRAG-Board, will surely contribute to the discussion with his knowledge of both the Austrian economy and financial information."



Nadine Wiedermann-Ondrej
Austrian Ministry of Finance



Dietmar Dokalik
Austrian Ministry of Justice



Helmut Maukner
Sponsoring association of AFRAC

EFRAG BOARD

In its October meeting, the EFRAG General Assembly decided to extend the term of the existing EFRAG Board members with six months until 30 April 2021. This allowed the EFRAG Board to finalise the EFRAG endorsement advice on IFRS 17 *Insurance Contracts*. The EFRAG Board in its new composition started on 1 May 2021. The changes to the finance structure of EFRAG resulted as well in changes to the EFRAG Board composition whereby a sector approach was adopted for the European Organisations with one seat per sector.

The EFRAG Board faced a number of changes in 2020 and the first half of 2021. EFRAG thanks its former EFRAG Board members for their valuable contributions to the EFRAG positions and EFRAG's enhanced visibility. EFRAG welcomes the new members, deputies

and observer and looks forward to cooperating with them as well as their contributions.

In September 2020, Karin Dohm, one of the representatives of the banking sector, and Andreas Barckow, President of the Accounting Standards Committee of Germany (ASCG), stepped down from the EFRAG Board. Andreas Barckow had been EFRAG Board Vice- President since the second half of 2016. Ricardo Sanchez entered on the banking sector seat and Sven Morich on the ASCG seat. Hans Buysse took over the role of EFRAG Board Vice-President and chaired the technical sessions in the public meetings. Andreas Barckow has been appointed as Chairman of the IASB from July 2021.

On 31 December 2020, the mandate of Roger Marshall, nominated by the FRC, ended following the UK's exit from the EU. On 1 January 2021 the EFRAG Board

welcomed Gerard van Santen, the new Chairman of the Dutch Accounting Standards Board (DASB) and Chair of the EFRAG Rate-regulated Activities Working Group (RRAWG), as new EFRAG Board member replacing Peter Sampers who stepped down as DASB Chair and EFRAG Board member on 31 December 2020. Peter Sampers joined the EFRAG General Assembly Nominating Committee. Gerard van Santen stepped down as Chair of the EFRAG RRAWG and was replaced by EFRAG RRAWG member Ralph Welter.

On 30 April 2021 we had to say farewell to six EFRAG Board members: Hans Buysse, Luca Cencioni, Benoit Jaspas, Claes Norberg, Laurence Rivat and Mark Vaessen, most of them served 6 ½ years (the maximum term) on the EFRAG Board. On 1 May 2021 EFRAG welcomed the new EFRAG Board members: Michael Fechner (corporate sector), Serge Pattyn (user sector), Gerhard Prachner (Austrian Standard Setter AFRAC), Roman Sauer (insurance sector) and Olivier Scherer (accountancy profession sector). EFRAG also welcomed as new faces the deputies Kristian Koktvedgaard (deputy corporate sector) and Elina Peill (deputy accountancy profession sector) as well as the private investors observer Jella Benner-Heinacher.

► EFRAG Board Committees

The EFRAG Board operates an Audit and Budget Committee, a Remuneration Committee and a Nominating Committee. The latter recommends to the EFRAG Board changes in the composition of EFRAG TEG.

EFRAG TEG

In the first half of 2020 Cedric Tonnerre (ANC – France) and Anthony Appleton (FRC-UK) were replaced by Vincent Louis and Jenny Carter respectively as EFRAG TEG liaison members for their countries. From January 2021, Jenny became an observer at EFRAG TEG when the FRC departed from EFRAG on the UK exit from the EU. Sven Morich (ASCG- Germany) left EFRAG TEG in September to assume the EFRAG Board seat for Germany.

The EFRAG Board approved in December 2020 the new composition of the EFRAG TEG but left a vacancy for one of the accountancy profession seats. Following a new call for candidates, the new composition of the EFRAG TEG was completed with a start date of 1 April.

EFRAG thanks former EFRAG TEG members for their valuable contribution, dedication and commitment to EFRAG's activities. Geert Ewalts and Ambrogio Virgilio reached the end of their maximum six years on EFRAG TEG, Ana Cortez and Jed Wrigley stepped down and Olivier Scherer left the EFRAG TEG to take up the seat for the accountancy profession sector on the EFRAG Board. EFRAG expresses its warm thanks for Ambrogio Virgilio for chairing the EFRAG Insurance Accountancy Working Group. Jed Wrigley will continue as member of the EFRAG User Panel.

EFRAG welcomes the newcomers to EFRAG TEG: Dennis Jullens (user), Sylvie Koppes (accountancy profession), Malgorzata Matusiewicz (accountancy profession), Pierre Phan Van Phi (accountancy profession), and Massimo Tosoni (insurance specialist).

EFRAG TEG changed during 2020 the composition of the EFRAG RRAWG and established its Advisory Panel on Intangibles. In the first half of 2021 EFRAG TEG will renew the composition of its Financial Instruments Working Group.

