EFRAG
European Financial Reporting Advisory Group

EFRAG USER UPDATE

February 2020

This EFRAG User Update is developed to inform users on financial reporting and broader corporate reporting topics of interest. The EFRAG User Update will be published on a regular basis to provide users of financial statements with information about the publications, discussions held and decisions taken since the previous update.

YEAR IN REVIEW - 2019

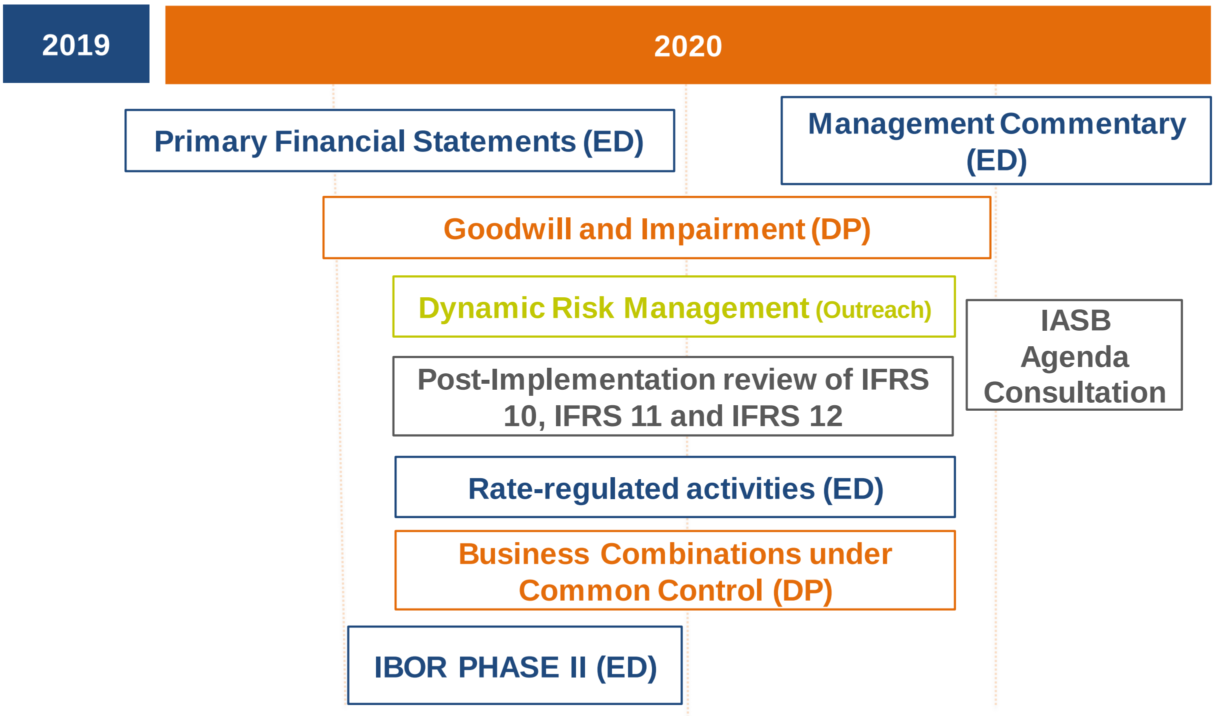
In 2019, EFRAG actively served the European public interest by developing and promoting European views, including those from users of financial statements, in the field of financial and corporate reporting.

Highlights from the year 2019 include:

