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Technical Work Plan October 2022 - March 2023

Objective

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

Background

- 2 In the past, the EFRAG FR Board requested that:
 - a) an explanation be provided for any IASB implementation projects that are classified as significant; and
 - b) the work plan is to 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 FR 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 FR TEG. IASB proposed post-implementation reviews have been included in the work plan for the convenience of EFRAG FR Board members, but no action is expected from the EFRAG FR Board.
- 5 At its meeting in September 2016, the EFRAG FR 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 the last EFRAG FR Board review

- 6 Non-current Liabilities with Covenants (IAS 1): The IASB confirmed the completion of its due process and will publish the Amendments in November 2022.
- 7 Supplier Finance Arrangements: The IASB will decide about the project direction in November 2022.
- 8 PIR IFRS 9 and 16: In its September meeting the IASB discussed the timing of the PIR of the hedge accounting requirements of IFRS 9 and of IFRS 16. The IASB decided to consider in the second half of 2023 when to begin the PIR of the hedge accounting requirements of IFRS 9 and to consider in the second half of 2023 when to begin the PIR of IFRS 16. EFRAG will plan preparatory work for the RFI accordingly.
- 9 Disclosure Initiative – Subsidiaries without Public Accountability: The IASB decided in its meeting in June to issue an IFRS Accounting Standard. Based on the feedback received, it was decided to clarify the definition of public accountability –

which is in fact included in the IFRS for SME Standard. In September 2022 the ED: Third edition of the IFRS for SMEs Accounting Standard was published and is open for comment until 7 March 2023.

- 10 Disclosure Initiative – Targeted Standards Level Review of Disclosures: the IASB will decide about the project direction in October 2022.
- 11 Goodwill and Impairment: The IASB will decide about the project direction in November 2022.
- 12 EFRAG Secretariat proposes to have in February 2023 a joint meeting with EFRAG FR TEG and in March 2023 a joint meeting with SRB. The workplan reflects these proposals.

Basis of preparation of the workplan

Sessions to Update the EFRAG FR Board

- 13 The IASB projects currently active are mostly in the re-deliberation phase, following the outcome of a consultation on the ED (or RFI). The EFRAG Secretariat is actively following the process per each project and undertaking: EFRAG FR TEG is regularly updated on the progress of the IASB deliberations; the IASB decisions are discussed also with the CFSS, in preparation of ASAF meetings. When appropriate, the EFRAG Secretariat undertakes selected initiatives to prepare for the next steps, such as impact analysis or similar activities. In this context, we plan to update the EFRAG FR Board when the IASB decisions and/or the EFRAG FR TEG discussions show substantial progress on a given project. Accordingly, the attached schedule of updates is tentative and will be updated depending on the progress made on each project in the coming months.

Active projects that we expect to add soon to the workplan

- 14 We expect the IASB to add a number of projects in the coming months (IFRS 16 / IFRS 10 Sale and Lease Back – Subsidiaries, PIR IFRS 9 ECL, PIR IFRS 9 Hedge Accounting, PIR IFRS 15, PIR IFRS 16). The EFRAG Secretariat has already started its preparation for IFRS 9 ECL and IFRS 15, which we expect will start before the others. As usual, a project will be formally added to the workplan when the IASB will add the project to its workplan.

EFRAG proactive agenda

- 15 In June 2022 the FRB - following the agenda consultation and in light of the decisions made by the IASB – added two new EFRAG proactive research projects on the EFRAGs workplan. The new projects are on the connectivity between financial and sustainability reporting and cash flow reporting. EFRAG FRB also approved the addition to a reserve list of pollutant pricing mechanisms and operating segment reporting projects.

Attachment 2

- 16 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 FR Board

The IASB is preparing an Amendment to IFRS 9 Classification and measurement covering financial assets with ESG-linked features and contractually linked instruments. The project is a fast-moving project with an ED expected in Q1 2023. ESG lending is of great importance for European banks. Does FRB agree to classify the project as significant?

17 Does the EFRAG FR Board have any comments on the technical work plan?

Attachment 1: Basis for classifying projects as significant

Financial Instruments with Characteristics of Equity

18 Given the potential impact of this project, especially for financial institutions, the EFRAG FR 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.

19 EFRAG secretariat is monitoring the developments of the IASB project.

Primary Financial Statements

20 At its meeting in April 2017, the EFRAG FR 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.

21 EFRAG secretariat is monitoring the developments of the IASB project.

Goodwill and Impairment

22 The EFRAG FR Board decided to consider this project in a public meeting, given the significant work undertaken by EFRAG in recent years.

23 EFRAG secretariat is monitoring the developments of the IASB project.

Business Combination under Common Control

24 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.

25 EFRAG secretariat is monitoring the developments of the IASB project.

Management Commentary

26 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.

27 EFRAG secretariat is monitoring the developments of the IASB project.

Dynamic risk management

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

The EFRAG FR Board agreed in the October 2020 meeting to classify the project as being significant.

