



To the IASB

London, United Kingdom

Submitted electronically

The Hague, 23 September 2021

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Subject: Eumedion response to the Board's Third Agenda Consultation

Dear Members of the IASB,

Eumedion appreciates the opportunity to respond to the Third Agenda Consultation ('Agenda Consultation') as issued in March 2021. Eumedion is the dedicated representative of the interests of 53 institutional investors, all committed to a long term investment horizon. Together our participants invest over € 6 trillion of capital in equity and corporate non-equity instruments. Eumedion aims to promote good corporate governance and sustainability in the companies our participants invest in. We regard globally recognised financial and sustainability standards as critical elements in a global financial infrastructure, since investors are dependent on the quality of such standards for allocating their own and entrusted capital. Global standards are instrumental for responsible and engaged investors to effectively live up to their fiduciary duties.

Please find our responses to the questions in the Agenda Consultation below. Our top three priorities are:

1. To improve IFRS 8 Operating Segments as reflected in our response to topic 17;
2. To improve IFRS 3 Business Combinations as reflected in our response to topic 14(c), together with our call to improve disclosures at entities that have engaged in significant M&A transactions in our response to topic 21(b);
3. Evaluate which part of the work plan and which disclosures may more appropriately be handed over to the International Sustainability Standards Board, when established.

We would also like to make a suggestion for a research project aimed at identifying the specific financial reporting needs of corporate bond investors. Corporate bond investing requires rigorous fundamental analysis that to a large extent is in line with equity investment theses. However, the needs of bondholders on some topics extend beyond those of equity investors. We acknowledge that the feedback of corporate bond investors is currently already taken into account in the outreach activities of the Foundation. However, there is a marked difference between taking those needs into account in a process together with equity investors versus specifically identifying the needs of corporate bond investors. The global corporate bond market is estimated to be the third largest market after equities and government bonds with \$ 40 trillion of corporate debt outstanding.¹ The primary market for global corporate bonds is much larger than the primary market for global equities. Most of Eumedion's participants have significant exposures to corporate bonds. The Conceptual Framework for Financial Reporting also rightly identifies corporate bondholders as users of the financial statements. We would expect such research project to result predominantly in suggestions for a number of improved disclosure requirements. Please find examples of topics of specific relevance to bondholders reflected in our response to question 3b, paragraph 2 and 3.

If you would like to discuss our views in further detail, please do not hesitate to contact us. Our contact person is Martijn Bos (martijn.bos@eumedion.nl, +31 70 2040 304).

Yours sincerely,

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¹ [https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Secondary-Markets/bond-marketsize/#:~:text=As%20of%20August%202020%2C%20ICMA,tn%20corporate%20bonds%20\(32%25\).](https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Secondary-Markets/bond-marketsize/#:~:text=As%20of%20August%202020%2C%20ICMA,tn%20corporate%20bonds%20(32%25).)

Question 1

Strategic direction and balance of the Board's activities. The Board's main activities include:

- developing new IFRS Standards and major amendments to IFRS Standards;
- maintaining IFRS Standards and supporting their consistent application;
- developing and maintaining the IFRS for SMEs Standard;
- supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;
- improving the understandability and accessibility of the Standards; and
- engaging with stakeholders.

Paragraphs 14–18 and Table 1 provide an overview of the Board's main activities and the current level of focus for each activity. We would like your feedback on the overall balance of our main activities.

- (a) 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.
- (b) Should the Board undertake any other activities within the current scope of its work?

Response to Question 1a: We in general support the existing levels of focus. Given the rapid developments and increased use of technology in accessing and processing corporate reporting, we would support increasing the allocation of the Board to the Digital Financial Reporting topics mentioned in the consultation document.

We would be especially reluctant to allocate more resources to IFRS for SMEs, given that many jurisdictions have national standard setters that already have well-developed financial reporting frameworks for non-listed entities.

Response to Question 1b: We have no suggestions in this direction.

Question 2

Paragraph 21 discusses the criteria the Board proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan.

- (a) Do you think the Board has identified the right criteria to use? Why or why not?
- (b) Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

Response to Questions 2a and 2b: We support the listed criteria. The criteria are well-balanced. We have no suggestions for new criteria.

Question 3

Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board’s work plan.

(a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so.

Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.