- EFRAG's continued work on IFRS 17 *Insurance Contracts,* notably its comment letter on the IASB's targeted amendments to IFRS 17 focused on implementation challenges.
- EFRAG's positive and fast-track endorsement advice to the European Commission in October 2019 on *Interest Rate Benchmark Reform* (amendments to IFRS 9, IAS 39 and IFRS 17).
- EFRAG's conference *on IFRS & Regulation: Searching for Common Ground* where high-level speakers discussed the interaction between IFRS standards and regulation of financial reporting.
- EFRAG's technical advice on the European Commission request on potential alternative accounting treatments to fair value measurement for investment portfolios of equity and equity-type instruments held in a long-term investment business model.
- EFRAG's comment letter to the IASB's Discussion Paper (DP) on *Financial Instruments with Characteristics of Equity* (FICE) where EFRAG suggested the IASB to focus on targeted improvements to IAS 32. EFRAG issued also its first Early-Stage Analysis where it assessed the potential effects of the IASB DP.
- EFRAG's DP *Accounting for Pension Plans with an Asset-Return Promise* where EFRAG explores alternative accounting treatments for post-retirement employee benefits, promising the higher of the return on an identified item or group of items and a minimum guaranteed return
- EFRAG's ongoing work on the IASB's projects *Primary Financial Statements*, *Goodwill and Impairment, Business Combinations under Common Control, and Rate-regulated Activities.* In addition, EFRAG research on *Better Information on Intangible Assets* and *Crypto Assets.*
- European Lab's conference on *Fostering Innovation in Corporate Reporting* discussing new approaches to corporate reporting and the role of the European Lab.
- European Lab's completion and issuance of report on climate-related reporting: *How to improve climate-related reporting: A summary of good practices from Europe and beyond*.
- European Lab's public consultation on its future agenda and selection of the project on reporting of non-financial risks and opportunities and linkage to the business model.

LOOKING INTO THE FUTURE: 2020

IASB 2020 major consultations: a lot coming up



As illustrated above, the IASB plans to publish a number of important consultation documents this year: Two Discussion Papers, four Exposure Drafts and three Requests for Information.

In addition to those already identified above, the IASB will request for comments on more narrow-scoped proposed amendments, proposed updates to the IFRS Taxonomy, the IFRS Interpretations Committee's tentative agenda decisions and *Comprehensive Review of the IFRS for SMEs Standard*.

EFRAG Outreach Activities in 2020

To stimulate responses and help gather constituents' views, EFRAG is going to organise several outreach events throughout Europe, including outreach events with users of financial statements and field-tests. EFRAG will also issue new materials to raise awareness about our public consultations (e.g. videos and webinars) and new tools to get more feedback (e.g. surveys and different types of outreach activities).

Watch dates of our user focused conferences in 2020:

- **28 April**: Brussels Joint EFRAG/FRC round table on Intangibles
- **29 April**: London Joint EFRAG/FRC round table on Intangibles
- **4 May**: London Joint EFRAG European Lab/Man Group event on climate related-reporting
- **19 May**: Brussels: Joint EFFAS/EFRAG/ABAF event on Primary Financial Statements

EFRAG MAIN ACTIVITIES

Primary Financial Statements

Introduction to the IASB's ED *General Presentation and Disclosure*

In December 2019, the IASB published the ED *General Presentation and Disclosure* where it includes proposals to improve how information is communicated in the financial statements, with a focus on the statement of profit or loss.

The ultimate objective is to replace IAS 1 *Presentation of Financial Statements* with a new Standard that would comprise new requirements on presentation and disclosures in the financial statements and requirements brought forward from IAS 1 with only limited changes to the wording.

What are the IASB's key proposals?

Statement of Financial Performance	Statement of cash flows
New defined subtotals and categories to improve comparability between entities	New starting point for the indirect method: operating profit
New guidance on the presentation of operating expenses by nature or by function	Elimination of classification options (interest and dividends)
Separate presentation of integral and non-integral associates and joint ventures	Prescribing classification of cash flows related to associates and joint ventures

Disclosures	Other improvements
New disclosures on Management Performance Measures to improve transparency and discipline on their use	Strengthen requirements for disaggregating information in the financial statements
New disclosures of unusual income and expenses	Separate presentation of integral and non-integral associates and joint ventures in the statement of financial position
New disclosures on integral and non-integral associates and joint ventures	Requiring minimum line items in the primary financial statements
New guidance on the roles of the primary financial statements and the notes	Developing illustrative examples of primary financial statements for a small number of industries

Who would be affected by the proposals?

The IASB expects the proposals in this Exposure Draft will affect all entities that apply IFRS Standards, including financial institutions. The effect of these proposals will vary between entities depending on their current practice. Some examples are included below.

