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Summary and analysis of the Third IASB Agenda Consultation and EFRAG Proactive Research Agenda – survey responses received

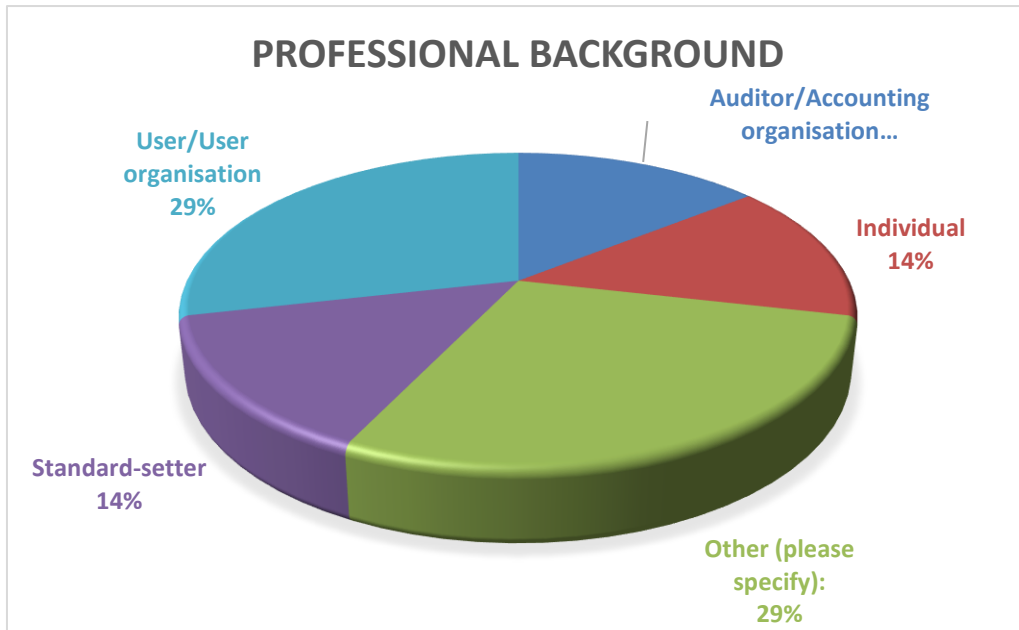
- 1 This document provides a summary of the survey responses and should be read in conjunction with the analysis of the comment letters received, refer to agenda paper 02-04.

High level messages from this survey

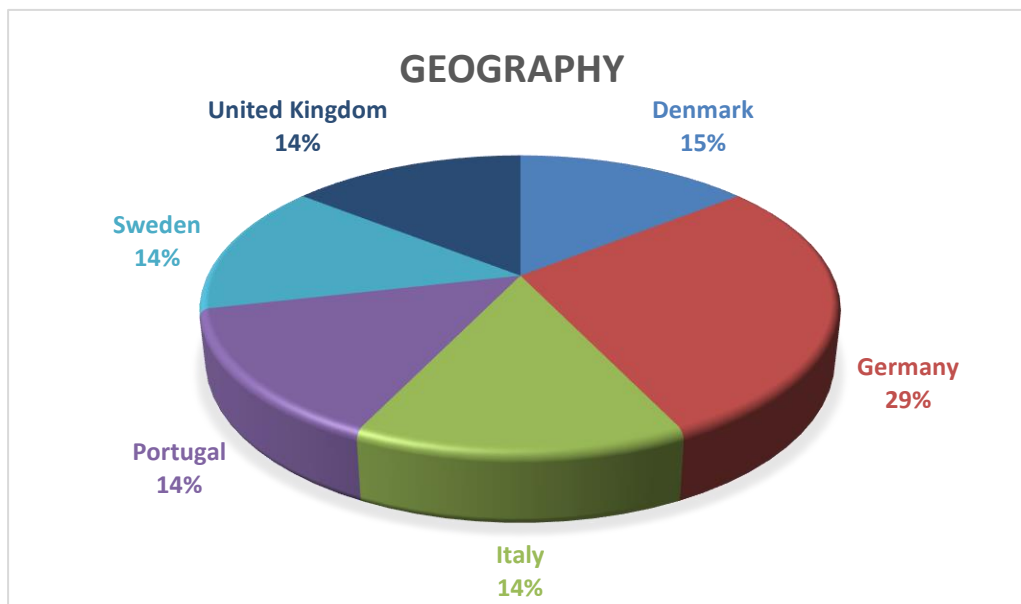
- 2 There is a substantial alignment of the responses with the list of priorities identified in our DCL for both IASB and EFRAG.
- 3 Focus on sustainability (as one of the international initiatives that provides sustainability reporting framework responded to the survey):
 - (a) the IASB should have the capacity to maintain alignment with the future work of the ISSB when it starts to move beyond its initial focus on climate. Given the inherent complexity, the IASB should identify whether key sustainability-related risks are already captured within the current IFRS Standards before considering the introduction of a new standard or a significant change to existing standards;
 - (b) the respondent recommends EFRAG to expand its Comment Letter to cover the coordination of the IASB's and the ISSB's future activities for promoting connectivity between the IFRS Standards and the potential Sustainability Standards.