- 29 In June 2022 the IASB decided to add the project to its standard setting projects.

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

- 30 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.
- 31 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.
- 32 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.
- 33 In July 2021 the EFRAG FR Board decided to classify the project as being significant. The ED was published in Nov 2021. The EFRAG DCL was issued in January 2022. The EFRAG FCL was issued in March 2022. The amendments to IAS 1 is expected in November 2022.
- 34 EFRAG secretariat is monitoring the developments of the IASB project.

Disclosure Initiative – Targeted Standards Level Review

- 35 As a reaction to 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 minimises 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 FR Board decided to qualify the project as significant based on the potential impact on standard setting. In January 2022 EFRAG submitted a comment letter on the ED to the IASB.
- 36 EFRAG secretariat is monitoring the developments of the IASB project.

Lease Liability in a Sale and Leaseback

- 37 On 27 November the IASB published an ED to amend IFRS 16. Paragraph 100(a) of IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. The project addresses a question about a sale and leaseback transaction with variable payments that do not depend on an index or rate. Because of the mixed feedback, EFRAG Board decided beginning of 2021 to discuss the project in a meeting.

- 38 At the beginning of 2022, the IASB discussed the project and decided to publish an Amendment. The IASB agreed, that it would be beneficial to amend IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions. To facilitate that change, the IASB is also proposing to specify the method a seller-lessee uses in measuring the right-of-use asset and lease liability at the date of the transaction. In the FCL, EFRAG considers that the ED provides evidence of a broader conflict of principles in IFRS 16 regarding the accounting for sales and leaseback transactions and the definition of lease payments. EFRAG, therefore, encouraged the IASB to consider the issue more comprehensively and in a timely manner, possibly as part of the upcoming Post-Implementation review of IFRS 16 or the IASB's project on Variable and Contingent Consideration. EFRAG stated it can accept a temporary and faster solution to address the lack of guidance in IFRS 16, pending a more holistic review of the matter. However, EFRAG encourages the IASB to consider a simplified solution by recognising the profit attributable to the retained interest in the right-of-use asset as a non-lease liability or deferred income rather than a lease liability. The IASB decided to go forward with the proposed amendment with some minor changes. EFRAG Board decided in its meeting in March 2022 to discuss the implications on the endorsement process. The IASB issued the Amendments in September 2022.

Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures

- 39 As a reaction to the feedback received on the IASB research project on disclosures, the IASB undertook this project in response to the demand for a simplified and less costly approach for subsidiaries that are SMEs. In the meeting on 5 May 2021, EFRAG FR Board decided to discuss the key aspects of this project, based on the importance and implications of the project in some European jurisdictions. EFRAG FR 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 was covered by TEG. In February 2022 EFRAG submitted its comment letter to the IASB.
- 40 In its June Meeting 2022 the IASB decided to issue an IFRS Accounting Standard.
- 41 EFRAG secretariat is monitoring the developments of the IASB project.

Supplier Finance Arrangements

- 42 The IFRS IC received a submission about supplier finance arrangements. In response to that submission, the Committee published the Agenda Decision *Supply Chain Financing Arrangements—Reverse Factoring*. The IASB has been informed, however, that without targeted amendments to the current disclosure requirements, users of financial statements may be unable to obtain from financial statements some of the information they need to understand the effects of the arrangements. The IASB, therefore, decided to propose adding disclosure requirements about those arrangements to meet user needs. Based on the user interest, the EFRAG FR Board agreed in the July 2021 meeting to classify the project as being significant.
- 43 In March 2022 EFRAG submitted its comment letter on the ED to the IASB. EFRAG secretariat is monitoring the developments of the IASB project.

Provisions – Targeted Improvements

- 44 In its February 2022 meeting, the IASB decided to progress with its project on amending IAS 37 to align the definition of a liability with that in the Conceptual Framework and to clarify which cost to be included in measuring a liability as well as which discount rate to use when measuring the liability. The IASB board

acknowledges the risk of the project having knock-on effects that may make the project a significant one. Due to the broad application of IAS 37, EFRAG FR Board decided to be updated on the project to amend IAS 37.

Rate-regulated Activities

- 45 The IASB published an Exposure Draft *Regulatory Assets and Regulatory Liabilities* in January 2021. The ED proposes a supplemental Standard that will replace IFRS 14 *Regulatory Deferral Accounts*, which is an interim Standard that was not endorsed in the EU. Unlike IFRS 14, the proposed Standard is expected to be endorsed and mandatory for IFRS reporting entities within its scope. It will be applicable for sectors where rates/tariffs are determined based on regulatory agreements. It primarily affects the utilities sector but it could also apply to other sectors. Hence, the potential impact of the Standard spans various EU jurisdictions as was evident from the comment letter responses to EFRAG and the IASB. Furthermore, EFRAG has a Rate-regulated Activities Working Group consisting of EU stakeholders (preparers, auditors and a user). For this reason, it is a significant project.
- 46 In meetings held in October and November, the IASB was updated on constituents' feedback to the ED and in December it decided on its redeliberation plan. It has commenced its redeliberation in February 2022 with a focus on the topics where there were significant concerns (i.e., scope of the proposed Standard and total allowed compensation) and is undertaking outreach including with its Consultative Group.
- 47 EFRAG secretariat is monitoring the developments of the IASB project and, in March, April, July, and September 2022, has had update sessions with the EFRAG FR TEG-CFSS and EFRAG RRAWG.