TRANSPARENCY AND PUBLIC EFRAG TRANSPARENCY REGISTER

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

The EFRAG Board has approved the public EFRAG Transparency Register Policy in July 2019. EFRAG has maintained from September 2019 a public Transparency Register that is regularly updated and covers the meetings of the EFRAG Board President, the EFRAG TEG Chair and the EFRAG CEO. Both the policy and register are available on the EFRAG website.

A BIG THANK YOU!

For their flexibility to adapt during this difficult COVID-19 crisis year; enabling EFRAG to continue delivering its high-quality contributions to the financial and sustainability reporting standard setting community, the EFRAG Board and management would like to thank:

- All EFRAG staff
- All members of EFRAG TEG and its working groups and advisory panel and the European Lab Steering

Group and its project task forces who give their time voluntarily to EFRAG

- The EFRAG Member Organisations for the financial and oversight support
- All stakeholders from Europe and the rest of the world for their contributions by submitting comment letters, participating in field tests, surveys, webinars and other forms of outreaches
- Co-organisers of our webinars and other outreach events

MEMBER ORGANISATIONS

As of 31 December 2020

EUROPEAN STAKEHOLDER ORGANISATIONS



Accountancy Europe
www.accountancyeurope.eu



BUSINESSEUROPE
www.businesseurope.eu



European Association
of Co-operative Banks (EACB)
www.eacb.coop



European Banking Federation
(EBF)
www.ebf.eu



European Federation of
Accountants and Auditors
for SMEs (EFAA)
www.efaa.com



European Federation of
Financial Analysts Societies
(EFFAS)
www.effas.net



European Savings and Retail
Banking Group (ESBG)
www.wsbi-esbg.org



Insurance Europe
www.insuranceeurope.eu

* Austria (The Austrian Group of Standard Setters) has joined the EFRAG membership in 2021.

** The FRC membership of EFRAG ended on 31 December 2020 with the end of the transitional period, following the United Kingdom's exit from the European Union.

NATIONAL ORGANISATIONS*



Grouping of five Danish
organisations
cbj@fsr.dk



Autorité des normes comptables
(ANC) - France
www.anc.gouv.fr



Accounting Standards
Committee of Germany (ASCG)
www.drsc.de



Organismo Italiano di
Contabilità (OIC) - Italy
www.fondazioneoic.eu



Commission des normes
comptables (CNC) -
Luxembourg
www.cnc.lu



Dutch Accounting Standards
Board (DASB)
www.rjnet.nl



Instituto de Contabilidad y
Auditoría de Cuentas (ICAC)
www.icac.meh.es



The Association for Generally
Accepted Principles in the
Securities Market - Sweden
www.godsedpavpmarknaden.se



Financial Reporting Council
(FRC) - UK**
www.frc.org.uk

▶ OUR PEOPLE

As of 31 December 2020

EFRAG BOARD

The EFRAG Board is responsible for all decisions made and positions taken at EFRAG. It makes its decisions to the extent possible based on 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



Hans Buysse
EFRAG Board Vice-President,
User



Rosa Bruguera
Banks



Patrick de Cambourg
Chairman ANC (France)



Angelo Casò
Chairman OIC (Italy)



Luca Cencioni
Industrial and trading companies



Benoit Jaspard
Insurance companies



Sven Morich
Vice-President ASCG (Germany)



Claes Norberg
Industrial and trading companies



Søren Kok Olsen
International liaison observer
DASC (Denmark)



Laurence Rivat
Accountancy profession



Peter Sampers*
Chairman DASB (Netherlands)



Ricardo Sánchez Fernández
Banks



Maria Dolores Urrea Sandoval
Member ICAC (Spain)



Anders Ullberg
Chairman SFRB (Sweden)



Mark Vaessen
Accountancy profession



Roger Marshall**
Member FRC Board

The European Commission, the European Central Bank, the European Supervisory Authorities (EBA, EIOPA and ESMA) and are observers with speaking rights on the EFRAG Board, EFRAG TEG and supporting groups and advisory panels.

Better Finance (appointed representative for European organisation representing private investor "end users") is observer with speaking rights on the EFRAG Board.

* Per 1 January 2020 Gerard van Santen succeeded Peter Sampers as member of the EFRAG Board.

** Dormant member from March 2020 during transitional period with membership ending 31 December. On 31 December 2020 the mandate of Roger Marshall nominated by the FRC ended following the UK's exit from the EU.

EFRAG TEG

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.