NEW STRUCTURE FOR THE STATEMENT OF PROFIT OR LOSS

Revenue	x	
Employee benefits expense	x	
Depreciation and amortisation expenses	x	**Operating category**
Impairment losses on PPE	x	
Operating profit	**X**	
Share of results of integral associates and joint ventures	x	**Category on Integral Associates and joint-ventures**
Operating profit and share of profit or loss of integral associates and joint ventures	**X**	
Fair value changes in the fair value of financial assets	x	**Investing category**, including non-integral associates and joint-ventures
Gains or losses on the sale of a financial asset	x	
Impairment losses of financial assets	x	
Dividend income	x	
Share of results of non-integral associates and joint ventures	x	
Profit before financing and income tax	**X**	
Interest income from cash and cash equivalents	x	**Financing category** that enable comparison of entities with different capital structures
Interest expenses from financing activities	x	
Unwinding of discount on provisions	x	
Profit before tax	**X**	
Income tax expense	x	
Profit for the year from continuing operations	**X**	
Loss from discontinued operations	x	
Profit for the year	**X**	

The IASB proposes to require companies to classify their income and expenses into four defined categories and present three subtotals between these categories (in blue above).

And how would the IASB's proposals work for companies like banks, insurance companies and investment companies? Companies that provide 'financing to customers' or make 'investments' as part of or in the course of the entity's main business activities, them related income and expenses are presented in operating profit or loss.

BANK WITH INVESTING AND FINANCING CUSTOMER ACTIVITIES

Interest income	x	Entities that '**provide financing to customers**' may include in operating profit all expenses from financing activities **or** only those related to the provision of financing to customers
Interest expense	x	
Net interest income	**x**	
Fee and commission income	x	
Fee and commission expense	x	
Net fee and commission income	**x**	
Net trading income	x	Income and expenses from **investments made in the 'course of the entity's main business activity'** are included in operating profit
Net investment income	x	
Credit impairment losses	x	
Employee benefits expense	x	
Depreciation and amortisation expenses	x	
Operating profit	**X**	
Share of results of integral associates and joint ventures	x	
Operating profit and share of profit or loss of integral associates and joint ventures	**X**	Entity does not present 'profit before financing and income tax' subtotal
Share of results of non-integral associates and joint ventures	x	
Unwinding of discount on pension liabilties and provisions	x	
Profit before tax	**X**	
Income tax expense	x	
Profit for the year	**X**	

EFRAG initial views included in its Draft Comment Letter.

In February 2020, EFRAG published its draft comment letter (DCL) where EFRAG expressed its tentative views. As usual, EFRAG DCL is itself a consultation document that is open for comments until the 19 June 2020

In its DCL, EFRAG welcomed the IASB's proposals on improving how information is communicated in the financial statements. This project responds to a strong demand from users of financial statements and respondents to the IASB 2015 Agenda Consultation for the IASB to undertake a project on primary financial statements. EFRAG considered that the IASB's proposals in this ED would properly address this request.

EFRAG also agreed with the IASB's proposal to update current requirements through the issuance of a new IFRS Standard, even if the IASB focused mainly on information about performance in the statement of profit or loss. Such an approach has the benefit of highlighting the importance and impact of the proposed changes on the presentation of financial statements across different industries.

EFRAG highlighted that the main challenge of this project is to strike the right balance between satisfying the needs of users by providing a more harmonised structure and content of the statement(s) of financial performance, and allowing management to convey its views of the company's financial performance.

Finally, EFRAG provided more detailed feedback in the following areas:

- **New subtotals and categories:** EFRAG supports the IASB's proposals to present an operating, investing and financing category, subject to materiality considerations, as these have the potential benefit of reducing diversity in practice and improving comparability of financial statements. However, EFRAG raised some issues including:
    - it is key to have clear guidance on the notion of the 'entity's main business activity', or in the course of the entity's main business activity;
    - the IASB should consider, as part of the effects of these proposals, the interaction of the IASB proposals with existing regulatory frameworks on the presentation of financial statements;
    - the statement of financial performance and the statement of cash flows are not aligned and will have three different categories with similar labelling (operating, investing and financing).. As long as the two statements are not aligned, EFRAG considers that it would be useful to use a different labelling in the two statements to avoid confusion;
- **Integral and non-integral associates and joint ventures**: The IASB proposal to separately present integral and non-integral associates and joint ventures will provide useful information to users of financial statements. However, EFRAG highlights that such presentation requirements will involve significant judgements and need to be tested in practice.

