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Technical Work Plan July 2021 – December 2021

Objective

- 1 The objective of this session is for the EFRAG Board to conduct its regular review of the technical work plan and advise of any necessary changes.

Background

- 2 In the past, the EFRAG Board requested that:
 - (a) an explanation be provided for any IASB implementation projects that are classified as significant; and
 - (b) the work plan be updated and presented for approval at every meeting.
- 3 Attachment 1 to this note contains the reasoning behind classifying IASB projects as significant.
- 4 At its June 2017 meeting, the EFRAG Board agreed that, as responses to IASB post-implementation reviews collate European views and normally do not include an EFRAG position, post-implementation review responses should be finalised by EFRAG TEG. IASB proposed post-implementation reviews have been included in the work plan for the convenience of EFRAG Board members, but no action is expected from the EFRAG Board (with the exception of the PIR of IFRS 9).
- 5 At its meeting in September 2016, the EFRAG Board agreed that the classification of IASB research projects as significant or for processing by written procedure should be deferred until the significance of each project emerges.

Changes to the workplan since last EFRAG Board review

- 6 Insurers had raised concerns about an accounting mismatch between financial assets and insurance contract liabilities that could arise from the continued application of IAS 39. It was suggested by the IASB staff the IASB could consider adding a specific transition requirement to IFRS 17 to enable insurers to present comparative information on a basis that is consistent with how IFRS 9 would be applied going forward. The ED will be issued end of July with a comment period of 60 days, so the project is expected to be finalised 2021. The project requires EFRAG to set up an accelerated consultation and endorsement plan. In its July meeting EFRAG TEG will approve a preparatory DCL based on IASB Agenda Papers; as agreed in June EFRAG Board will approve this preparatory DCL with written procedure (approval at TEG and Board will be subject to non-substantial drafting changes following the issuance of the ED). EFRAG is planning to issue a DCL already in the beginning of August.
- 7 The IFRS IC received a submission about supplier finance arrangements from a credit rating agency. In response to that, the IFRS IC published an Agenda Decision Supply Chain Financing Arrangements - Reverse Factoring: Due to the feedback

and input received from investors and analysts explaining their information needs, a project was added to the IASB's workplan. The project will add disclosure requirements, and 'signposts' within existing disclosure requirements, that would ask entities to provide qualitative and quantitative information about supplier finance arrangements. That information would help investors determine the effects of those arrangements on an entity's liabilities and cash flows. The ED is expected for Q4 2021.

- 8 The project Classification of Debt with Covenants as Current or Non-current (Amendment to IAS 1) was newly added to the work plan as result of a tentative agenda decision. The ED for this project is expected in Q4 2021.
- 9 Lease Liability in a Sale and Leaseback: A decision on the future project direction is now expected in Q4 2021.
- 10 Dynamic Risk Management: A decision on the project direction is now expected in H1 2022.
- 11 Pension Benefits that Depend on Asset Returns: Review of research is now expected in Q4 2021 (previously Q3 2021).
- 12 Attachment 2 to this note contains the draft technical work plan, based on the IASB's work plan at the time of preparing this paper (excluding the IFRS Taxonomy and the *IFRS for SMEs* projects) and the EFRAG research work plan. It also identifies the expected timing of written procedures.

Questions for the EFRAG Board

- 13 Does the EFRAG Board have any comments on the technical work plan?

Attachment 1: Basis for classifying research projects or minor projects as significant

Financial Instruments with Characteristics of Equity

- 14 Given the potential impact of this project, especially for financial institutions, the EFRAG Board decided that the EFRAG position on the IASB's Discussion Paper *Financial Instruments with Characteristics of Equity* should be considered in a public meeting rather than by written procedure.
- 15 EFRAG secretariat is monitoring the developments of the IASB project.

Primary Financial Statements

- 16 At its meeting in April 2017, the EFRAG Board decided that the EFRAG comment letter on the IASB's *Primary Financial Statements* project should be considered in a public meeting. The *Primary Financial Statements* project is likely to lead to significant changes to the presentation of financial performance.
- 17 EFRAG secretariat is monitoring the developments of the IASB project.