Chiara Del Prete
EFRAG TEG Chairwoman (Italy)



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



Jens Berger
Partner Deloitte (Germany)



Ana Cortez
Partner KPMG (Spain)



Geert Ewalts
Head of Group Accounting
Policies Aegon (Netherlands)



Emmanuelle Guyomard
Head of Corporate Technical
Accounting Sanofi (France)



Erlend Kvaal
BI Norwegian Business School
(academic) (Norway)



David Procházka
Prague University of Economics
(at large) (Czech Republic)



Christoph Schauerte
Head of Accounting and Group
Accounting Officer Vonovia SE
(Germany)



Olivier Scherer
EFRAG TEG Member, IFRS
Technical leader - PwC (France)



Ambrogio Virgilio
EFRAG TEG Member,
Partner EY (Italy)



Jed Wrigley
Senior Advisor Eight Roads

COUNTRY LIAISON



Jenny Carter
EFRAG TEG Member*
Country liaison UK, FRC



Tommaso Fabi
EFRAG TEG Member
Country liaison Italy, OIC



Vincent Louis
EFRAG TEG Member
Country liaison France, ANC

To be nominated
Accounting Standards
Committee of Germany (ASCG)

* From 1 January 2021, as a transitional provision (awaiting envisaged cooperation agreement) FRC observer seat with speaking rights until UKEB is fully established.

EFRAG DIGITAL MEETINGS IN 2020



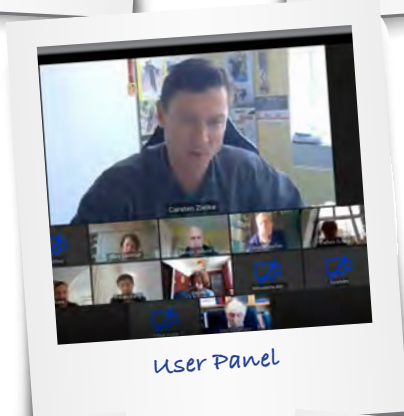
Academic Panel



Rate-Regulated Activities Working Group



Financial Instruments Working Group



User Panel



Insurance Accounting Working Group



Advisory Panel for Intangibles



European Lab Steering Group



European Lab PTF-NFRS



European Lab PTF-RNFRO



European Lab PTF-RNFRO

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.

- **Erlend Kvaal**, Chairman
- **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
- **Günther Gebhardt**, Honorary Member
- **Niclas Hellman**, Stockholm School of Economics
- **Ann Jorissen**, Universiteit Antwerpen
- **Irene Karamanou**, University of Cyprus, Nikosia
- **Andrea Lionzo**, Università Cattolica del Sacro Cuore Milan
- **Araceli Mora**, Universidad de Valencia
- **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

The IASB has been granted observer status.

EFRAG FINANCIAL INSTRUMENTS WORKING GROUP (EFRAG FIWG)

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.

- **Jens Berger**, Chairman, EFRAG TEG member
- **Jannis Bischof**, Academic, University of Mannheim
- **David Bradbery**, Banking
- **Alan Chapman**, Auditor, Grant Thornton
- **Pierre Henri Damotte**, Banking, Société Générale
- **Karin Eisenhut**, Banking, DZ Bank AG
- **Fabio Goia**, Banking, Intesa Sanpaolo S.p.A.
- **Laure Guegan**, Auditor, EY
- **Vincent Guillard**, Auditor, Mazars
- **Selma Marte**, Banking, BNP Paribas
- **Martin Petrov**, Banking, Sofia International Securities
- **Raoul Vogel**, Auditor, PwC

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 (EFRAG IAWG)

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
- **Alexander Dollhopf**, Actuary, PwC Sweden
- **Luca D'Onofrio**, User, EFFAS CFR member, AIAF Board Member
- **Geert Ewalts**, EFRAG TEG Member
- **Hugh Francis**, Insurance industry, Aviva
- **William Hawkins**, User, Keefe, Bruyette & Woods
- **Joachim Kolschbach**, Auditor, KPMG Germany
- **Jasper Kolsters**, Auditor, EY Netherlands
- **Malin Lofbom**, Insurance Industry, Skandia
- **Sophie Massol**, Insurance Industry, AXA
- **Richard Olswang**, Insurance industry, Prudential
- **Jean Michel Pinton**, Auditor, EY France
- **Sabrina Pucci**, Academic, Rome University
- **Thomas Ringsted**, Auditor and Actuary, Deloitte Denmark
- **Roman Sauer**, Insurance Industry, Allianz
- **Cedric Tonnerre**, Auditor, Mazars France
- **Massimo Tosoni**, Insurance industry, Generali
- **Gail Tucker**, Auditor, PwC UK
- **Carsten Zielke**, User, EFRAG User Panel Vice-Chair, Zielke Research Consult

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 RATE-REGULATED ACTIVITIES WORKING GROUP (EFRAG RRAWG)

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

- **Gerard van Santen**, Chairman, Auditor, EY
- **Giorgio Acunzo**, Auditor, EY
- **Nicola Bruno**, Industry, Atlantia SpA
- **Jean-Louis Caulier**, Auditor, KPMG
- **Jose-Luis Daroca**, Auditor, Deloitte
- **Claire Dusser**, Auditor, Mazars
- **Isabelle Triquera Gonbeau**, Industry, EDF Group
- **Simon Grant**, Industry, National Grid plc
- **Cosimo Guarini**, Industry, Terna Spa
- **Markus Lotzc**, Industry, 50Hertz Transmission GmbH
- **Isabelle Nuss**, Industry, Engie
- **Thomas Possert**, Industry, Energie Steiermark AG
- **Fabien Rock**, Industry, SNCF Reseau
- **Laura Lopez**, Industry, Sotomayor Ferrovial SA
- **Samuel Vaughan**, Industry, United Utilities Group PLC
- **Javier Pastor Zuazaga**, Industry, Iberdrola SA
- **Ralph Welter**, Auditor, PwC Germany*

The European Commission has been granted observer status.