- **Analysis of operating expenses**: EFRAG supports the IASB's proposal to continue to require entities to present an analysis of expenses using either by-function or by-nature method. However, EFRAG suggests the IASB to make clearer that in specific cases the ED allows, or even requires, a mixed basis of presentation.
- **Unusual income and expenses**: EFRAG welcomes the IASB's efforts to define unusual income and expenses and to require entities to disclose such items in the notes. However, EFRAG highlights that the definition of unusual items seems to be narrow, as it focuses on whether expenses/income will occur in the future. Instead, EFRAG suggests the IASB to consider not only items that 'will not arise for several future annual reporting periods' (as expressed in the ED) but also items that presently occur in the business, but only for a limited period of time (e.g. those identified in paragraph B15 of the ED such as restructuring costs).
- **Management performance measures ('MPMs'):** EFRAG agrees that non-IFRS measures are often used in practice and additional guidance could bring more transparency and consistency on their use. EFRAG therefore welcomes the IASB's efforts to provide guidance on MPMs. However, EFRAG highlights a number of challenges in regard to the IASB's proposed scope and invites the IASB to consider a narrower alternative scope.
- **EBITDA:** EFRAG considers that it would have been useful to define or even require presentation of EBITDA as it is one of the most used performance measures. However, as such measures have not been defined by the IASB, they should be included in the scope of the IASB's proposals regarding MPM disclosures.
- **Statement of cash flows**: In general, EFRAG supports the IASB's proposals, however, EFRAG suggests that the IASB initiates a separate project on IAS 7 *Statement of Cash Flows* with the objective of having a comprehensive review of the challenges that arise in practice (e.g. for financial institutions) and improve consistency with the new content and structure of the statement of profit or loss.

EFRAG Research Project Equity Instruments - Research on Measurement

Request from the European Commission (2017)

In May 2017, the EC requested EFRAG to investigate the potential effects on long-term investment (LTI) of the requirements in IFRS 9 on accounting for equity instruments (available here). In particular, the EC asked EFRAG to undertake the following objectives in two phases:

- **Phase 1:** obtain quantitative information about long-term equity investments and evaluate the possible impact of IFRS 9 on long-term investments; and
- **Phase 2:** identify whether and how IFRS 9 could be improved with respect to the accounting treatment of equity instruments held for long-term investments, including:
    - the significance of an impairment model to the removal of the prohibition of recycling from a conceptual perspective; and

- if an impairment model is considered to be an important element of a 'recycling' approach, the features of a robust impairment model and whether these could feasibly be made operational.

In January 2018, EFRAG issued its letter to the EC which presented EFRAG's findings on quantitative information about the significance of equity portfolios for long-term investors before the application of IFRS 9 and on whether, and to what extent, entities expect that IFRS 9 will affect their decisions in relation to investing in equity instruments (Phase 1).

In its letter to the EC, EFRAG noted that the aggregate amounts of equity instruments classified as Available for Sale (AFS) under IAS 39 by long-term investors was substantial; the importance of AFS accounting varied among long-term investors (some make significant use of Fair Value through Other Comprehensive Income (FVOCI) with recycling); the asset allocation decisions of long-term investors were driven by a plurality of factors; entities that are concerned about the requirements in IFRS 9 often point to a form of 'economic linkage' between their holdings of equity investments and some of their liabilities; and entities in practice use different criteria to assess impairment of equity instruments.

In November 2018, EFRAG published its response to the EC request for technical advice on whether and how IFRS 9 could be improved with respect to the accounting treatment of equity instruments held for long-term investments (available here). In particular, EFRAG's response addresses the interaction between an impairment model and the reintroduction of recycling, and what characteristics an impairment model for equity instruments could have (Phase 2).

In its second letter to the EC, EFRAG noted that the reintroduction of recycling for equity instruments carried at FVOCI would need to be accompanied by a robust impairment model. However, EFRAG did not have, at the time, sufficient evidence to recommend the reintroduction of recycling.

