SWPA – Project Update

Issues Paper

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Objective

1 The objective of this paper is to:

(a) Update EFRAG FR TEG members on the IASB's latest discussions and tentative decisions (October, November and December 2023) on its Exposure Draft *Subsidiaries without Public Accountability: Disclosures* ('the ED');

(b) Inform EFRAG FR TEG members on the IASB staff recommendation on how the ED will be updated for the future disclosure requirements of the forthcoming IFRS 18 *Presentation and Disclosure in Financial Statements* (the PFS Standard); and

(c) Receive comments on the IASB´s tentative decisions for (a), IASB's staff recommendation for (b) and EFRAG Secretariat analysis for (a) and (b).

Structure of the document

2 The following topics are discussed in this paper:

(a) Sweep issues—updating the language of disclosure requirements (IASB AP31, October 2023);

(b) Project plan for the Catch-up Exposure Draft (IASB AP32, November 2023); and

(c) Sweep issues—approach to updating the Exposure Draft for the disclosure requirements in the PFS Standard - upcoming IFRS 18 (IASB AP31, December 2023).

3 For each of the topics listed above, a summary of the IASB's initial proposals, EFRAG's position in its final comment letter, the latest IASB's discussions and decisions and the EFRAG Secretariat analysis are provided.

Project history

4 In July 2021 the IASB published the ED *Subsidiaries without Public Accountability* with the objective of developing a reduced-disclosure IFRS Standard that would apply on a voluntary basis to subsidiaries without public accountability.

5 In February 2022, after extensive consultation with constituents, EFRAG published its final comment letter ('FCL').

6 From April 2022 until now, the IASB has been discussing the feedback and redeliberated the proposals in the ED to develop a new IFRS Accounting Standard. At this stage, the IASB has already provided the IASB staff with the permission to start the balloting process (IASB meeting in July 2023). The IASB discussed sweep issues in its October and December 2023 meetings.

7 The EFRAG Secretariat has been providing updates to EFRAG FR TEG, with the last one being in October 2023.

Sweep issue - Updating the language of the disclosure requirements

IASB proposal in the ED

8 As mentioned above, the disclosure requirements proposed in the ED were based on disclosure requirements in the IFRS for SMEs Standard and IFRS Accounting Standards. In the ED, the IASB proposed minor tailoring to the disclosure requirements that came from the IFRS for SMEs Standard. For example, to align terms and language with IFRS Accounting Standards (e.g., continent rent vs variable lease payments).

EFRAG Final Comment Letter

9 In its FCL, EFRAG considered that an alternative approach would be to develop reduced disclosure requirements, starting with the disclosure requirements in IFRS Standards and then tailor these disclosure requirements to the specific information needs of the users of financial statements of non-publicly accountable subsidiaries. EFRAG also highlighted the risk of not considering the latest developments in IFRS Accounting Standards, when there were no recognition and measurement differences (including the risk of not using new terminology).

IASB discussions and tentative decisions

10 In the October 2022 IASB meeting, after considering feedback from stakeholders for whom the language and structure of the disclosure requirements should be the same as in full IFRS Accounting Standards, the IASB tentatively decided to modify its approach to ensure that the language used in the disclosure requirements is the same as the one used in full IFRS Accounting Standards.

11 In March 2023, the IASB discussed the challenges of updating the language (as tentatively decided in October 2022) and agreed on the approach to be followed by the IASB staff.

12 In the April 2023 IASB meeting, the IASB staff proposed to use in the disclosure requirements the same language used in full IFRS Accounting Standards and to only adjust the language to make the disclosure requirements more consistent and understandable. For this purpose, the IASB staff recommended: using a term consistent for the same concept and with the latest versions of the IFRS Accounting Standards, updating references to paragraphs, adapting the structure of the requirements using standard phrasing for them when the requirements haven't been retained in the reduced disclosures IFRS Accounting Standard.