Goodwill and Impairment

- 18 The EFRAG Board decided to consider this project in public meeting, given the significant work undertaken by EFRAG in recent years.
- 19 EFRAG secretariat is monitoring the developments of the IASB project.

Business Combination under Common Control

- 20 The IASB is exploring ways to improve the reporting on combinations of businesses under common control. In November 2020 the IASB issued a discussion paper. EFRAG issued its DCL on 9 February. The IASB comment period ends at the beginning of September. The approval by EFRAG TEG and EFRAG Board is planned respectively for mid-September and beginning of October.

Management Commentary

- 21 The IASB is revising the IFRS Practice Statement 1 *Management Commentary* (Practice Statement). In the October meeting 2020 the Board decided the project to be classified as significant. EFRAG Board agreed at the EFRAG Board meeting in June to adopt a written approval for the DCL in order to be able to issue it before the summer break in July.

Dynamic risk management

- 22 The IASB has tested in 1H21 the core model with selected preparers; EFRAG took part to this field test and focused on European preparers. The topic has a direct relevant impact for European stakeholders as the continuation of use of IAS 39 (paragraphs related to the macrohedge) is also linked to the use of the carve-out. The EFRAG Board agreed in the October 2020 meeting to classify the project as being significant.

IASB Agenda Consultation and EFRAG research agenda consultation

- 23 The IASB has published in March 2021 a Request for Information. EFRAG is consulting jointly on the IASB Agenda and on its own proactive research agenda. The EFRAG Board agreed in the October 2020 meeting to classify the project as being significant.

Amendment to IAS 1 – Classification of liabilities as current or non-current

- 24 Because of diversity in practice on the classification of liabilities as current and non-current and an apparent contradiction between IAS 1 paragraph 69(d) and IAS 1 paragraph 73 the IASB published amendments to IAS 1 on January 23, 2020.
- 25 The IASB issued as part of the issues related to COVID19 Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after January 1, 2023.
- 26 In December 2020 and in April 2021 the classification of liabilities was discussed in the IFRS IC meeting. The IASB decided in June 2021 to add a new project on its agenda that is expected to lead to new Amendments to IAS 1, effective from 2024. The initial Amendments were considered as “non-significant”, i.e., subject to approval by written procedure at the EFRAG Board level. A special focus was put on the project on the basis of the concerns emerging from the IFRIC consultation. EFRAG Secretariat considers that, given the direction that the IASB project is taking, a written approval procedure can be considered appropriate for the next steps.

Disclosure Initiative – Targeted Standards Level Review

- 27 As a reaction on the feedback received on the IASB research project on disclosures, the IASB undertook this project in response to stakeholder demand for addressing the overall disclosure problem. In March 2021, the IASB published the Exposure

Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*. In the Exposure Draft, the IASB proposes a new approach to developing disclosure requirements in individual Standards (proposed Guidance for the Board) that would address better investors' information needs and clearly explains those needs in the Standards, give greater prominence to disclosure objectives, requiring companies to apply judgement and provide information that meets the described investor information needs and minimise requirements to disclose particular items of information to help companies focus on disclosing material information only. The approach is tested on IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*. EFRAG Board decided to qualify the project as significant based on the potential impact on standard setting.

Disclosure Initiative – Subsidiaries that are SME

- 28 As a reaction on the feedback received on the IASB research project on disclosures, the IASB undertook this project in response to demand for a simplified and less costly approach for subsidiaries that are SME. EFRAG Board decided in the meeting 5 May 2021 to discuss the key aspects of this project, based on the importance and implications of the project in some European jurisdictions. In its June meeting EFRAG Board decided that the DCL will be approved by written procedure. Due to the summer break EFRAG TEG can only approve the DCL in its meeting mid of September. EFRAG Board will be informed about the project in July 2021 and will discuss the scope of the ED in detail. The discussion on the detailed disclosure requirements per IFRS standard will be covered by TEG.