* Chairman from January 2021

EFRAG USER PANEL

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

- **Chiara Del Prete**, Chair, EFRAG TEG Chairwoman
- **Carsten Zielke**, EFRAG User Panel Vice-Chairman
- **Andrea Bellucci**, Academic, University of Perugia
- **Martijn Bos**, Eumedion
- **Luca D'Onofrio**, EFFAS CFR - AIAF
- **Hilary Eastman**, CRUF
- **Javier de Frutos**, Chairman EFFAS CFR
- **Jacques de Greling**, Scope Ratings
- **Sam Holland**, Standard & Poor's
- **Dennis Jullens**, University of Amsterdam
- **Thomas Justinussen**, Danskebank
- **Peter Malmqvist**, Financial Analyst
- **Felipe Herranz Martin**, UAM, Board Member (AECA)
- **Matthias Meitner**, VALUESQUE
- **Serge Pattyn**, EFFAS CFR
- **Marie-Pascale Peltre**, Independent Financial Analyst
- **Richard Schreuder**, Saemor Capital
- **Ian Sealy**, Neptune IM
- **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 ADVISORY PANEL FOR INTANGIBLES (API)

The EFRAG API will play an important role in providing accounting and industry expertise to EFRAG TEG on specific aspects of intangibles. It aims at facilitating dialogue, identifying issues on the current guidance and helping practical solutions to emerge. The EFRAG API will provide views on what information investors need (but cannot find in corporate reports) on how an entity creates, maintains, expands and/or preserves value, and what information can be prepared.

- **Giorgio Calimani**, Preparer, Pirelli & C. SpA
- **Florian Bercault**, User, Estimeo
- **Ian Bishop**, Preparer, Roche Group
- **Laure Châtillon**, Valuator, PwC France
- **Alexandre Goncalves**, Preparer, Galp Energia SGPS, S.A
- **Laurine Lemon**, Preparer, DSM
- **Gianluca Manca**, User, Eurizon Capital
- **Marietta Miemietz**, User, Primavenue
- **Bertrand Perrin**, Preparer, Vivendi
- **Laurent Pieraerts**, Preparer, LP Management services
- **Jochem Quaak**, Valuator, Duff & Phelps
- **Jeremy Stuber**, User, Newton Investment Management
- **Ivars Strautins**, Valuator, TEGoVA
- **Jesus Federico Valero Gil**, Valuator, Deloitte
- **Ton van Ooijen**, User, APG Asset Management
- **Hanno Wulbrand**, Preparer, Bayer AG

Observers:

- **Javier Hombria**, EFFAS
- **Kazim Razvi**, CFA Institute
- **IASB**

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. EFRAG CFSS provide input for the EFRAG representation at the ASAF meetings of the IASB.

- **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



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**, Chair
- **Alain Deckers**, Vice-Chair, European Commission DG FISMA
- **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**
- **Esko Antero Kivisaari**, Finanssiala
- **Arlene McCarthy**, AMC Strategy
- **Flavia Micilotta**, Deloitte
- **J. Jason Mitchell**, Man Group plc
- **Linda Nielsen**, University of Copenhagen
- **Nancy Kamp-Roelands**, EY/University of Groningen
- **Steven Marcus Tebbe**, CDP



EUROPEAN LAB PTF ON REPORTING OF NON-FINANCIAL RISKS AND OPPORTUNITIES AND LINKAGE TO THE BUSINESS MODEL (PTF-RNFRO)

The aim of the PTF-RNFRO is to identify good reporting practices around the theme of the project from a sustainability perspective and address what is commonly known as ESG factors. It considers the needs and expectations of a wide range of users and other stakeholders, the extent to which they are addressed by current reporting practices, and the challenges faced by companies in providing that information.