13 In particular, the IASB staff identified cases where updating the language is not straightforward, such as: cases where judgment is required, references to specific paragraphs that needed to be updated, paragraphs containing both disclosure requirements the IASB decided to include in IFRS 19 and elements that the IASB decided to omit from IFRS 19, inconsistency between terms used in different IFRS Accounting Standards referring to the same concept and abbreviations or terms in older Accounting Standards not consistent with the latest IFRS Foundation style.

14 The IASB staff also recommended deleting the disclosure requirements in the ED derived from IFRS from SMEs and not present in the full IFRS Accounting Standard. The IASB did not make any decisions during its April 2023 meeting.

15 In the October 2023 meeting, the IASB staff proposed some changes to the disclosure requirements in the Exposure Draft, where judgment had to be applied and underlined the cases where it is recommended maintain differences from the language in full IFRS Accounting Standard.

16 The IASB staff proposed to:

(a) eliminate the disclosure requirements developed from IFRS for SMEs but without an equivalent in full IFRS Accounting Standard;

(b) amend disclosure requirements in order to match them with the full IFRS Accounting Standard; and

(c) not amend disclosure requirement when there is a reason to maintain a difference from the language used in full IFRS Accounting Standard.

17 The recommendations made by the IASB staff are summarised in the table of the IASB agenda paper AP31, October 2023. For your convenience we included the overview in this paper. Those ones further discussed in the paper are marked in blue.

Section	Prior requirement according to the ED	IASB Staff recommendation
IFRS 2	32 For ***equity-settled share-based payment transactions***, an entity shall disclose information about how it measured the ***fair value*** of goods or services received or the fair value of the equity instruments granted. If the entity used a valuation method, the entity shall disclose the method and the entity's reason for choosing it. 33 For ***cash-settled share-based payment transactions***, an entity shall disclose information about how it measured the ***liability***.	Amend paragraph 32 of the ED to match the requirement in paragraph 46 of IFRS 2. Delete paragraph 33 of the ED. The staff recommend deleting the specific requirement to disclose how the liability in a cash-settled share-based payment is measured.
IFRS 3	36 (e) For each ***business combination*** during the reporting period, the ***acquirer*** shall disclose: (e) the acquisition-date fair value of the total consideration transferred and a description of the components of that consideration (such as cash, equity instruments and debt instruments);	Retain the "description" disclosure of the components of the total consideration, contrasts with paragraph B64(f) of IFRS 3.

IFRS 3	36 (g) For each ***business combination*** during the reporting period, the ***acquirer*** shall disclose: (g) the amounts recognised at the acquisition date for each class of the acquiree's assets and liabilities;	Retain the disclosure of the acquisition-date FV of "each class" of assets acquired and liabilities assumed, contrasts with paragraph B64(i) of IFRS 3
IFRS 3	38 For each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires, the entity shall disclose for each material business combination and in aggregate for individually immaterial business combinations that are material collectively: (a) any changes in the recognised amounts, including any differences arising upon settlement; and (b) the valuation techniques and key model inputs used to measure contingent consideration.	Amend paragraph 38 of the ED by removing the requirement to disclose information on business combination to be consistent with the reduced disclosure requirement in paragraph 37 of the ED.
IFRS 7	53 For ***loans payable*** recognised at the reporting date for which there is a breach of terms or a default of principal, interest, sinking fund or redemption terms that have not been remedied by the reporting date, an entity shall disclose: (a) details of that breach or default;	Amend paragraph 53 to match the text in paragraphs 18 and 19 of IFRS 7 regarding defaults and breaches.