Response to Question 3a:

1 Borrowing cost: medium priority; Expanding the ‘Primary Financial Statement project’ to the financial position: high priority

A sound definition of borrowing cost important for the particular circumstances listed in the consultation document. However an IFRS definition of gross debt would be of much greater importance to investors. A conceptually sound distinction between ‘capital’ (equity and gross debt combined), and other liabilities is of great importance for estimating the value of the equity instruments of a reporting entity. Generally, the higher the proportion of liabilities that are regarded as debt, the lower the valuation of the associated equity. Surprisingly to some, the higher the proportion of liabilities that are regarded as non-debt liabilities, the higher the valuation of the associated equity generally is. So the distinction between gross debt and other liabilities matters a lot to investors. The Financial Instruments with Characteristics of Equity project is focusing on the distinction between equity and non-equity instruments. The primary financial statements project so far has focussed on the income statement and to some extent on the cash flow statement. We see the definition of gross debt as related to both, and we consider its definition as a high priority, for example by expanding the scope of the primary financial statements project to the financial position.

2 Climate-related risks: high priority for disclosures; cautious for making changes to the existing measurement

We concur with the current Standards that if a reporting entity owns assets which value cannot be recovered, either for climate reasons or other reasons, such assets should be impaired. The problem

is that once such assets are impaired, a revaluation of them generally is not allowed if over time their future turns out to be more bright. Investors would therefore lose valuable information if assets are written off too frivolously. The conceptual framework reads “*an estimate might not provide useful information if the level of uncertainty in the estimate is too large*” (CF2018.BC2.47). We feel comfortable with the general direction of the conceptual framework and the current Standards and we are not convinced that any (perceived) late impairments are necessarily a standard setting issue. We applaud the educational material that the Board has issued in 2019 and 2020 on how the existing Standards already cover the effects of climate-related risks. We are not convinced yet that from a measurement perspective the current treatment in financial reports is either financial accounting as it should be, and in cases where it is not it is mostly an enforcement issue. We do not favour excessive room for highly judgemental conservative accounting of climate-related risks. Investors will not benefit from a return to the pre-IFRS 9 situation where too frivolous (loan loss) provisions significantly reduced the insightfulness of financial reports for investors. Revisions in the Standards that allow for sooner impairments, could well increase the risk for earnings management if reporting entities are allowed to consider possible, rather speculative future developments over longer timeframes.

While we fully subscribe to the importance of climate-related disclosures, careful consideration needs to be made which disclosures should be dealt with by the soon to be established International Sustainability Standards Board in the management commentary and which should be addressed by the IASB. Only existing deficiencies in the disclosures, for example to which extent climate-related risks resulted in impairments, deserve a high priority.

3 Commodity transactions: low priority

We agree that there is room for improvement on this topic. However, compared to other projects, we expect the reporting of only a limited number of companies to improve as a consequence of such project.

4 Cryptocurrencies: high priority

We are of the view that cryptocurrencies should always be accounted for at fair value through profit and loss. Recognising cryptocurrencies as an intangible asset could put investors on the wrong foot, since such assets are traditionally not measured at fair value through profit and loss. Furthermore, there often is no liquid/active market with near continuous price discovery in the assets currently classified as intangible assets, whereas there can be in cryptocurrencies. We therefore oppose classifying cryptocurrencies as intangible assets.

We would support the recognition of cryptocurrencies under IFRS 9 as a financial instrument. If the IFRS 9 route turns out to be rather complex and may take several years to effectuate, there may be merit in a parallel pragmatic, fast-track solution that forces fair value accounting through profit & loss and a requirement to present the fair value of any cryptocurrency exposure (gross long & gross short), either outright or through traditional derivatives, separately in the financial statements. It should be

clear from the Standards that cryptocurrencies in principle do not qualify as cash & cash equivalents; with a potential exception for future central bank issued cryptocurrencies.

Although there are signs that the interest of listed entities in cryptocurrencies may be growing, investors may want to engage with companies to share their views if they have taken on exposure to cryptocurrencies. Given the high risks associated with this asset class, the Board could consider from a stewardship perspective what threshold of meaningful exposure to cryptocurrencies should result in disclosures by the reporting entity, for example a 'more than insignificant' threshold. Although cryptocurrencies currently are not yet widely held by listed entities, this might change substantially over the next few years.