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Attachment 2: Work plan 2021 – July 2021

Legend

- Bold** = EFRAG Board decision point **DCL** = Draft comment letter
WP = Written procedure **FCL** = Final comment letter
DP = Discussion paper **DEA** = Draft endorsement advice
ED = Exposure draft **FEA** = Final endorsement advice

Project (IASB next steps in brackets)	Most recent status					
			Sept 7 (Joint TEG- Board)	Oct 6	Nov 18	Dec 14
Rate-regulated Activities (ED Feedback)	ED DCL April 2021		FCL			
Disclosure initiative – Targeted Standards-level Review of Disclosures (ED Feedback)	ED DCL May 2021				FCL	

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Project (IASB next steps in brackets)	Most recent status					
			Sept 7 (Joint TEG- Board)	Oct 6	Nov 18	Dec 14
Dynamic Risk Management (Decide Project Direction H1 2022)	Summary report about Core model Outreach June 2021					Update
Financial Instruments with Characteristics of Equity (ED)	DP DCL Aug 2018	DP FCL Feb 2019				
Goodwill and Impairment (DP Feedback Q3 2021)	DP DCL May 2020	DP FCL Jan 2021			Update	
Primary financial statements (IFRS Standard)	ED DCL Feb 2020	ED FCL Nov 2020			Update	
Business Combinations Under Common Control (DP Feedback H2 2021)	DP DCL Feb 2021			FCL		

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Project (IASB next steps in brackets)	Most recent status					
			Sept 7 (Joint TEG- Board)	Oct 6	Nov 18	Dec 14
Management Commentary Practice Statement (ED Feedback H1 2022)			DCL (Written procedure)			FCL
2020 Third Agenda consultation (Request for information Feedback Q3 2021)				FCL (later date will be doodled)		
Initial Application of IFRS 17 and IFRS - Comparative Information - Amendments to IFRS 17 (ED expected July 2021)			Preparatory DCL (July - written procedure)	FCL		
IASB PROJECTS BY WRITTEN PROCEDURE: Implementation						
Availability of a refund (Amendm IFRIC 14) (IFRS amendment rejected, decide project direction)	ED DCL July 2015	ED FCL Nov 2015				

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Project (IASB next steps in brackets)	Most recent status					
			Sept 7 (Joint TEG- Board)	Oct 6	Nov 18	Dec 14
Classification of liabilities as current or non-current (amend IAS 1) – 2 amendments (IFRS amendment ED will be issued in 4Q 2021)	ED DEA Nov 2020					DCL (Written procedure)
Deferred tax related to assets and liabilities arising from a single transaction (amend IAS 12) (None - IFRS Amendment May 2021)	ED DCL Sept 2019	ED FCL WP Nov 2019		FEA (written procedure)		
Provisions (Decide project direction)						
Subsidiaries that are SMEs (ED expected July 2021)				DCL (written procedure)		
Lease Liability in a Sale and Leaseback (amend IFRS 16) (Decide project direction in 4Q21)	DCL Dec 2020	FCL April 2021				
Lack of Exchangeability (Amendm. to IAS 21 March 2021) (ED Feedback H2 2021)			FCL (written procedure)			

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Project (IASB next steps in brackets)	Most recent status					
			Sept 7 (Joint TEG- Board)	Oct 6	Nov 18	Dec 14
Supplier Finance Arrangements (ED 4Q 2021)						DCL (written procedure)
IASB PROJECTS: Research						
Extractive activities (Decide project direction July 2021)						
Equity Method (Decide project direction)						
Pension Benefits that Depend on Asset Returns (Review research 4Q 2021)						
IASB Post-implementation reviews						
Consolidation package: IFRS 10, IFRS 11, IFRS 12 (Request for Information Feedback July 2021)						

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Project (IASB next steps in brackets)	Most recent status					
			Sept 7 (Joint TEG- Board)	Oct 6	Nov 18	Dec 14
IFRS 9 – Classification and Measurement ¹ (Request for Information Q3 2021)				Update	Approval RFI (second half of Oct/beg of Nov)	
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>						
EFRAG RESEARCH PROJECTS						
General update			General Update			General Update
Better Information on Intangibles						
Crypto-assets	DP published				Project Update – Decision about next steps	
Discounting with Current Interest Rates						

¹ For the approval of the DCL on the RFI a doodle will soon be sent for a new short session in the second half of October.

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Project (IASB next steps in brackets)	Most recent status					
			Sept 7 (Joint TEG- Board)	Oct 6	Nov 18	Dec 14
EFRAG Research Variable and Contingent Consideration						Approve DP