	(b) the carrying amount of the related loans payable at the reporting date; and (c) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.	
IFRS 7	54 (c) An entity shall disclose separately: (c) the amount of any impairment loss for each class of financial asset; And	Delete the proposed requirement to disclose "the amount of any impairment loss for each class of financial asset", not required by paragraph 20 of IFRS 7.
IFRS 7	56 (b) An entity shall disclose separately for each risk category of risk exposures that it decides to hedge and for which hedge accounting is applied: (b) the nature of the risks being hedged, including a description of the ***hedged item***;	Delete the proposed requirement to disclose "the nature of the risks being hedged including a description of the hedged item", not present in paragraph 22B of IFRS 7.
IFRS 12	69 (d) When an entity has interests in subsidiaries, it shall disclose: (d) the nature and extent of any significant restrictions (for example, resulting from borrowing arrangements or regulatory requirements)	Replace the description and examples of significant restrictions to be disclosed, with the more generic description and examples included in paragraph 13(a) of IFRS 12.

	on the ability of subsidiaries to transfer funds to the parent in the form of cash ***dividends*** or to repay loans.	
IFRS 12	76 For investments in joint ventures and, separately, for investments in associates, an entity shall disclose: (a) whether investments in joint ventures and investments in associates are measured using the ***equity method*** or at fair value; (b) the carrying amount of investments in joint ventures and investments in associates, showing separately investments measured using the equity method and investments measured at fair value; and (c) the fair value of its investment in a joint venture or associate if a market price for the investment is quoted and the entity accounts for the joint venture or associate using the equity method. 77 For investments in joint ventures accounted for using the equity method and for associates accounted for using the equity method, an investor shall disclose separately its share of profit or loss and its share of any ***discontinued operations***.	Amend the proposed requirement in paragraph 76 of the ED to use the same language as paragraph 21(b)(i) and 21(b)(iii) of IFRS 12. Amend the proposed requirement in paragraph 77 of the ED to require the disclosure of the carrying amount of investments as in paragraphs B14 and B16 of IFRS 12.

IFRS 15	92 An entity shall disclose: (a) the opening and closing balances of receivables, contract assets and ***contract liabilities*** from contracts with customers, if not otherwise separately presented or disclosed; (b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and (c) revenue recognised in the reporting period from ***performance obligations*** satisfied or partially satisfied in previous periods (for example, changes in transaction price). 94 An entity shall disclose information about its performance obligations in contracts with customers, including a description of: (a) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained applying paragraphs 56–58 of IFRS 15); (b) obligations for returns, refunds and other similar obligations; and (c) types of warranties and related obligations.	Do not amend the lead sentences of these paragraph to disclose "all of the following" as this would not be consistent with how the other disclosure requirements are worded.

	98 An entity shall disclose: (a) the closing balances of assets recognised from the ***costs*** incurred to obtain or fulfil a contract with a customer (applying paragraphs 91 or 95 of IFRS 15), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs); and (b) the amount of amortisation and any impairment losses recognised in the reporting period.	
IFRS 16	100 (c) Except for ***leases*** it accounts for applying paragraph 6 of IFRS 16 (***short-term leases*** or leases for which the ***underlying asset*** is of low value), a ***lessee*** shall disclose: (c) lease liabilities at the end of the reporting period;	Delete the proposed requirement to disclose "lease liabilities at the end of the reporting period", not required in paragraph 53 of IFRS 16.
IFRS 16	101 When an impairment has been 10ecognized (or reversed) applying IAS 36 to a lessee's right-of-use assets, an entity provides the disclosures required by paragraphs 190–191 of this [draft] Standard.	Delete the proposed requirement to disclose impairment losses on right-of-use assets as it is not required by IFRS 16.

IFRS 16	106 (a) For ***finance leases***, a lessor shall disclose: (a) a reconciliation between the ***net investment*** in the lease at the end of the reporting period and the undiscounted lease payments receivable at the end of the reporting period. A lessor shall also disclose the undiscounted lease payments receivable at the end of the reporting period: (i) no later than one year from the reporting date; (ii) later than one year and up to five years from the reporting date; and (iii) later than five years from the reporting date. 107 (a) For ***operating leases***, a lessor shall disclose: (a) the future lease payments receivable: (i) no later than one year from the reporting date; (ii) later than one year and up to five years from the reporting date; and (iii) later than five years from the reporting date;	Do not amend the time buckets for the disclosure of lease payments receivable, contrast with paragraphs 94 and 97 of IFRS 16
IFRS 16	109 The disclosure requirements in paragraphs 100–108 for lessees and lessors also apply to sale and leaseback transactions. The required description of	Delete the proposed paragraph on sale and leaseback transactions as there is no equivalent in IFRS 16.