Request from the European Commission (2018)

As part of its March 2018 Action Plan on Sustainable Finance, in June 2018 the European Commission ('EC') asked EFRAG to explore potential alternative accounting treatments to fair value measurement for long- term investment portfolios of equity and equity-type instruments.

The EC highlighted that alternative accounting treatments for long-term investments should properly portray the performance and risks of Long Term Investment Business Models (LTIBM), in particular for those equity and equity type investments that are much needed for achieving the UN Sustainable Development Goals ('SDGs') and the goals of the Paris Agreement on climate change

On 6 May 2019, EFRAG launched its public consultation to gather constituents' views on whether alternative accounting treatments to those in IFRS 9 *Financial Instruments* are needed to portray the performance and risks of equity and equity-type instruments held in long-term investment business models. EFRAG received feedback from more than 60 surveys.

In January 2020, EFRAG advised the EC to recommend to the IASB an expeditious review of the non-recycling treatment of equity instruments within IFRS 9 *Financial Instruments*, testing whether the revised Conceptual Framework would justify the transfer to profit or loss of fair value gains and losses accumulated in other comprehensive income on such instruments when realised. If recycling is to be reintroduced, the IASB should consider the features of a robust impairment model, including the reversal of impairment losses. The response to the EC can be found here.

Goodwill and Impairment

Objective of the Project

The Goodwill and Impairment project is an initiative to respond to concerns reported during the IASB's post-implementation review of IFRS 3 *Business Combinations* (PIR) to the current annual impairment test, such as:

- goodwill impairment being recognised 'too little too late';
- goodwill impairment test is costly and complex;
- the separate recognition and measurement of some intangible assets is challenging; and
- some stakeholders would like to see amortisation reintroduced.

In addition, the IASB learned from stakeholders that companies provide inadequate information on the subsequent performance of businesses they acquire.

IASB recent developments

During the course of the project, the IASB has considered a number of ways to address the 'too little too late' goodwill impairment issue reported by users. Some argue that one of the main causes of the delayed recognition of goodwill impairment is the 'shielding effect' created by internally generated goodwill and other factors. Another concern is that the impairment test does not directly measure the recoverable amount of the goodwill.

In order to address the 'shielding effect', the IASB developed the headroom approach. However, the approach was considered overly complex and has not been explored further by the IASB.

Accordingly, after concluding that it would not be possible to make the impairment test significantly more effective, the IASB decided to refocus the objectives of the project. Thus, the IASB decided to develop the following project objectives:

- **Objective A** - Identifying disclosures to enable investors to assess management's rationale for the business combination; and whether the subsequent performance of the acquired business, or combined business, meets expectations set at the acquisition date;
- **Objective B -** Exploring whether to simplify the accounting for goodwill by permitting an indicator-only approach to determine when an impairment test is required; and/or reintroducing amortisation of goodwill; and
- **Objective C** - Exploring whether to improve the calculation of value in use by permitting cash flow projections to include future restructurings and future enhancements to an asset; and the use of post-tax inputs in the calculation of value in use.

The IASB has tentatively decided not to reintroduce goodwill amortisation and suggested:

- moving to an indictor-only approach requiring impairment testing of goodwill only when there are indicators of possible impairment;
- allowing the inclusion of cash flows from future restructurings or future enhancements in the calculation of value in use;
- removing the explicit requirement to use pre-tax inputs to estimate value in use;
- requiring disclosures of subsequent performance of the acquired business, and targeted improvements to existing requirements; and
- requiring an entity to present in its statement of financial position a subtotal of total equity before goodwill.

The IASB plans to issue a discussion paper on how to account for goodwill subsequent to the initial recognition by March 2020 with a comment period of 180 days.

EFRAG recent developments

Overall, the discussions with EFRAG TEG, EFRAG CFSS and the EFRAG User Panel on the IASB tentative decisions have indicated support for the direction of the project. However, there are a number of recurring concerns around disclosures on business combination and how the solutions being developed will address the timeliness of the goodwill impairment. The EFRAG User Panel had concerns on whether the disclosures will achieve their intended purpose, given that the new disclosures, particularly around synergies and targeted objectives for the acquisition, involve sensitive information that preparers may be reluctant to provide. Furthermore, removing the requirement to perform an annual goodwill impairment test seems to defeat the purpose to improve timely impairment information.

