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Dear Andreas,

IASB Request for Information – *Third Agenda Consultation*

On behalf of the Accounting Standards Committee of Germany, I am writing to comment on the Request for Information *Third Agenda Consultation* issued by the IASB on 30 March 2021 (herein referred to as 'RfI'). We appreciate the opportunity to comment on the proposals.

Overall, we acknowledge that the RfI document is meaningful and well structured. We like to emphasize that the IASB's approach to consult on its agenda and the respective proposals appear clear and well conceived.

We agree with the strategic direction and balance of the Board's activities; however, we deem some areas of activities not being very distinct.

We also agree with the criteria for assessing the priority of (potential) projects, including those that are currently not mentioned in the Due Process Handbook. As we deem all criteria useful, we suggest the latter three be added to the Due Process Handbook.

In respect of the financial reporting issues that could be added to the future work plan, our first observation is that since unaccomplished projects from the current work plan, supplemented by required PiRs and time-sensitive "follow-up" projects (which both are unavoidable), constitute the starting point for the future work plan, there is few capacity left for new projects. Hence, we think it is worth to consider abandoning some of the current projects. Leaving this apart, our second observation is that there is little appetite among stakeholders for adding many new projects; this is mainly a function of capacity restrictions within the corporate reporting ecosystem, that – to our knowledge – do not only concern the standardsetter, but also many stakeholders, first and foremost preparers. This is also a result of the increased focus on sustainability reporting, which we believe is here to stay. Therefore, we have identified only few issues deserving "high" or "medium" priority.

For more details on our basic findings, we refer to our responses to the questions of the RfI which are laid out in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Sven Morich

Vice President

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Appendix – Answers to the questions in the RfI

Question 1a – Strategic direction and balance of the Board's activities

Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes.

We basically agree with the strategic direction and balance of the Board's activities.

However, we deem some areas of activities not being very distinct. Eg. stakeholder engagement and support, which we consider an important activity, appear to be inherent in several of the areas of activities mentioned. Any activity that comprises stakeholder support should potentially be enhanced. This said, we suggest that the activities of "digital financial reporting" as well as "understandability and accessibility" be increased, as this is presumably in the very interest of preparers (and other stakeholders). Alternatively, this could potentially be ensured by increasing the activity of "stakeholder engagement".

Further, we have observed that most recently developed IFRSs ("new IFRSs"), as compared to earlier, still applicable IFRSs ("old IFRSs"), are different in structure, have a higher level of detail and are more complex. While new business cases, recent economic trends, and new kinds of contracts emerge over time – and often warrant new or amended IFRS requirements –, considering whether an old IFRS could be amended or a new IFRS should be developed (then superseding the old one) is crucial. Our feeling is that amending existing IFRSs (instead of developing new IFRSs) would make both standard-setting and implementation less complex, less costly, less time-consuming. This said, it appears that amending existing and well-understood standards should be the preferable way of standardsetting. Therefore, we suggest that the activity of "New IFRS or major amendments" be reduced and "Maintenance" be increased.

Q1b – Strategic direction and balance of the Board's activities

Should the Board undertake any other activities within the current scope of its work?

We have identified two activities, which we deem important but not being comprised yet by one of the six areas of activities mentioned in the RfI. Firstly, we think that "cross-cutting issues" – ie. issues or aspects affecting different financial reporting projects and interaction of standards – deserve being reflected as an additional activity. Secondly, we think that the "interconnectivity" between financial reporting issues and sustainability reporting issues could warrant another additional activity, although we are aware that the latter would mark the boundary between the IASB's scope and the scope of the ISSB to come.



Q2a – Criteria for assessing the priority of financial reporting issues that could be added to the Board’s work plan

Do you think the Board has identified the right criteria to use? Why or why not?

We agree with the criteria for assessing the priority of (potential) projects. However, we have some minor suggestions.

Firstly, and as already noted above, we think that the interest of preparers – being an important stakeholder group – should be still more in the focus of standardsetting; by now we feel that users are the most considered group of stakeholders. When assessing the 1st and 7th criterion, we are not yet convinced that preparers’ concerns and (limited) capacities are sufficiently considered – which would be essential.