	significant leasing arrangements includes the description of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.	
IAS 2	128 (d) An entity shall disclose: (d) the amount of any write-down recognised or reversed in profit or loss as required by paragraph 34 of IAS 2; and	Amend the proposed requirements to match paragraph 36(e) - (f) of IAS 2.
IAS 7	133 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. Foreign exchange controls or legal restrictions could be an example of why cash and cash equivalents held by an entity may not be available for use by the entity.	Amend the proposed requirements to match paragraph 48 of IAS 7.
IAS 12	146 (e) An entity shall disclose separately the major components of ***tax expense (income)***. Such components of tax expense (income) may include: e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce tax expense;	Amend the proposed requirement to disclose the amount of benefit arising from a previously unrecognised tax loss as is required by paragraph 80(e) - (f) of IAS 12.

IAS 12	147 (e) An entity shall disclose separately: e) for each type of temporary difference and for each type of unused tax losses and unused tax credits: (i) the amount of deferred tax liabilities and deferred tax assets at the end of the reporting period; and (ii) an analysis of the change in deferred tax liabilities and deferred tax assets during the reporting period.	Amend the proposed requirement to disclose an 'analysis of the change in deferred tax liabilities' to match the requirement in paragraph 81(g)(ii) of IAS 12.
IAS 19	152 (d) Except for any multi-employer defined benefit plans that are accounted for as defined contribution plans by applying paragraph 34 of IAS 19, for which the disclosures in paragraph 151 apply, an entity shall disclose the following about defined benefit plans: (d) for each major class of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major class of plan assets constitutes of the fair value of the total plan assets at the reporting date;	Amend the proposed requirement to match the structure of the requirement in paragraph 142 of IAS 19 to disaggregate the fair value of plan assets into classes but retaining the examples in the ED.

IAS 19	152 (f) Except for any multi-employer defined benefit plans that are accounted for as defined contribution plans by applying paragraph 34 of IAS 19, for which the disclosures in paragraph 151 apply, an entity shall disclose the following about defined benefit plans: f) the principal actuarial assumptions used, including: (i) the discount rates; (ii) the expected rates of salary increases; (iii) medical cost trend rates; and (iv) any other material actuarial assumptions used.	Amend the proposed requirement as is required by paragraph 144 of IAS 19.
IAS 19	154 If an entity has more than one defined benefit plan, the disclosures required by paragraph 152 may be made in total, separately for each plan, or in groupings the entity considers to be the most useful.	Amend the proposed statement that disclosures "may be made in total, separately for each plan, or in groupings the entity considers to be most useful" to the requirement in paragraph 138 of IAS 19.
IAS 19	158 For each category of ***other long-term employee benefits*** that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date. 159 For each category of ***termination benefits*** that an entity provides to its	Delete these paragraphs that require disclosing information about other long-term employee benefits and termination benefits, not required by IAS 19.

	employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date.	
IAS 29	181 (c) An entity shall disclose: c) the amount of gain or loss on monetary items.	Delete the proposed requirement to disclose the amount of gain or loss on monetary items, not in paragraph 39 of IAS 29.
IAS 37	196 (a) For each class of provision, an entity shall disclose for the current period (comparative information for prior periods is not required): (a) a reconciliation showing: (i) the carrying amounts at the beginning and end of the period; (ii) additions during the period, including adjustments that result from changes in measuring the discounted amount; (iii) amounts charged against the provision during the period; and (iv) unused amounts reversed during the period;	Amend the proposed requirement to require the separate disclosure of "additional provisions made in the period" and paragraph 84(e) of IAS 37 as is required by paragraph 84 of IAS 37.
IAS 41	210 With respect to an entity's ***biological assets*** measured at fair value less ***costs to sell***, the entity shall disclose: (a) a description of each ***group of biological assets***. (b) a reconciliation of changes in the carrying amount of biological assets	Amend the paragraph to remove the reference to "biological assets" measured at FV less cost to sell since the requirements in paragraphs 41 and 50 of IAS 41.