At its meeting in the beginning of March 2020, EFRAG TEG will discuss whether, and if so how, it could gather input for an early impact assessment of proposals in the ED. The EFRAG Secretariat has already planned to collect some evidence on whether accounting requirements for goodwill could affect M&A decisions.

The EFRAG team will be seeking user views on the IASB developments as the project progresses towards a discussion paper.

EFRAG Research Project Better Information on Intangibles

European companies are investing more and more in intangibles such as research and development, patented technology, computer software, databases, internet domains, human capital (in the form of education and training), market development, and organisational efficiency. In fact, evidence suggests that the market value of a firm tends to be increasingly driven by its productive stock of intangibles more than by the firm's tangible assets[1]. Thus, there is an increasingly need for users of financial statements to have better information on intangibles.

[1] *Academic Report, A Literature Review on the Reporting of Intangibles, February 2020, (Sponsored by EFRAG).*

In August 2018, following the input received from constituents in response to the EFRAG Research Agenda Consultation, the EFRAG Board decided to add a research project on better information on intangibles to its research agenda.

The objectives of the research undertaken by EFRAG are to:

- Explain how entities, report on creating, maintaining and/or improving their value.
- Explain how users, consume information on creating, maintaining and/or improving value, and the extent to which current financial reporting addresses their needs.
- Provide suggestions on how information on creating, maintaining and/or improving value can be provided in financial reports in a manner that is useful for decisions on providing resources to the entity.

In the first quarter of 2019, the EFRAG Secretariat conducted a total of 17 interviews with academics, preparers, users, valuers and other professionals to better understand the nature of the issues. There was a degree of consensus that information about intangible resources needed to be improved but mixed views as to the possible solutions to the problem.

On 5 February 2020 EFRAG published a literature review on reporting of intangibles. The review was performed by a team from the University of Ferrara (Italy) following a tender.

Further interactions with users and preparers are expected to occur through the lifecycle of the project, including defining the issues, identifying possible solutions and testing them. Interactions with users and preparers are in particular expected to materialise during the following realised or planned activities:

- Setting up an Intangible Advisory Panel (expected to be active by end-March 2020) offering selected users and preparers a forum for exchanging ideas on how to improve information on intangibles.
- Organising roundtables on intangibles scheduled for 28 and 29 April 2020 in Brussels and London.
- Regular consultations with the EFRAG User Panel.
- Public consultations on EFRAG's future Discussion Papers.

The input collected as part of EFRAG's activities related to the intangibles project is also expected to be used by EFRAG when replying to the IASB's consultations on the revision to the *Management Commentary Practice Statement* and on the IASB's 2020 agenda consultations. These consultations will offer another opportunity for EFRAG to interact with its stakeholders and in particular users and preparers.

IFRS 17 Insurance Contracts

In September 2018, EFRAG sent a letter to the IASB asking the IASB to reconsider six topics under IFRS 17 *Insurance Contracts*. As from October 2018, the IASB brought 25 topics (including those raised by EFRAG) to be further reconsidered and decide on criteria for evaluating possible changes to IFRS 17. The IASB then issued an Exposure Draft *Amendments to IFRS 17* on 26 June 2019. In September 2019, EFRAG published its final comment letter on this IASB ED. As part of the consultation on EFRAG's draft comment letter on the IASB ED, EFRAG interviewed specialised users to gather views and inform the due process. EFRAG is now following the IASB re-deliberations relating to the Amendments to IFRS 17. It is expected that the Amendments will be finalised in mid-2020.

EFRAG has also re-started its work on the endorsement of IFRS 17 in 2019. As part of the endorsement activities, EFRAG will be conducting a limited update to EFRAG's 2018 case studies EFRAG has called out for volunteers to participate in this. In addition, external consultants are in the process of updating the Economic study for end of March 2020. Consultation on the Draft Endorsement Advice on IFRS 17 is planned for the second half of the year.

IBOR Reform and its effects in financial reporting

Interest rate benchmarks (e.g. EURIBOR) play a key role in financial markets. These benchmarks index trillions of euros in a wide variety of financial products, from derivatives to residential mortgages.

