



Mr. Andreas Barckow
IASB Chairman

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Re: Comments on *Request for Information,*
Third Agenda Consultation

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Contact: Ms. Raquel Zaragoza

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Dear Andreas,

EFFAS' Commission on Financial Reporting ("Commission", "we") would like to share with you its views on the Request for Information (RfI) *Third Agenda Consultation*.

EFFAS continues to support the IASB's high quality documents. Albeit we also continue underlining the importance of preparing documents avoiding density and complexity while emphasizing clarity and direct terminology. Also, we think that reducing cross-checking references and drafting easy to read and clear documents would facilitate a better understanding of the concepts.

The Commission has reviewed the document Request for Information regarding the *Third Agenda Consultation* and decided to focus on the following points.

a). - Strategic direction and balance of the Board's activities

Regarding the strategic direction of the Board's activities, the Commission considers that the Board should continue focusing on completing the standards already initiated. We think that no major new standard should be started.

Moreover, as noted in paragraph-14, the consistent application of the standards is fundamental. Consistency along with coherence and comparability are key qualities of the standards for investors. In fact, these aspects deserve sufficient time dedicated to them from the Board as the standards should be applied consistently in different jurisdictions and by regulators.

The Commission would like to point out that **understandability**, including standards structure, language and drafting should be clear and significantly more straightforward. Given the high quality and frequent complexity of IASB documents, these should be clearly written introducing new terminology only when strictly necessary and more inclusive. Namely, eliminating regular cross-document references.



We support that the Board maintains the current level of focus of 40% to 45%.

b). - Criteria for assessing the priority of financial reporting issues

The commission deems adequate the seven criteria considerations for determining the priority of projects as depicted in Table 2, page 19.

We would like however to pinpoint a few observations.

Point 1 is very important for investors and we agree with the approach. Points 2 – 3 regarding companies is also a key one as companies are the other side of the equation. More than deficiencies, we would consider how the reporting can be improved. Point 1 and 2 go together.

In terms of weighting, probably point 1-2-3 should be the key points. As mentioned in the Request for Information some decisions require judgment. Point 5 is also important for investors, as for example, once *Primary Financial Statements* is completed it is going to influence other standards such as operating segments and statements of cash-flow.

c). - Financial reporting issues that could be added to the Board's work plan.

As previously noted, the Commission considers that the Board priority should be to **finalize** the key projects currently under discussion or revision. *Primary financial statements and Goodwill and impairment* should top the list.

Regarding *Primary Financial Statements*, we would like to emphasize the **importance for users** to take into consideration comments made during the outreaches related to (1) **the sub-totals -integral and non-integral-** and (2) the reconciliation of operating costs between ***per nature and per function***.

Regarding *Goodwill and impairment*, we think that the IASB should review the standard in the near term and be in regular contact with the FASB as it is reviewing the standard. Not only improved disclosures should be considered.

In terms of new projects, a thorough review of **IFRS-8 Operating Segments** is needed, and it should be incorporated into the working agenda. Key reasons for this incorporation are that (1) a breakdown should be more specific, (2) information left to the Management Commentary and (3) operating segments should be reconciled with the forthcoming project on Primary Financial Statements.



Other topics to be included in the agenda should be *Statements of cash-flows, Discontinued activities, and Interim financial reporting.*

Also, we consider that as part of the 15-20% time focusing on maintenance, a more thorough review, introducing changes when needed, should be dedicated to the PiR.

Climate-change

The commission think that this specific and widely discussed topic should be addressed directly by the new Sustainability Standard Board, as it is currently contemplated in the revision of the IFRS Constitution.

In this regard, we would like to highlight the need for a flowing interaction between IASB technical staff with future members and staff of the Sustainability Board. A regular and flowing exchange of views would be advisable as **sustainability standards metrics should be connected and related to financial reporting standards**. Each standards' Board should however remain primarily focused on developing their corresponding standards.

Cryptocurrencies and related transactions

The commission considers that this topic should be included in the IFRS agenda although at this point it should be considering this topic as a research project before going for discussion to the Board.

d). - Other comments

Stakeholder engagement

The Board should continue at least with the current level of engagement of 20-25%. Particularly, we deem that the level of engagement and commitment of the Board to participate with investors and analysts in meetings and outreaches have been very productive. We consider this approach very adequate to obtain the users' views and incorporate them into the Board's work when producing the final standards.

Stakeholders and the IASB technical team would continue benefitting from the participation.

Digital financial reporting

The commission considers that the Board should stay well on top of this issue while supported by the technical staff. The Board should be part of a working group that sets the framework for the standards to be drafted with a certain methodology and should



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supervise the final product. For instance, the Disclosures project and how it will be presented in a digital manner.

Also, we think that taxonomy should continue to be developed in parallel when drafting a standard. New standards should be drafted incorporating the corresponding taxonomy.

If you would like to further discuss the views expressed in this letter, please do not hesitate to contact us.

Javier de Frutos, Chairman

On behalf of EFFAS Commission on Financial Reporting

EFFAS was established in 1962 as an association for nationally based investment professionals in Europe. Headquartered in Frankfurt am Main, EFFAS comprises 15-member organizations representing more than 16,000 investment professionals. The Commission on Financial Reporting is a standing commission of EFFAS aiming at proposing and commenting on financial issues from an analyst standpoint. CFR members are Javier de Frutos (Chairman, IEF-Spain), Jacques de Greling (Vice-Chairman- SFAF, France), Friedrich Spandl (ÖVFA, Austria), Henning Strom (NFF, Norway), Serge Pattyn (BVFA/ABAF, Belgium) Luca D'Onofrio (AIAF, Italy), Dr. Carsten Zielke (DVFA, Germany) and Andreas Schenone (SFAA, Switzerland).