- **Charles Mario Abela**, Co-Chair, WBCSD
- **Dawn Slevin**, Co-Chair, ELS Europe
- **Maria Alexiou**, TITAN Cement International
- **Estelle Aymard-Young**, Zurich Insurance Group
- **Emilie Beral**, Vigeo Eiris
- **Donato Calace**, Datamaran
- **Daniela Cholakova**, AURUBIS
- **Jean-Philippe Desmartin**, Edmond de Rothschild Asset Management
- **Laura Girella IIRC**, University of Modena and Reggio Emilia
- **Michael Goebbels**, Metro AG
- **Ulrika Hasselgren**, Danske Bank Wealth Management
- **Christian Hell**, KPMG Germany
- **Tegwen Le Berthe**, Amundi
- **Marcus Looijenga**, PwC Netherlands
- **Gloria Mazzocco**, Enel
- **Giuseppe Milici**, Deloitte Italy
- **Eckhard Plinke**, Vontobel Asset Management
- **Gunnar Rimmel**, Henley Business School, University of Reading
- **Mirjam Wolfrum**, CDP



EUROPEAN LAB PTF ON PREPARATORY WORK FOR THE ELABORATION OF POSSIBLE EU NON-FINANCIAL REPORTING STANDARDS (PTF-NFRS)

The PTF-NFRS carried out preparatory work for the elaboration of possible EU non-financial reporting standards, in line with the mandated request for technical advice issued to EFRAG by the European Commission on 25 June 2020. The PTF-NFRS incorporated a balanced representation of a broad range of stakeholders with a legitimate interest and proven expertise in sustainability reporting, spanning the public sector, the private sector, SMEs and civil society from across the EU, in line with the European Commission request for technical advice.

PTF-NFRS members

- **Patrick de Cambourg**, Chair, EFRAG Board member, President ANC
- **PierMario Barzaghi**, KPMG Italy, stream leader
- **Piotr Biernacki**, Foundation for Reporting Standards, Polish Association for Listed companies
- **Emmanuel Bloch**, Thales
- **Alan Brett**, MSCI Ltd
- **Jasper De Meyer**, BEUC – European Consumer Organisation
- **Eric Duvaud**, EY
- **Hendrik Fink**, PwC Germany, stream leader
- **Sophie Flak**, Eurazeo
- **Isabel Gavin Perez**, CaixaBank
- **Giulia Genuardi**, Enel
- **Delphine Gibassier**, Audencia, stream leader
- **Begoña Giner**, University of Valencia
- **Sebastien Godinot**, WWF
- **Ron Gruijters**, Eumedion
- **Luc Hendrickx**, SMEunited
- **Kristian Kocktvedgaard**, Confederation of Danish Industry
- **José Luis Lizcano**, AECA, Spanish Association of Accounting and Business Administration
- **Sara Lovisolo**, LSE, stream leader
- **Gianluca Manca**, Eurizon Capital
- **Marco Masip**, Telefonica
- **Philippe Meunier**, ENGIE

- **Birgitte Mogensen**, FSR
- **Mikael Niskala**, Mitopro Oy
- **Marie-Pierre Peillon**, Groupama, stream leader
- **Esther Ortiz Martínez**, EFAA, University of Murcia
- **Roman Sauer**, Allianz
- **Stefan Schnell**, BASF, steam leader
- **Susanne Stormer**, Novo Nordisk
- **Christoph Toepfer**, German Environment Agency
- **Kristiina Vares-Wartiovaara**, OP Asset Management
- **David Vermijs**, Shift Project, stream leader
- **Sigurt Vitols**, European Trade Union Institute
- **Liv Watson**, Impact Management Project (IMP), stream leader
- **Carsten Zielke**, EFFAS, Zielke Research Consult GmbH

PTF-NFRS observers European public institutions

- **European Banking Authority (EBA)**: Pilar Gutierrez
- **European Central Bank (ECB)**: Juliette Desloires,
- **European Environmental Agency (EEA)**: Andreas Barkman
- **European Investment Bank (EIB)**: Georges Gloukoviezoff, Hakan Lucius
- **European Insurance and Occupational Pensions Authority (EIOPA)**: Sandra Hack
- **European Securities and Markets Authority (ESMA)**: Alessandro d'Eri
- **Committee of European Audit Oversight Bodies (CEAOB)**: Marjolein Doblado
- **EU Agency on Fundamental Rights (FRA)**: Jonas Grimheden, Patrycja Pogodzinska

EC representatives of various Directorates General attended the meetings

PTF-NFRS PMO central team

- **Maud Gaudry**, Mazars
- **Lina Lemessiou**, EFRAG
- **Julie Mary**, Deloitte

PTF -NFRS PMO support team

- **Clementina Chiari**, KPMG Italy
- **Emmanuelle Cordano**, CRS4finance
- **Louis-Henri Devant**
- **Ophelia Didriche**, Observatoire de l'Immatériel
- **Anne-Claire Ducrocq**, BNP Paribas
- **Federico Fragassi**, EY Italy
- **Federica Girolami**, OIC
- **Julia Linares**, WWF

- **Roy Linthorst**, EY Netherlands
- **Alexia Perversi**, Mazars
- **Raphaël Reynaudi**, EY France
- **Anne Robillard**, EY France
- **Eveline Spitteler**, PwC
- **Valérie Viard**, ANC