Summary of survey respondents

- 4 At the time of writing, seven survey responses have been received of which five are completed in full and two are partially completed.
- 5 The professional background of the survey respondents is presented in the chart below:



- 6 The other category consists of a 'reporting framework provider' (an international consortium of businesses and environmental NGOs) and one respondent that did not indicate its professional background.
- 7 The geographical spread of the survey respondents is presented in the chart below:



Summary of respondents' views

- 8 Please refer to paper 02-05.

Appendix 1 - Detailed analysis of responses to questions in EFRAG's survey

Part A – IASB's Third Agenda Consultation

Subject: Strategic direction and balance of the Board's activities

Question 5 of the survey

The IASB identified 6 main areas of activities and estimated for each the current 'level of focus' that is the level of IASB's resources allocated to each of the activities. For an overview of the IASB's main activities please see Table 1 in the Request for Information.

Should the IASB increase, leave unchanged or decrease the current level of focus for each of its main activities?

9 The table below summarises the survey responses to question 5 of the survey:

| | Increase | Leave unchanged | Decrease | Responses |
|---|----------|-----------------|----------|-----------|
| New IFRS Standards and major amendments to IFRS Standards (current level of focus 40% to 45%) | 0 | 1 | 4 | 5 |
| Maintenance and consistent application of IFRS Standards (current level of focus 15% to 20%) | 2 | 3 | 0 | 5 |
| The IFRS for SMEs Standard (current level of focus 5%) | 0 | 4 | 1 | 5 |
| Reporting by developing and maintaining the IFRS Taxonomy (current level of focus 5%) | 1 | 2 | 2 | 5 |
| Understandability and accessibility of the Standard (current level of focus 5%) | 3 | 2 | 0 | 5 |

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| | | | | |
|--|---|---|---|---|
| Stakeholder engagement (current level of focus 25%) | 1 | 3 | 1 | 5 |
|--|---|---|---|---|

10 Respondents provided the following additional comments:

- (a) Period of calm is needed from major new Standards so that focus on PIRs and identified issues can be increased.
- (b) Generally, no difference between SMEs and other sized businesses, therefore the IFRS should apply to all businesses with a materiality overlay.
- (c) For accessibility and understandability focus should be on well informed users and not only professional accountants.
- (d) As capital markets move towards sustainable investments, corporate reporting should increase stakeholder engagement as to foresee how the new reporting landscape can be met.
- (e) Increase the support given to national standard-setters.

Question 6 of the survey

In its draft comment letter in response to the IASB's Request for Information, EFRAG did not assign specific proportions to the IASB's activities but expected that, after the publication of several major standards over the last period (IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and IFRS 17 Insurance Contracts) the next 5-year period would focus more on projects already active, Post-Implementation Review of large Standards and undertaking standard-setting projects when necessary.

In addition, EFRAG also suggested additional financial reporting issues not yet covered by the IASB's RFI, in particular (please click on the project for further description):

- Digital reporting; and

- Connecting financial and sustainability reporting (starting from climate-related financial implications).

Do you agree with the above view? Why or why not?

11 The table below summarises the survey responses to question 6 of the survey:

| | Agree | Disagree | Nr. of Responses |
|-----------|-------|----------|------------------|
| Responses | 4 | 1 | 5 |

12 Four respondents agreed and provided the following comments:

- (a) Companies value maintenance and clarification work over new Standards;
- (b) The expanded scope for sustainability reporting will also ensure that the IASB will have the capacity to maintain alignment with the future work of the ISSB when it starts to move beyond its initial focus on climate. Given the inherent complexity, the IASB should identify whether key sustainability-related risks are already captured within the current IFRS Standards before considering

the introduction of a new standard or a significant change to existing standards; and

- (c) The two additional projects (connectivity between financial and sustainability and digitalisation) are also on the political agenda within the European Union.