Apart from financial risk there is a significant sustainability dimension to cryptocurrencies. Typically, a high valuation of 'proof of work' cryptocurrencies, like bitcoin and currently ethereum, result in a global incentive to transform valuable energy resources through 'crypto-mining' into cryptocurrencies. This currently results in a huge energy consumption at a scale that adds to global warming. Some investors may consider companies that have exposure to cryptocurrencies that entice crypto-mining to be at cross with their sustainability agendas. We are therefore in favour of requirements that result in improved transparency and proper measurement at fair value.²

5 Discontinued operations and disposal groups: medium priority

The controversy around how to account for IFRS 5 is affecting many financial statements. We agree that a single line-item may not provide useful information for investors. Unfortunately, we fear that that the Board may be restricted in fundamentally improving a standard if the process is following the due process of a post implementation review. Most notably the post implementation review of IFRS 8 Operating Segments laid bare many shortcomings in the standard, but somehow did not result in effectively addressing them. A more thorough, and open minded review may be necessary and making it a project may be necessary. We attach a medium priority to this project.

6 Discount rate: medium priority, and 7 Employee benefits: low priority

We agree that there is significant room for improvement in pension accounting. However, we are quite wary of the tremendous complexity of and the variety in the different pension plans around the globe. A mission to develop a standard that addresses all the mentioned complexities could take an excessive amount of resources. We are not convinced that an increasing number of reporting entities is moving towards defined benefits or hybrid plans. Instead defined contribution plans appear to become more prominent. We also are not in favour of yet another individual standard-specific approach for a (long term) discount rate for liabilities. Instead we suggest to prioritise the discount rate project that harmonises the principles for choosing a discount rate throughout the IFRS framework, thereby providing a fundamentally sound starting point for setting discount rates for pensions as well.

² Please note that there are also many 'proof of stake' cryptocurrencies which lack the possibility of energy intensive cryptomining.

8 Expenses - Inventory and cost of sales: low priority

Although we see that this project could result in valid improvements and improved consistency, we are not sure for how many reporting entities the improvements will be very substantial. Besides that, we do not support sector-specific cost capitalisation requirements as the Standards aim to be generic across all sectors, and not sector-specific.

9 Foreign exchange: low priority

Although we see that this project could result in valid improvements and improved consistency, we are not convinced that it improve the reporting of a large number of entities.

10 Going concern: high priority for disclosure requirements

The reality is that very few listed entities that fail, are liquidated. In most cases a company is reorganised or parts of its operations are sold while still in going concern. Liquidation accounting is not helpful for investors in assessing the value of a company that is being reorganised, neither for investors in a reporting entity that is in the process of divesting its operations. Therefore, we are not in favour of lowering the thresholds for applying liquidation accounting. That said, improved disclosures about the going concern assumption, its ability to refinance debt over the next 12 months would be more helpful for investors. Especially since this information would then become subject to the rigour of audit. We therefore would welcome enhanced specific disclosure requirements about the going concern assumption.

11 Government grants: medium priority

Accounting for government grants have become an increasingly relevant topic for many companies in the light of financial crises and Covid. The grants can be very sizeable and material for investors. Insofar IFRS allows for a number of accounting options, these do make it much more difficult for investors to assess (and compare with peers) how the reporting entity would have fared without the government grants. This opaqueness may well coincide with distressed times for a company, which is a moment where insight in the effects of government grants is of particular interest for investors. We would applaud the reduction of options in the framework on this topic. Given the relatively small size of such project, we attach a medium priority.

12 Income taxes: medium priority

We agree that there is significant room for improvement in accounting for income taxes. We expect that a 'comprehensive' review of income tax accounting would take to many scarce resources of the Foundation. We would support improving disclosure objectives and other requirements, and possibly a few targeted improvements in measurement. For example the introduction of a discount rate for tax liabilities and assets.

13 Inflation: low priority

Very few jurisdictions qualify for hyperinflation accounting and therefore this topic is only relevant for a limited number of companies. Besides that, the resulting hyperinflation accounting is quite complex to interpret for investors and will sometimes raise the question whether the cure (hyperinflation accounting) is so much better than normal accounting. There is a risk that in the future a larger number of jurisdictions could be faced with hyperinflation. But before lowering the threshold for hyperinflation accounting, the overall approach of hyperinflation accounting may need to be revisited first.