EFRAG SECRETARIAT

- **Jean -Paul Gauzes**, EFRAG Board President
- **Saskia Slomp**, EFRAG CEO
- **Chiara Del Prete**, EFRAG TEG Chairwoman
- **Patricia McBride**, Director
- **Vincent Papa**, Associate Director
- **Kathrin Schöne**, EFRAG Project Director
- **Almudena Alcalá**, Technical Manager
- **Filipe Alves**, Senior Technical Manager
- **Didier Andries**, Senior Technical Manager
- **Isabel Batista**, Senior Technical Manager
- **Galina Borisova**, Technical Manager
- **Garbriale Boschetti**, Technical Manager (seconded by EY Italy)
- **Cécile Etevenot**, Communication and Media Manager
- **Fredré Ferreira**, Senior Technical Manager
- **Adrian Geisel**, Technical Manager (seconded by Deloitte Germany)
- **Juan Jose Gomez de la Calzada**, Technical Manager (seconded by Deloitte Spain)
- **Sapna Heeralall**, Advanced Technical Manager
- **Joachim Jacobs**, Technical Manager
- **Madeleine Kabeya**, Finance and HR Manager
- **Hocine Kebli**, Senior Technical Manager
- **Ioana Kiss**, Technical Manager
- **Gloria Lebron**, Office Administrator
- **Lina Lemessiou**, Advanced Technical Manager
- **Rasmus Sommer**, Senior Technical Manager
- **Robert Stojek**, Advanced Technical Manager and IT Lead
- **Sedat Saritas**, Technical Manager

► COMMUNICATION ACTIVITIES

OUTREACH ACTIVITIES



2020 was a very peculiar and demanding year. Deprived from its usual form of contact the EFRAG Secretariat found new ways to reach out to stakeholders. EFRAG had already most of the necessary tools at its disposal to engage in a 100% digital world with the stakeholders.

The EFRAG Secretariat managed to organize 16 public online webinars in addition to the usual online public sessions for the EFRAG TEG, CFSS and Board meetings.



EFRAG Public webinars

Financial Reporting activities:

Primary Financial Statements

 **4** public webinars in Spring 2020
 **1 189** persons registered

Goodwill & Impairment

 **5** public webinars in Autumn 2020
 **994** persons registered

Non-financial Reporting activities:

European Lab PTF-NFRS webinars

 **7** public webinars in January 2021

 **4 107** persons registered

The EFRAG team organised numerous public online webinars with European stakeholders:

► Primary Financial Statements:



Access the webinars by clicking the play button on the tweets.

► Business Combinations - Disclosures, Goodwill and Impairment



Access the webinars by clicking the play button on the tweets.

► The European Lab @ EFRAG:



Access the webinars by clicking the play button on the tweets.

NATIONAL STANDARDS SETTERS FEEDBACK



Torben Johansen
Chairman DASC
Denmark, BDO

The Danish Accounting Standards Committee (DASC) participated in outreaches on Primary Financial Statements and Business Combinations: Disclosures, Goodwill and Impairment. Both were valuable to DASC and the audience in gathering insights into the issues being discussed at European level and considering these when preparing DASC's comment to EFRAG's Draft Comment Letter.

Denmark was one of the first countries having an outreach on the Primary Financial Statements project and therefore, we had more international participants in the online, web-based event hosted in conjunction with the IASB, EFRAG and Confederation of Danish Industry.

In our experience, online, web-based format outreach events attract more participants than having a physical event only, because participants save valuable travelling time. For the future, the DASC expect to combine physical and web-based attendance as we expect such an arrangement to appeal to more participants.

On 24 November, a joint online outreach event organized by EFRAG with the Portuguese Accounting Standard Setter (CNC) and two Portuguese professional institutes, OROC and OCC, and the IFRS Foundation, took place. The event addressed the IASB Discussion Paper *Business Combinations: Disclosures, Goodwill and Impairment* and EFRAG's preliminary views. The accounting society in Portugal welcomed the event with 300 participants, including from accounting professionals, preparers, academics, and regulators. Preparers on the panel were from financial institutions, large listed Portuguese companies, and non-listed large groups that use IAS/IFRS in their financial statements. During the discussion, the IASB proposals were challenged and different issues around the proposed disclosures

pointed out, such as the commercial sensitivity associated with M&A processes; complexity and costs in gathering information to be publicly disclosed and nature of the information provided by goodwill. Material issues on measurement and subsequent recognition of goodwill were also debated, including effectiveness and improvements to the impairment test model, management overoptimism and delays in the recognition of impairment losses. Costs and benefits of an indicator-only approach or a straight-line amortization model were also subjected to deliberation.

The joint event proved to be a successful initiative of EFRAG and the Portuguese accounting community, leading to a greater engagement from Portugal in the European accounting developments.



Lúcia Lima Rodrigues
CNC-Portugal Vice-President,
Full Professor of Accounting at
the University of Minho



Pedro Dias
Chair CNC Private Sector
Accounting Standards
Committee



Luisa Anacoreta
CNC Portugal

SOCIAL MEDIA ACTIVITIES

EFRAG made the most of 2020 as a digital year and significantly increased its presence and visibility on social media:

Its followers, between January 2020 and January 2021 increased by:



62% to reach **4 924** in total on LinkedIn.