13 One respondent disagreed and commented that major projects will still be needed and a review of the Financial Statements is needed, in particular the Cash Flow Statement, which could well be considered a major project.

14 Another respondent had a neutral view, neither agreed nor disagreed.

Subject: Criteria for the IASB to assess the priority of financial reporting issues

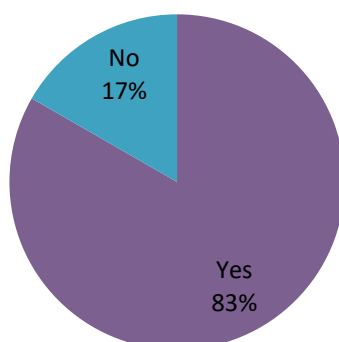
Question 7 of the survey

The IASB considers seven criteria, which are listed below, in deciding whether to add a potential project to its work plan. The criteria are:

- *The importance of the matter to investors;*
- *Whether there is any deficiency in the way companies report the type of transaction or activity in financial reports;*
- *The type of companies that the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others;*
- *How pervasive or acute the matter is likely to be for companies;*
- *The potential project's interaction with other projects on the work plan;*
- *The complexity and feasibility of the potential project and its solutions;*
- *The capacity of the Board and its stakeholders to make timely progress on the potential project.*

Do you consider that the IASB has identified the right criteria?

15 The chart below summarises the survey responses to question 7 of the survey (total number of responses: 6):



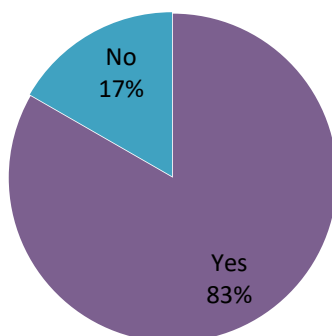
Question 8 of the survey

In its draft comment letter, EFRAG while generally agreeing with the 7 criteria considered by the IASB also suggested to consider in its assessment:

- *evidence of structuring opportunities, and*
- *proliferation of non-GAAP information providing evidence that some requirements are not considered to result in relevant information.*

Do you agree with the suggestions made by EFRAG?

- 16 The chart below summarises the survey responses to question 8 of the survey (total number of responses: 6):



- 17 One respondent who did not agree commented that additional criteria can be covered by existing criteria, e.g. deficiencies in company reporting (e.g. disclosures) could cover non-GAAP information if it is material.

Question 9 of the survey

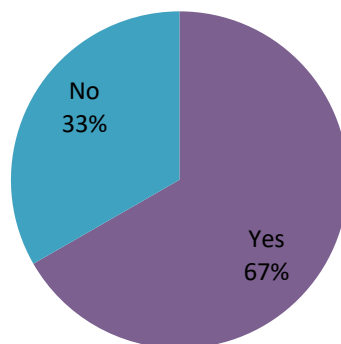
EFRAG observes that the IASB has developed and used the following three additional criteria that were never submitted to proper due process:

- *The potential project's interaction with other projects on the work plan;*
- *The complexity and feasibility of the potential project and its solutions; and*
- *The capacity of the IASB and its stakeholders to make timely progress on the potential project.*

EFRAG suggests to give precedence, in selecting projects, to the 'official' criteria as contained in the Due Process Handbook; and consider whether these additional criteria could be considered for the inclusion into the Due Process Handbook as part of the next consultation.

Do you agree with the suggestions made by EFRAG?

- 18 The chart below summarises the survey responses to question 9 of the survey (total number of responses: 6):



19 One respondent who did not agree commented that these additional three criteria seem to be a pragmatic way to filter potential projects reflecting reality. Clearly if we are seeing diversity in practice and it is highly material for investors then "complexity" should not be an excuse to remove from the workplan but all the assessments will be a balance to reach a final conclusion.

Subject: Financial reporting issues that could be added to the IASB's work plan

Question 10 of the survey

The table below includes the financial reporting projects that EFRAG has tentatively assigned a highest priority in its Draft Comment Letter.

Please indicate whether you agree with the prioritisation and the scope of the financial reporting issues.