14 Intangible assets

14a: We fully agree with the notion that certain assets currently classified as 'intangible assets', like cryptocurrencies and pollutant pricing mechanisms ('PPMs'), may be better addressed within the scope of another standard. For cryptocurrencies, we refer to our response to '4 Cryptocurrencies and related transactions' and for PPMs we refer to our response to '19 Pollutant Pricing Mechanisms'. We attach a high priority addressing cryptocurrencies and a high priority to addressing PPMs in a different standard.

14b: We strongly oppose loosening the recognition criteria for allowing the recognition of internally generated intangible resources, such as such as brands, efficient business processes and 'big data'. The conceptual framework is serving investors very well on this topic. The financial statements rightfully omit these items. The management report is a more suitable location to elaborate on these topics. We attach a low priority to this topic.

14c: In line with the description, the requirement by IFRS to search for and recognise highly judgemental acquisition-related intangible assets other than goodwill (like 'customer lists') is not helping investors. It leads to high amortisation charges in the years following the acquisition, that distort the picture of how well the combined entity is performing.

The IFRS 3 requirement to write-up to fair value of all the assets and liabilities is causing the combined entity to provide accounting line items that are based on mixed measurement: the existing inventory is recognised at cost, versus the acquired inventory at fair value. These distortions are inherently difficult to analyse and do not serve investors. Investors would benefit if a target would be consolidated using predecessor accounting, on the basis that the predecessor had always had applied IFRS in the way the acquiror does. It would alleviate companies from most of the burdensome and costly fair value measurement practices, and make the annual impairment test of intangibles much more simple and less costly since only goodwill will be subject to such test. It would also become evident that all of the amortisation charge is related to intangible assets that the reporting entity actually paid for. Today, this is often not evident at all since it is not evident from the names of the intangible assets whether they are a result from acquisitions or from own capital expenditures.

Somehow this falls outside the realm of accounting for intangibles, but indeed more part of a revision of IFRS 3 Business Combinations. We attach a high priority to improving IFRS 3 on these topics.

14d: It is imaginable that there could be merit in providing insight in expenditures on intangible resources (i.e. those that do not meet the existing requirements of IFRS and the conceptual framework). However due to the rather undefined nature of 'intangible resources' we wonder how diverse in practice and how comparable the resulting disclosures in the financial statements would be. As suggested by the consultation document, the management commentary practice statement seems a better place to address reporting practices. We attach a low priority; however we do expect investors to benefit if the Board were to promote further disaggregation of expenses in the income statement.

Given the overall direction of this proposal, we do not support a comprehensive review of accounting for intangible assets, i.e. a low priority.

15 Interim financial reporting: medium priority

We agree that there is room for improvement in the requirements for interim financial reporting. We support a medium priority to the targeted improvements (a) 'develop enhanced disclosure requirements to provide an update on the latest complete set of annual financial statements (likely to be a small project)' and (b) 'clarify what transition disclosures are required in interim financial statements in the first year of applying a new Standard or major amendment (likely to be a small project)'. We do not support a large project to address all issues as this is likely to take too many resources from the Foundation. Interim statements unfortunately did often fail to provide sufficient details ahead of the introduction of new Standards and even immediately thereafter. If the exact impact of a new Standard cannot be provided, investors would benefit if entities were to provide at least a range for the expected impact of a new Standard.

16 Negative interest rates: medium priority for the opposite direction of the project

We disagree with the Committee. Investors often model projections for interest expense for future years. A common investor approach for modelling future cash flows is to link the interest expense to the levels of financial debt and the interest income to the levels of cash. Investors also use current and past interest rates by dividing selected elements of interest expense through financial debt and selected elements of interest income by cash & cash equivalents. In a negative interest rate environment it is logical that assets that bear negative interest rates generate a negative income (instead of becoming an expense). And negative interest bearing liability provides a positive cost (instead of becoming an income). We would not support a project that aims to link them otherwise. We would support a project that recognises our stance with a medium priority.