Currently such benchmarks are being replaced by an alternative, nearly risk-free rates, which are based to a higher extent on transaction data (i.e. IBOR Reform). To address the uncertainties that arise from the IBOR reform, the IASB worked in an accelerated timetable and decided to split its work on the *Interest Rate Benchmark Reform* in two phases. EFRAG has implemented a fast-track endorsement process related to the two phases. The ultimate aim of the project is to minimise disruptions in the accounting with a special focus on hedge accounting.

The first phase addressed issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate (i.e. modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform and require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties) and a second phase deals with issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative interest rate.

The first phase has ended with the issuance of the final standard in September 2019 and entities can already apply the reliefs granted during this phase in their financial statements of 2019. With an exceptionally short due process and thanks to the cooperation with all the stakeholders involved, the endorsement was completed in January 2020, in time to allow European entities to benefit from the reliefs offered by the Amendments when approving their YE2019 financial reports.

The second phase, addressing replacement issues, is currently ongoing. The IASB addresses modifications of financial instruments in the context of the IBOR reform, hedge accounting issues and impact of the IBOR reform on other IFRSs (than IAS 39 and IFRS 9). Finally, the IASB also discusses which disclosures will be used to document the changes.

An ED on the second phase is expected in April 2020. As with the first phase, it will be crucial to finalise this phase timely in order to allow preparers to use at the end of 2020. Similarly to what has been done in phase 1, EFRAG stands ready to assist and EFRAG Board has already approved an extraordinary pre-consultation procedure that is expected to start in April, on the basis of the IASB tentative decisions.

EUROPEAN LAB

Climate-related Reporting Project

In February 2020 the European Lab Project Task Force on Climate-related Reporting (PTF - CRR) published the report How to improve climate-related reporting – A summary of good practices from Europe and beyond, representing the output of the first project of the European Lab, in support of the practical application needs of European corporate reporting stakeholders. It consists of a main document and two supplements.

The primary focus of the PTF-CRR was on identifying good reporting practices and assessing the level of maturity in the implementation of the TCFD recommendations, while also taking into consideration the climate-related reporting elements of the EU Non-financial Reporting Directive and the related European Commission non-binding guidelines.

The project addressed two areas: a general review of climate-related disclosures (detailed findings documented in Supplement 1), and an in-depth review of scenario analysis reporting (detailed findings documented in Supplement 2). The main document outlines the key messages and synopsis of the findings, based on the content of its two supplements. The three documents comprising the report are presented in interactive PDF format, including a document navigation panel and links to relevant information and reference material on the internet.

To mark the occasion a networking event was organised on 6 February 2020, with Pascal Canfin (Chair of the European Parliament ENVI Committee) as guest speaker.

A summary brochure that highlights key messages and findings of the report can be found here.

The report reflects the collaboration and collective efforts over a period of twelve months of 23 PTF-CRR members with diverse nationality, industry and functional backgrounds, and who are all experts on climate-related reporting. It provides examples of good climate-related reporting practices, highlights areas of improvement and reflects the views of preparers, users and other stakeholders interested in climate-related disclosures.

Among other things the report aims to contribute in the narrowing of the differing expectations between preparers and users of climate-related disclosures. The views and insights of users were taken into consideration throughout the project by including users as members of the PTF-CRR, as well as through extensive dialogue during the stakeholder outreach process in October and November 2019.

European Lab video

Watch the European Lab video and get in a few minutes an overview and understanding of the European Lab. Watch here.

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LATEST DEVELOPMENTS ON ENDORSEMENT STATUS REPORT

In order to become binding law in the European Union, IFRS standards must be 'endorsed' through the publication of a Commission Regulation in the Official Journal of the European Union. The European Union has recently published two Commission Regulations endorsing:

- Amendments on *Definition of Material (Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors); and*
- Amendments on *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7).

These new endorsed standards/amendments are effective in Europe for annual periods beginning on or after 1 January 2020 with earlier application allowed.

The amendments to IFRS 3 *Business Combinations* are expected to be endorsed in the first half of the year.

Finally, the IASB is expected to publish the amended IFRS 17 *Insurance Contracts* in the second quarter of 2020. EFRAG continues to discuss its draft endorsement advice to the EC on the endorsement in anticipation of the amended standard. Consultation on the Draft Endorsement Advice is planned for the second half of the year.