54% to reach **1 201** in total on Twitter.



128% increase to reach **73** followers of EFRAG's newly established YouTube channel.



Since the beginning of 2021, EFRAG is also represented on a new platform: Spotify, where you can listen to the EFRAG podcasts.

EFRAG PODCASTS



Surprisingly, COVID-19 related constraints turned out to be the source for some creativity as EFRAG prepared two series of podcasts during this digital year.

The first series is dedicated to the post implementation review of [IFRS 10, 11 and 12 and was](#) issued early in 2021.

The second series presents the Discussion Paper: Crypto Assets (Liabilities) Holder and Issuer Perspective issued in July 2020. The [episodes](#) have been released in April 2021.

Both podcast series aim at reaching stakeholders in an innovative manner. Indeed, this year has slightly changed our ways to access information. As most of us spend more time than ever reading information on screen, it was a great change to reach out to interested parties with an audio file, which they could listen to whenever they felt like it.

▶ FINANCIAL SUMMARY

Abbreviated financial statements as of 31 December 2020

INCOME STATEMENT	2020 000 EUR	2019 000 EUR
CONTRIBUTIONS		
European Stakeholder Organisations	635	705
National Organisations	1,600	1,600
European Commission	2,777	2,864
<i>Contributions in kind</i>	3,049	1,463
TOTAL CONTRIBUTIONS	8,061	6,632
OPERATING EXPENSES		
Human resources	-4,034	-3,951
Building	-353	-359
Travel	-5	-40
Special events	-5	-45
Publications	-34	-42
Outsourcing (economic and academic studies)	-82	-50
Meetings	-10	-51
Other costs	-296	-350
<i>Expenses in kind</i>	-3,049	-1,463
TOTAL OPERATING EXPENSES	-7,868	-6,351
Operating surplus	193	281
Financial result	0	0
NET SURPLUS	193	281

BALANCE SHEET	31/12/2020 000 EUR	31/12/2019 000 EUR
Tangible assets	17	47
Office guarantee	121	120
TOTAL FIXED ASSETS	138	167
Accounts receivable	795	805
Cash	4,894	4,742
Deferred charges and accrued income	101	173
TOTAL CURRENT ASSETS	5,790	5,720
TOTAL ASSETS	5,928	5,887
Equity: Accumulated surplus	4,704	4,511
Liabilities:		
• leasing debt	0	6
• accounts payable	334	543
• taxes, remuneration and social security	565	506
• provision including pension guarantee	325	305
• rent accrual	0	0
• other accruals	0	16
TOTAL LIABILITIES	1,224	1,376
TOTAL EQUITY & LIABILITIES	5,928	5,887

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 2021. The statutory financial statements have been approved by the EFRAG General Assembly on 25 March 2021.

Contributions and expenses in kind

CONTRIBUTIONS IN KIND 2020		000 EUR
TIME AND TRAVEL CONTRIBUTIONS		
<i>EFRAG Board</i>		389
<i>EFRAG Technical Expert Group</i>		664
<i>Other Committees, Groups and Panels</i>		338
<i>European Lab Steering Group and Project Task Forces (PTF CRR, PTF NRFS and PTF-RNFRO)</i>		1,658
TOTAL CONTRIBUTIONS IN KIND		3,049

NOTE

Guaranteed return on EFRAG's pension fund and other provisions

Belgian law requires that contributions paid on behalf of employees by their employers are subject to a guaranteed a 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, 2018, 2019 and 2020). 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 at 31 December 2020 is €325,000, an increase of €121,000 since 31 December 2019.

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, European Lab Steering Group, the Committees, Working Groups, Advisory Panels and Project Task Forces as well as in form of free or at-reduced price secondments.

The breakdown of contributions by Member Organisations is as follows:

CONTRIBUTIONS ¹	000 EUR	2020	2019
EUROPEAN STAKEHOLDER ORGANISATIONS			
Accountancy Europe		170	240
BusinessEurope		125	125
Insurance Europe		75	75
EBF		75	75
ESBG		75	75
EACB		75	75
EFAA		25	25
EFFAS		15	15
TOTAL		635	705
NATIONAL ORGANISATIONS			
France		350	350
Germany		350	350
UK		350	350
Italy		290	290
Sweden		100	100
Denmark		50	50
Netherlands		50	50
Spain		50	50
Luxembourg		10	10
TOTAL		1,600	1,600
EUROPEAN COMMISSION		2,777	2,864
TOTAL CONTRIBUTIONS		5,012	5,169

¹ In March 2021 the EFRAG General Assembly approved a new finance structure for the financial reporting pillar of EFRAG whereby contributions for the European Stakeholders Organisations are based on sectors and contributions for the National Organisations are based on GDP.