17 Operating Segments: high priority

Investors heavily depend on operating segment disclosures. The convergence with US GAAP resulted in a major loss of usefulness of segment reporting that was not repaired by the Post Implementation Review of IFRS 8 Operating Segments. We remind the Board of the countless instances where investors have provided negative feedback through the Capital Markets Advisory Council and the EFRAG User Panel over the past decade on IFRS 8 and the lack of granular and consistent segment reporting for investors. We continue to oppose the 'Chief Operating Decision Maker' perspective as reporting should primarily be based on what segments are relevant for investors instead; the former risk & return provided much more granularity and, as important, consistency over the years. The telecoms industry is a vivid example where analysts want to see a fixed versus mobile segmentation and where nearly the entire industry since the introduction of IFRS 8 started to provide a geographic, mixed, or consumer versus business segmentation. One manner in which the Board could make progress is the notion that many companies that have outstanding Operating Segment disclosures usually provide several different perspectives (by geographic area, by product, by technology, by type of customer, by activities that have similar economic dynamics). Only in rare cases a single operating segment disclosure could not be improved by providing another type/view of segment disclosure. This notion could be reflected in the standard. We agree that setting requirements that safeguard more granularity in segment definition would also improve IFRS 8. Also, most of the new subtotals resulting from the Primary Financial Statement project should become mandatory line-items in IFRS 8. This project is of high importance and high priority to investors.

18 Other comprehensive income: low priority

We generally feel comfortable with how the Standards require or prohibit recycling of results. We would clearly not be in favour of changes in the fair value of financial liabilities attributable to a company's own credit risk; nor recycling of gains and losses from investments in equity instruments designated at fair value through other comprehensive income; nor the recycling of actuarial gains and losses arising from defined benefit plans. While we feel comfortable with the IFRS 9 requirement of recycling gains and losses on financial assets measured at fair value through other comprehensive income. We therefore attach a low priority to this project.

19 Pollutant pricing mechanisms: high priority

Already a significant number of listed entities are involved in PPMs. There is every reason to expect that PPMs will apply to more jurisdictions and across more industries. The value of PPM rights are, and already are, and are likely to remain very significant for investors. A conceptually sound approach to accounting for income, expenses, assets and liabilities resulting from PPMs, but also disclosures on how many rights were granted and what the net excess or shortfall in any year has been is of great importance for investors. We attach a high priority to this project.

20 Separate financial statements: low priority

We agree that investors are interested to learn how high the distributable reserves are and what dividends are permissible. However, nearly all effort that goes into financial analysis of reporting entities by investors is not focussed on separate financial statements, but on consolidated financial statements. Instead of launching a project that addresses separate financial statements, we would prefer a disclosure solution as this is much more practical and would take fewer resources of the Foundation. The Board could simply require companies to disclose in the notes to the consolidated financial statements the permissible distribution of dividends. A valid distinction needs to be made between permissible dividends resulting from company law and permissible dividends resulting from all limitations including limitations agreed in covenants with banks and in indentures. We attach a low priority to the projects mentioned in the consultation document, and a medium priority to our suggestion.

21 Statement of cash flows and related matters: high priority on most elements

We have applauded the (re-)initiation of the Primary Financial Statements project and fully agree with the notion that there still is ample room for further improvements to the cash flow statement. We would like to refer our response to '1 Borrowing cost' that highlights our stance to allocate a high priority to defining a subtotal for gross debt as well.

21a We agree with all considerations mentioned under (a) in the consultation document and attach a high priority to them.

21b We disagree. Our position has been that it does not require a standard setter to deduct cash from gross debt. We do agree that there is great merit in a conceptually sound definition of and presentation of gross debt in the balance sheet. The reconciliation of net debt from one period to another should not be such a problem, unless there is M&A. M&A causes problems not only in reconciling gross debt and cash, but to several other items in the financial position as well. We would welcome a more comprehensive review of how the Standards can accommodate the information needs in case of material M&A, including pro forma income statements and cash flow statements.

21c-f We agree that all of these elements should be considered as part of a comprehensive review of the Standards regarding the cash flow statement. We attach a high priority to this initiative.

21g We strongly disagree that cash flow statement of financial institutions could be abolished. Cash flow statements of financial institutions may not be as useful as they could be, but they do contain essential information on dividends, various forms of capital issued/repaid, amounts spent/received on acquisitions/disposals. We are open to the suggestion for further improvements, but would only attach a medium priority if the direction of this project is much more ambitious towards the creation of an even more meaningful cash flow statement for the financial institutions.

22 Variable and contingent consideration: medium priority

We wonder if a successful fundamental improvement in the Standards would materially change the resulting income statements of these reporting entities in practice. Generally, if companies engage in service contracts that span beyond the reporting period, they do so in higher volumes and well distributed over time. We would support a small sized project to improve consistency.

