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Technical Work Plan October 2021 – April 2022

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 EFRAG shall 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 In September 2021, the IASB agreed on a project plan for the *Goodwill and Impairment* project. Priority is given to disclosures about business combinations and to an investigation of the feasibility of estimating useful life and transition impacts in case amortisation is introduced.
- 7 *Supplier Finance Arrangements* ED is now expected in November 2021. Following the decision of the EFRAG Board in September 2021, this project has been moved to significant.
- 8 The ED on non-current liabilities with covenants (IAS 1), is expected to be published in November 2021.
- 9 *Extractive Activities*: The IASB had a meeting in September 2021 to decide on the project direction. The IASB decided that the scope of the Extractive Activities project will be to explore: (i) developing requirements or guidance to improve the disclosure objectives and requirements in IFRS 6 *Exploration for and Evaluation of Mineral Resources* about an entity's exploration and evaluation (E&E) expenditure and

activities; and (ii) amending the Basis for Conclusions on IFRS 6 to remove its temporary status. After further analysis on the significance of this project, an update to the EFRAG Board and view on significance is planned for January 2021.

- 10 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

- 11 EFRAG Board approved the DCL on *Management Commentary* via written procedure. Considering that the practice statement will not be endorsed in Europe and there are stakeholder questions on whether management commentary would be better addressed by the forthcoming International Sustainability Standards Board, the EFRAG Secretariat proposes to classify this project as non-significant, i.e., the FCL would also be approved by the EFRAG Board with a written procedure and not discussed in a meeting. Does EFRAG Board agrees on the EFRAG secretariat proposal to approve the FCL with a written procedure?
- 12 The endorsement of the forthcoming small Amendment to IFRS 17 *Initial Application of IFRS 17 and IFRS 9—Comparative Information* will have to be endorsed with a fast procedure. The EFRAG Secretariat proposes to put in place the same accelerated consultation process used in previous occasions, i.e. to discuss and approve a DEA on the basis of the Exposure Draft (and more recent IASB Staff Papers if available) subject to no substantial changes in the content of the final Amendment. This DEA would be issued for consultation immediately after the issuance of the final Amendment, to grant to the constituents sufficient consultation time. We plan to discuss and get approval at TEG of the DEA already on 24 November. The EFRAG Board next meeting would be on 14 December, which is too late. EFRAG Secretariat proposes to proceed with a written approval. Does EFRAG Board agrees on the EFRAG secretariat proposal to approve the DEA with a written procedure (alternatively we will doodle for another meeting at the end of November)?
- 13 Does the EFRAG Board have any comments on the technical work plan?

Attachment 1: Basis for classifying 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 and its FCL in October 2021.

Management Commentary

- 21 The IASB is revising the IFRS Practice Statement 1 *Management Commentary* (Practice Statement). At the October 2020 meeting, the Board decided the project should be classified as significant. The EFRAG Board agreed at its meeting in June 2021 to adopt a written procedure 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.
- 27 In July 2021 the EFRAG Board decided to classify the project as being significant.

Disclosure Initiative – Targeted Standards Level Review

- 28 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 without Public Accountability: Disclosures

- 29 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 was informed about the project in July 2021 and discussed the scope of the ED in detail. The discussion on the detailed disclosure requirements per IFRS standard will be covered by TEG.

Initial Application of IFRS 17 and IFRS 9—Comparative Information

- 30 The ED *Initial Application of IFRS 17 and IFRS 9—Comparative Information* Proposed amendment to IFRS 17 was issued end of July with a comment period of 60 days. EFRAG Board decided that the amendment related to IFRS 17 *Insurance Contracts* should be discussed in Board meetings.

Attachment 2: Work plan 2021 – September 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						
			Nov 18	Dec 14	Jan 26	March 2	April 4
Rate-regulated Activities (ED Feedback Oct 2021)	ED DCL April 2021	ED FCL Sept 2021					
Disclosure Initiative – Subsidiaries without Public Accountability (ED Feedback H1 2022)	ED DCL Sept 2021					FCL (or earlier in Febr. separate meeting)	
Disclosure Initiative – Targeted Standards-level Review of Disclosures (ED Feedback Q1 2022)	ED DCL May 2021		Update on outreach activities including field testing		FCL		

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Project (IASB next steps in brackets)	Most recent status						
			Nov 18	Dec 14	Jan 26	March 2	April 4
Financial Instruments with Characteristics of Equity (ED)	DP DCL Aug 2018	DP FCL Feb 2019					Update
Primary financial statements (IFRS Standard)	ED DCL Feb 2020	ED FCL Nov 2020	Update				
Management Commentary Practice Statement (ED Feedback Q1 2022)	ED DCL July 2021			FCL written procedure approval			
Dynamic Risk Management (Decide Project Direction H1 2022)	Summary report about Core model Outreach June 2021		Update	Update			Update
Goodwill and Impairment (Decide Project Direction H1 2022)	DP DCL May 2020	DP FCL Jan 2021	Update				
Business Combinations Under Common Control (DP Feedback Q4 2021)	DP DCL Feb 2021	DP FCL Oct 2021					

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Project (IASB next steps in brackets)	Most recent status						
			Nov 18	Dec 14	Jan 26	March 2	April 4
2020 Third Agenda consultation (Request for information Feedback Nov 2021)		RFI FCL Oct 2021					
Initial Application of IFRS 17 and IFRS - Comparative Information - Amendments to IFRS 17 (ED Feedback Oct 2021)	ED DCL Aug 2021	ED FCL Oct 2021		DEA (meeting to be doodled for end of Nov)			
Classification of liabilities as current or non-current (amend IAS 1) – Amendments with follow up Amendments (IFRS follow up amendment Classification of Debt with Covenants as Current or Non- current (IAS 1) ED will be issued in Nov 2021)	ED DEA Nov 2020			DCL		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						
			Nov 18	Dec 14	Jan 26	March 2	April 4
Deferred tax related to assets and liabilities arising from a single transaction (amend IAS 12) (None - IFRS Amendment May 2021)	DEA July 2021		FEA (Written Procedure)				
Lack of Exchangeability (ED Feedback Q1 2022)	ED DCL June 2021	FCL Sept 2021					
Lease Liability in a Sale and Leaseback (amend IFRS 16) (Decide project direction in 4Q21)	ED DCL Dec 2020	ED FCL April 2021					
Provisions – Targeted Improvements (Decide project direction)							
Supplier Finance Arrangements (ED Nov 2021)				DCL			FCL
IASB PROJECTS: Research							
Extractive activities (Decide project direction H1 2022)					TBC- Update		

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Project (IASB next steps in brackets)	Most recent status						
			Nov 18	Dec 14	Jan 26	March 2	April 4
Equity Method (Decide project direction)					TBC - Update		
Pension Benefits that Depend on Asset Returns (Review research Oct 2021)							
IASB Post-implementation reviews							
Consolidation package: IFRS 10, IFRS 11, IFRS 12 (Feedback Statement H1 2022)							
IFRS 9 – Classification and Measurement ¹ (Request for Information Sept 2021)			Approval RFI DCL (2 Nov)		Approval RFI FCL		
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>							

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					
		Nov 18	Dec 14	Jan 26	March 2	April 4
EFRAG RESEARCH PROJECTS						
General update						General Update
Better Information on Intangibles	DP published					
Crypto-assets	Consultation period and outreach activities closed			Feedback Statement and next steps		
Discounting with Current Interest Rates						
EFRAG Research Variable and Contingent Consideration				Update		Update