Secondly, a main finding – which is significantly underlined by feedback from stakeholders in our jurisdiction – is that the cost-benefit relation of any standardsetting is crucial. Although stakeholders (like preparers or users) surely take varying views as regards expected (dis)advantages from standardsetting, we feel that most of those *implementing and applying* IFRSs conclude that standardsetting is more costly and less beneficial, compared to what those *developing* IFRSs (ie. standardsetters and related organisations) conclude – or perceive what stakeholders (especially preparers) might conclude. We have observed that this is the reason why many stakeholders, ourselves included, declare only few issues/projects to be of high or medium priority, while others tend to assess many issues/projects to be highly or very important. We think the (positive) cost-benefit relation is an underlying premise for standardsetting, and the seven criteria are meant to ultimately realise this premise.

Thirdly, we have a formal suggestion. As we deem all criteria useful, we wonder why the first four are integrated in the Due Process Handbook, while the latter three are not. Hence, we would support if these three criteria were added to the Due Process Handbook.

Q2b – Criteria for assessing the priority of financial reporting issues that could be added to the Board’s work plan

Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

Assuming that the seven criteria do, or will, comprise all the aspects that we point to in our answer to Q2a, we think no additional criteria are necessary.

Q3a – Financial reporting issues that could be added to the Board’s work plan

What priority would you give each of the potential projects described in Appendix B ...? ...

In respect of the financial reporting issues that could be added to the future work plan, our first finding is that with unaccomplished projects from the current work plan, supplemented by required PiRs and time-sensitive “follow-up” projects (which both are set), there is few capacity left for new issues. Hence, we think it is worth to consider abandoning some of the current projects. From our point of view, those projects that (i) are in an early stage (eg. research) and/or intend to fundamentally revise/reinvent the principles of a standard, (ii) absorb a high



measure of resources/capacities, and (iii) with obviously no final result on the horizon, suggest themselves to be primarily dismissed. As such, we have identified the projects on “dynamic risk management”, “financial instruments with characteristics of equity”, and “equity method”.

On this basis, our second finding is that there is appetite (and capacity) for only few new projects. This is compatible with the capacity restrictions, that – to our knowledge – do not only concern the standardsetter, but also many stakeholders, first and foremost preparers. Therefore, we have identified only few issues deserving “high” or “medium” priority. These issues basically derive from recent economic changes and/or new (or more diverse) business cases and kinds of contracts. Out of Table 5 in App. B, we identified the following:

- #2 Climate-related risks – priority “high”
- #4 Crypto currencies – priority “medium”
- #6 Discount rates – mixed views on priority (ie. in aggregate “medium”)
- #7 Employee benefits – priority “high”
- #14 Intangible assets – priority “high”

Q3b – Financial reporting issues that could be added to the Board’s work plan

Should the Board add any financial reporting issues not described in Appendix B ...? ...

Given our basic view that there is limited appetite (and capacity) for new projects, we did not extensively search for further issues. However, in emphasizing our suggestion that (and how) some of the current projects could be selected for being abandoned, we allow ourselves to suggest the following issues out of those listed in App. C as potential new projects:

- f) Financial ratios/Non-GAAP measures: This issue has high practical relevance and urgency; however, we would prefer if this was dealt with as part (or follow-up) of the broader (current) project of “General Presentation”.
- i) Review of IAS 36: This issue appears urgent and has been mentioned most frequently, as per the feedback on our survey.

Finally, we like to point to one specific PiR, although we are aware that capacity for PiRs is already set aside apart from considering potential new projects: The future PiR on IFRS 17 is very specific and time-sensitive, since – as the IASB is undoubtedly fully aware – a “carve-out option” including a sunset clause (end of 2027) is going to be endorsed by the European Union for this standard. Since we were, and still are, not supportive of such EU options, we would prefer if any deviations from “full IFRS 17” were eliminated rather sooner than later after initial application.

Q4 – Other comments

Do you have any other comments on the Board’s activities and work plan?

We have no other comments. However, we finally like to reiterate our suggestion that some of the current projects could be abandoned, and ultimately removed from the IASB’s agenda, which would allow dedicating additional capacities to new projects.