However, variable and contingent consideration are renowned bulky in the context of acquisitions. The current application results in counterintuitive accounting: if an acquisition fares better than expected, this will cause the reporting entity to report a loss because of a higher than expected variable contingent consideration that needs to be paid to the former owners. This accounting treatment unduly hampers acquirors in drawing contracts that share the risks of an acquisition with the selling party. It fools investors in producing richer profits when the acquisition falls short of expectations, and vice versa. We would support an approach where the variable and contingent consideration paid is added to the goodwill in the subsequent year if it exceeds expectations and subtracted if it falls short of expectations.

Question 3b

(b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain:

- (i) the nature of the issue; and
- (ii) why you think the issue is important.

Response to Question 3b: Please find below the topics we would like to highlight to you.

1. Sources of dilution

Share ownership entitles investors to a proportion of (future) distributions. It is essential for investors to understand how existing agreements could change the proportion of the distributions they are entitled to. Today, the (potential) effects of such agreements are often not obvious at all.

Examples of causes of future changes in shares outstanding are any existing convertible bonds, management options, warrants, M&A transactions, other agreements that are settled in the entity's shares, either at the discretion of management or a third party. Often, investors only are provided with a single point estimate called 'weighted average fully diluted shares outstanding'. However, investors are in need of a more complete overview of all (potential) sources of dilution per year end, and what

the main characteristics are of these sources. The scope should include instruments that, like common equity, share without limit in the upside potential of the enterprise.

Investors also would appreciate a scenario analysis that includes the maximum potential dilution of each instrument. Investors would also benefit from a historic perspective of how a hypothetical 1% share-ownership in the company accreted or diluted year-over-year. Information on past and future dilution of ownership is not only important for assessing the value of the entity; it may also help highlight governance issues. We see parallels between our suggestions and the ongoing work undertaken as part of the Financial Instruments with the Characteristics of Equity project. We regard both the importance and urgency of this project as medium.

3. Disclosures on gross debt and group structure

Please find below a number of disclosures that would support corporate bond investors, and equity investors that focus on future cash flows in their investment decisions. We put these forward also in the light of our comments in the previous paragraph.

- Corporate bonds tend to be issued from various entities within a group structure. A diagram that represents the most relevant elements of the reporting entity's group structure, that includes the relevant subsidiaries and those entities where the financial debt of the group is residing. Such diagrams are, and have been for decades, a common feature in most corporate bond offer documents. However, group structures do develop over time and investors are in need of up to date characteristics of the group structure for the continuous evaluation the creditworthiness of all the subsidiaries where debt is issued from.
- A description the hedging policy of the reporting entity related to its financing activities.
- The aggregated carrying amount on the balance sheet of the assets pledged to providers of financial capital.
- Investors would also benefit from an overview of the characteristics of the individual elements that add up to the entity's gross debt. Characteristics of importance per individual financing arrangement are: issuing entity, maturity, currency, coupon, issue date, carrying value, nominal value, description of the assets pledged (if any) including the carrying amount of those assets on the balance sheet, change of control clauses, financial covenants thresholds together with the actual performance of the reporting entity on the covenants conform the definition specified in these covenants.
- An aggregated overview of all nominal gross debt maturities for each year with debt maturing. This schedule should contain the nominal amounts converted to the reporting currency at period end. Such nominal amounts would exclude the possible effects (poor) creditworthiness of the issuing entity itself. Nominal amounts facilitate cash flow projections for more advanced equity valuations and the analysis of excess & shortfalls in liquidity.
- A reconciliation between the aggregated nominal and the aggregated carrying amount of the debt as reported in the statement of financial position.

4. Restrictions on Cash

The ED/2014/6 Disclosure Initiative (Proposed amendments to IAS 7) already drew the attention to potential improvements to cash disclosures. And indeed, there is a need for disclosure requirements on liquidity. Investors need to know what kinds of liquidity are available to the reporting entity, i.e. the parent company itself, and what restrictions apply to upstreaming the cash to the entity's parent. Not only the effects of taxes should be taken into account, but also dividend leakage to outside shareholders for those subsidiaries that are partly owned, restrictive covenants, loans, bonds, shareholder agreements, and estimated liquidation costs of making fully liquid any cash equivalents. We regard both the importance and urgency of this project as medium.

Question 4

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

Appendix A provides a summary of the Board's current work plan.

Response to Question 4: We have no comments on the Board's activities and the work plan.