(the links in the table below will redirect you to the paragraph in EFRAG's DCL where the EFRAG suggested scope is described)

Please note that you will have the opportunity to indicate any other projects that you would like to add as a highest priority project in the next question (Question 11). Please be aware that EFRAG needs to limit the suggested high priority issues as the IASB has limited capacity. Therefore, please indicate which projects needs to be removed from the table below in order to add any other projects.

20 The table below summarises the survey responses to question 10 of the survey:

| | Agree with prioritisation and scope | Disagree with prioritisation, remove from the list | Agree with prioritisation, but disagree with scope | Responses |
|---|--|--|--|-----------|
| Connecting financial and sustainability reporting, starting from climate-related financial implications | 5 | 2 | 0 | 7 |

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| | | | | |
|---|---|---|---|---|
| Crypto-currencies and related transactions | 3 | 2 | 0 | 5 |
| Discontinued operations and disposal groups | 3 | 2 | 0 | 5 |
| Intangible assets | 3 | 1 | 1 | 5 |
| Statement of cash flows and related matters | 4 | 1 | 0 | 5 |
| Variable and contingent consideration | 3 | 2 | 0 | 5 |

21 One respondent who agreed with the prioritisation but disagreed with the scope of the 'Intangible asset'-project suggested an alternative scope providing the following comments:

- (a) M&A accounting is broken and needs to be reviewed considering wasting versus organically replaced intangibles; and
- (b) Other intangibles should be part of the narrative reporting.

Question 11 of the survey

The table below includes the remaining financial reporting projects that EFRAG has tentatively not assigned a highest priority in its Draft Comment Letter. The list consists of projects identified by the IASB in its RFI and additional projects suggested by EFRAG which are indicated as such.

a) Please indicate whether you agree with the prioritisation and the suggested scope (the links in the table below will redirect you to the paragraph in EFRAG's DCL where the EFRAG suggested scope is described)

b) Please ensure that you have indicated an equal number of projects to be removed from the list in Question 10, in order to assign a higher priority to the projects in Question 11.

22 The table below summarises the survey responses to question 11 of the survey:

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| | Agree with lower priority | Should be highest priority and agree with scope | Should be highest priority but disagree with scope | Responses |
|---|---|---|--|-----------|
| Borrowing costs | 4 | 1 | 0 | 5 |
| Commodity transactions | 3 | 2 | 0 | 5 |
| Digital reporting (project suggested by EFRAG, not in IASB's RFI) | 3 | 3 | 0 | 6 |
| Discount rates | 3 | 1 | 1 | 5 |
| Dynamic risk management other than for interest rate by banks (project suggested by EFRAG, not in IASB's RFI) | 4 | 0 | 0 | 4 |
| Employee benefits | 4 | 0 | 0 | 4 |
| Expenses - inventory and cost of sales | 2 | 1 | 1 | 4 |
| Foreign currencies | 4 | 0 | 0 | 4 |
| Going concern | 4 | 0 | 0 | 4 |

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| | Agree with lower priority | Should be highest priority and agree with scope | Should be highest priority but disagree with scope | Responses |
|---|---|---|--|-----------|
| Government grants | 3 | 1 | 0 | 4 |
| Hedge accounting for insurers (project suggested by EFRAG, not in IASB's RFI) | 4 | 0 | 0 | 4 |
| Income taxes | 4 | 0 | 0 | 4 |
| Inflation | 4 | 0 | 0 | 4 |
| Interim financial reporting | 3 | 1 | 0 | 4 |
| Negative interest rates | 3 | 1 | 0 | 4 |
| Operating segments | 1 | 3 | 0 | 4 |
| Other comprehensive income | 3 | 1 | 0 | 4 |

| | Agree with lower priority | Should be highest priority and agree with scope | Should be highest priority but disagree with scope | Responses |
|--|---------------------------|---|--|-----------|
| Polution pricing mechanisms | 2 | 2 | 0 | 4 |
| Separate financial statements | 2 | 2 | 0 | 4 |
| Supply chain financing (including reverse factoring) | 4 | 0 | 0 | 4 |

23 The following alternative scopes and comments were provided:

- (a) Discount rates: discount rates used for asset and liability valuations (e.g. oil decommissioning costs) disclosures need to ensure users can back out discount rates used and replace with what the user thinks is an appropriate discount rate.
- (b) Expenses – inventory and cost of sales: Just-in-time processes within businesses have been challenged by responses to Covid pandemic and Suez canal incident and may push inventories and how they are accounted for up the priority list in the next few years.