Technical Work Plan October 2022 – March 2023

Attachment 2: Work plan October 2022 - March 2023

Legend

- Bold** = EFRAG FR 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					
			21 December	8 February joint meeting with EFRAG TEG	30 March joint meeting with SRB	30 March FRB only
Rate-regulated Activities (IFRS Standard)	ED DCL April 2021	ED FCL Sept 2021	Update			
Disclosure Initiative – Subsidiaries without Public Accountability (IFRS Standard)	ED DCL Sept 2021	ED FCL Feb 2022	Tentative - DCL on Q1 of IFRS for SME (potential written procedure)			Tentative FCL on Q1 of IFRS for SME (potential written procedure until 6 March)

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Project (IASB next steps in brackets)	Most recent status					
			21 December	8 February joint meeting with EFRAG TEG	30 March joint meeting with SRB	30 March FRB only
Disclosure Initiative – Targeted Standards-level Review of Disclosures (Decide Project Direction October 2022)	ED DCL May 2021	ED FCL Jan 2022				Update
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 on Targeted Outreach result and approval of Summary Report			
Management Commentary Practice Statement (Decide Project Direction)	ED DCL July 2021	ED FCL Dec 2021		Update	Update	

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Project (IASB next steps in brackets)	Most recent status					
			21 December	8 February joint meeting with EFRAG TEG	30 March joint meeting with SRB	30 March FRB only
Dynamic Risk Management (ED)	Summary report about Core model Outreach June 2021					
Goodwill and Impairment (Decide Project Direction November 2022)	DP DCL May 2020	DP FCL Jan 2021	Update			Update
Business Combinations Under Common Control (Decide Project Direction)	DP DCL Feb 2021	DP FCL Oct 2021	Update			
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) IFRS Amendment H2 2022)	DEA Nov 2020 ED DCL Jan 2022	FCL March 2022	DEA			FEA

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Project (IASB next steps in brackets)	Most recent status					
			21 December	8 February joint meeting with EFRAG TEG	30 March joint meeting with SRB	30 March FRB only
Supplier Finance Arrangements (ED Feedback July 2022)	ED DCL Jan 2022	FCL March 2022				
Lease Liability in a Sale and Leaseback (amend IFRS 16) (IFRS Amendment Q3 2022)	ED DCL Dec 2020	ED FCL April 2021	DEA Potential written procedure	FEA Potential written procedure		
Provisions – Targeted Improvements (ED)				Update		
IASB PROJECTS BY WRITTEN PROCEDURE: Implementation						
Lack of Exchangeability (Decide Project Direction July 2022)	ED DCL June 2021	FCL Sept 2021				
Contractual Cash Flow Characteristics of Financial Assets (amendm. to IFRS 9)				Update / DCL		

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Project (IASB next steps in brackets)	Most recent status					
			21 December	8 February joint meeting with EFRAG TEG	30 March joint meeting with SRB	30 March FRB only
Extractive activities (Decide project direction H1 2023)						
Equity Method (Decide project direction)						
IFRS 9 – Classification and Measurement (RFI Feedback H2 2022)	DCL Nov 2021	FCL Jan 2022				
IFRS 9 – Impairment (RFI Feedback H1 2023)			Update			
IFRS 9 – Hedge Accounting						
IFRS 15 – Revenue Recognition (RFI Feedback H1 2023)			Update			

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Project (IASB next steps in brackets)	Most recent status					
			21 December	8 February joint meeting with EFRAG TEG	30 March joint meeting with SRB	30 March FRB only
EFRAG proactive agenda 2022/2026						
Better Information on Intangibles	DP published and Outreach finalised			Approval of the feedback statement and recommendatio ns if appropriate	Update	
Crypto-assets	Recommend ations and feedback statement issued in April 2022					
Discounting with Current Interest Rates						
EFRAG Research Variable Consideration	DP published Sept 2022					Update
EFRAG Research Connectivity between financial and sustainability reporting				First discussion on Scope	Decide scope of the project	

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Project (IASB next steps in brackets)	Most recent status					
			21 December	8 February joint meeting with EFRAG TEG	30 March joint meeting with SRB	30 March FRB only
EFRAG Research Cash Flow Reporting						Decide scope of the project
EFRAG Research Pollutant Pricing Mechanism						