► EFRAG SECRETARIAT

During 2020, changes occurred, some caused by the pandemic, some due to natural causes and so, adaptations were necessary. The EFRAG team rose to the challenge and maintained high-quality work.

MANAGEMENT COMPOSITION:



Jean-Paul Gauzès
EFRAG Board
President



Saskia Slomp
CEO



Chiara Del Prete
EFRAG TEG
Chairwoman



Patricia McBride
Director



Vincent Papa
Associate Director



Katrin Schöne
Project Director

EFRAG STAFF COMPOSITION*:



* as of 31 December 2020

► New staff members:



Gloria Lebron
Office Administrator



Sedat Saritas
Technical Manager



Juan Jose Gomez de la Calzada
Technical Manager
From Deloitte ES



Adrian Geisel**
Technical Manager
From Deloitte DE



Gabriele Boschetti**
Technical Manager
From EY IT

** Left EFRAG
by 31 December 2020

► Working with COVID-19:



Meetings held online



Working from home
facilities



Regular information on
EU COVID-19 measures

► A multicultural environment:



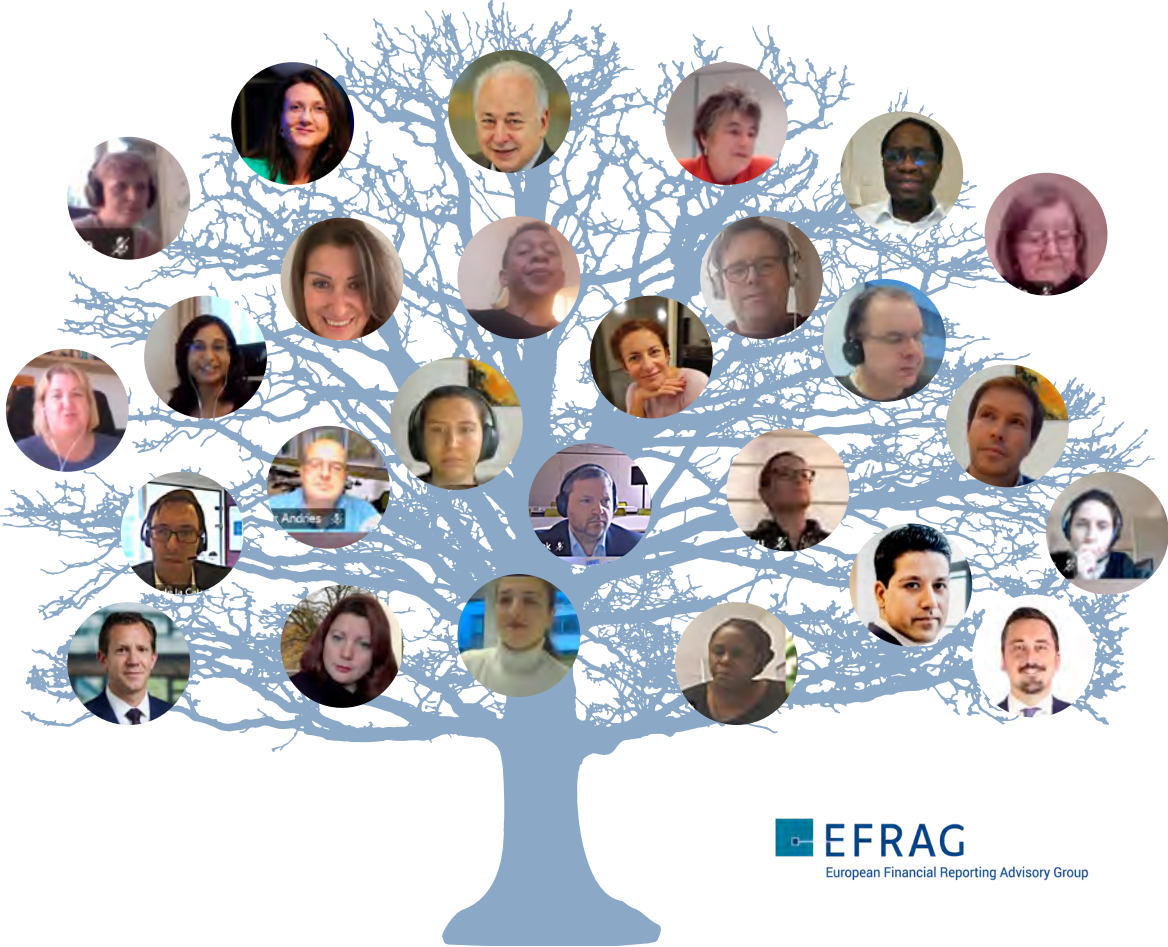
► EFRAG babies



5

2020 + Q1 2021

EFRAG SECRETARIAT



 **EFRAG**
European Financial Reporting Advisory Group



EFRAG receives financial support of the European Union – DG Financial Stability, Financial Services and Capital Markets Union. 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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