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THE EU ENDORSEMENT STATUS REPORT

23 JANUARY 2020

IASB/IFRIC documents not yet endorsed [Revisions to this schedule are marked in bold]	**EFRAG draft endorsement advice**	**EFRAG endorsement advice**	**ARC Vote**	**When might endorsement be expected**	**IASB Effective date**	**Expected to be endorsed before the effective date**
IFRS STANDARDS[1] AND INTERPRETATIONS						
IFRS 17 *Insurance Contracts* (issued on 18 May 2017)					01/01/2021	
AMENDMENTS						
Amendments to IFRS 3 *Business Combinations* (issued on 22 October 2018)	✓ 14/01/2019	✓ 28/03/2019	✓ 06/09/2019	× Q1 2020 [a]	01/01/2020	▼
Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020)						▲

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OPEN CONSULTATIONS

Title and description	Closing date
EFRAG draft comment letter in response to the IASB's Exposure Draft ED/2019/7 General Presentation and Disclosures ED/2019/2 Annual Improvements to IFRS Standards 2018-2020	19 June 2020

For more information please see EFRAG’s consultations page.

EFRAG MAIN PUBLICATIONS SINCE JULY 2019

Final Comment Letter

On 12 December 2019 EFRAG published its Comment Letter in response to the IASB's Exposure Draft ED/2019/6 *Disclosure of Accounting Policies* (Proposed Amendments to IAS 1 and IFRS Practice Statement 2) (the ED).

On 14 November 2019 EFRAG has published its final comment letter in response to the IASB's Exposure Draft ED/2019/5 *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (Proposed amendments to IAS 12).

On 24 September 2019, EFRAG has published its final comment letter in response to the IASB's Exposure Draft ED/2019/4 *Amendments to IFRS 17* and EFRAG’s comment letter in response to the IASB's Exposure Draft ED/2019/3 *Reference to the Conceptual Framework* (Proposed amendments to IFRS 3).

On 20 August 2019, EFRAG has published its final comment letter in response to the IASB's Exposure Draft ED/2019/2 *Annual Improvements to IFRS Standards 2018-2020 Cycle.*

Draft Comment Letters

On 24 February 2020, EFRAG published its Draft Comment Letter in response to the IASB’s Exposure Draft 2019/7 *General Presentation and Disclosures.* Comments on the draft comment letter are requested by 19 June 2020, by close of business.

On 4 October 2019, EFRAG has published its draft comment letter in response to the IASB's Exposure Draft ED/2019/6 *Disclosure of Accounting Policies* (Proposed Amendments to IAS 1 and IFRS Practice Statement 2).

On 13 September 2019, EFRAG has published its draft comment letter in response to the IASB's Exposure Draft ED/2019/5 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Proposed amendments to IAS 12.

Endorsement advice

On 16 October 2019, EFRAG completed its due process regarding *Interest Rate Benchmark Reform* (the Amendments to IFRS 9, IAS 39 and IFRS 7) (the Amendments) and submitted its Endorsement Advice to the European Commission.

Other Publications

On 6 February 2020, the Project Task Force of *Climate-related Reporting of the European Lab* launched its report: 'How to improve climate-related reporting – A summary of good practices from Europe and beyond'.

On 5 February 2020, EFRAG published a literature review on intangibles as part of its research project on better information on intangibles.

0n 30 January 2020, EFRAG published its advice to the European Commission on alternative accounting treatments to measurement at fair value through profit or loss for equity and equity-type instruments held in long-term investment business models.

STAY INFORMED

EFRAG WEBSITE

EFRAG's website has now a section dedicated to users: the *user corner*. This section is addressed to users of corporate reporting. It is regularly updated with information on EFRAG and European Lab activities relevant to users. We invite you to visit our user corner and share the webpage with your contacts. For a broader range of information, you can as well register to our webpage and receive regular news items on EFRAG's work.

EFRAG on social media

In a constant effort to serve the European public interest, in the most transparent way, EFRAG also shares information on its activities on three social media platforms:

: @EFRAG_Org

: European Financial Reporting Advisory Group (EFRAG)

: EFRAG