Question 12 of the survey

If you have any other highest priority projects that are not mentioned in this survey, please describe the scope and explain why it is a highest priority project.

24 One respondent provided input to this question. The respondent suggested a project involving disclosures of financial indicators given the excess of non-GAAP information disclosed by firms.

Question 13 of the survey

If you have any other comments on the IASBs activities and current work plan, please explain.

25 One respondent provided input to this question. The respondent supported a more holistic consideration of the connectivity between financial and sustainability reporting is supported. A close coordination between the IASB and the future ISSB

is vital in this case. Therefore, the respondent recommends EFRAG to expand its Comment Letter to cover the coordination of the IASB's and the ISSB's future activities for promoting connectivity between the IFRS Standards and the potential Sustainability Standards.

Part B – EFRAG's Research Agenda Consultation

Question 14 of the survey

EFRAG initially considers that its decision on which proactive projects to initiate, should be based mainly on:

a) European constituents' views on the importance of the various projects considered for the IASB's agenda consultation (that is the projects listed in Part A of this survey accompanying EFRAG's (draft) comment letter to the RFI and any additional projects suggested by constituents).

b) A short list of four projects which are considered important by European constituents and particularly suitable for an EFRAG proactive research project. While EFRAG will consider the projects that European constituents consider are most important to include on the IASB's 2022–2026 workplan, there may be projects that are considered important, but for which an EFRAG proactive project could be considered useful before the project would be addressed by the IASB (post 2026). Also, there may be projects that are considered important to be included on the IASB's 2022–2026 workplan which are considered less suitable for an EFRAG proactive research project, projects for which EFRAG has already done proactive work, or for which European thought leadership is considered to be less needed.

EFRAG will only be able to select a limited number (in this case less than five) of the projects that would result from (a) and (b) above.

*The preliminary view of EFRAG is that the list of four projects mentioned above in b) should include the projects listed alphabetically below. **Please indicate whether you agree with including each of the four projects on the list of projects considered important for European constituents and particularly suitable for an EFRAG proactive research project.** The suggested scope of the listed projects corresponds to the scope EFRAG suggests in relation to the IASB's agenda consultation (the suggested scope can be seen by clicking on the name of the project which will redirect to EFRAG's DCL where the scope is described).*

Note that EFRAG's research work is complementary to the IASB's work and EFRAG will also work as part of its commenting work on the projects that are finally selected by the IASB.

26 The table below summarises the survey responses to question 14 of the survey:

| | Agree with including this project on the list and agree with the scope | Replace this project with another project | Agree with including this project on the list, but disagree with the suggested scope | Responses |
|---|---|--|---|-----------|
| Connecting financial and sustainability reporting, starting from climate-related financial implications | 5 | 0 | 0 | 5 |
| Digital reporting | 4 | 1 | 0 | 5 |
| Operating segments | 2 | 1 | 0 | 3 |
| Supply chain financing (including reverse factoring) | 3 | 0 | 0 | 3 |

27 Respondents recommended the following replacements:

- (a) Replace 'digital reporting' by (1 respondent):
 - (i) 'Discount rate disclosures'; or
 - (ii) 'Cash flow statements'.
- (b) Replace 'operating segments' by 'discontinued operations' (1 respondent)

Question 15 of the survey

Are there any other projects that EFRAG should consider and are not included in the list in previous question?

If so, please ensure that you have indicated an equal number of projects to be replaced from the list in Question 14.

28 One respondent commented to this question that financial and sustainability reporting, starting with climate related reporting should recognise that it will be

important that sustainability standards coming out of the proposed new ISSB should cover financial and non-financial reporting and be progressed by the ISSB's resources, leaving the IASB's resources to focus on non-sustainability financial reporting.

Question 16 of the survey

Do you agree, that EFRAG's decision on which proactive projects to initiate, should be based on:

- a) European constituents' views on the importance of the various projects considered for the IASB's agenda consultation;*
- b) A short list of four projects with are considered important by European constituents and particularly suitable for an EFRAG proactive research project.*

29 All of the respondents (5 responses) agreed.

Question 17 of the survey

EFRAG's preliminary view is that, on average, the ratio between the resources it uses on reacting to IASB proposals and the resources it should use on proactive research projects should be 2:1. Do you agree with this resource allocation?

30 All of the respondents (5 responses) agreed.