	between the beginning and the end of the current reporting period. The reconciliation need not be presented for prior periods. The reconciliation shall include: (i) the gain or loss arising from changes in fair value less costs to sell; (ii) increases resulting from purchases; (iii) decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5; (iv) decreases resulting from ***harvest***; (v) increases resulting from business combinations; (vi) net exchange differences arising on the translation of financial statements into a different presentation currency and on the translation of a foreign operation into the presentation currency of the reporting entity; and (vii) other changes.	

18 In October 2023, the IASB tentatively decided to:

(a) to withdraw the proposed requirements in paragraphs 33, 54(c), 56(b), 100(c), 101, 109, 158, 159 and 181(c) of the Exposure Draft;

(b) to amend the proposed requirements in paragraphs 32, 53, 69(d), 76, 77, 128(d), 133, 146(e), 147(e), 152(d), 152(f), 154, 196(a) and 210 of the Exposure Draft to align their language with that used in the relevant disclosure requirements in the IFRS Accounting Standards in relation to which these proposals are reduced versions;

(c) to amend paragraph 38 of the Exposure Draft so that the proposed disclosure requirement in that paragraph is more consistent with the requirement proposed in paragraph 37; and

(d) to retain the language in the proposed requirements in paragraphs 36(e), 36(g), 92, 94, 98, 106(a) and 107(a) of the Exposure Draft.

EFRAG Secretariat analysis

19 The EFRAG Secretariat welcomes the IASB's decision in October 2023 to ensure that the language and structure used in the new reduced disclosure IFRS Accounting Standard is in line with the full IFRS Accounting Standards.

20 Moreover, some of the EFRAG recommendations were considered by the IASB staff. This is the case for the amendments in the ED to match paragraph 144 of IAS 19 and paragraph 84 of IAS 37.

21 However, updating the language might introduce different (or additional) disclosure requirements compared to those included in the ED. Changes to disclosure requirements should be actively decided by the IASB and made transparent. This would allow the various stakeholders to react to the IASB's tentative decisions. If the language is only updated during the drafting process, there is a risk that stakeholders will only become aware of the changes when the Standard is published. This could also cause problems in the endorsement process. Therefore, the consequences of updating the language should be analysed and made transparent before publication.

22 As the Standard (unlike full IFRS) only contains disclosure requirements, it might be important to note that the structure of the disclosure requirements should be easy to recognise. The readability and comprehensibility of the requirements can be facilitated by

subheadings, as in the ED. The respective subheadings in the full IFRS are sometimes less detailed, as the subheading "Disclosure" is sometimes used after a chapter.

23 In relation to the detailed requirements listed in paragraph 17 above, the EFRAG Secretariat agrees with nearly all of the IASB tentative decisions. The following topics should be further discussed from the Secretariat's point of view by EFRAG FR TEG members:

(a) IFRS 3 - par 36 (e) of the ED – The issue might request to balance the usefulness of information and the costs for the subsidiaries. Such disclosures might be different to those prepared for the purposes of the parent company.

For each business combination during the reporting period, the acquirer shall disclose:

- *the acquisition-date fair value of the total consideration transferred*
- *and a description of the components of that consideration (such as...*

(b) IFRS 3 - par 36 (g) of the ED - The issue might request to balance the usefulness of information and the costs for the subsidiaries. It should be noted: B64(i) of IFRS 3 requires disclosure of 'each major class'. The IASB tentatively decided in November 2021 to propose deleting the word 'major' from paragraph B64(i) of IFRS 3 as part of the Goodwill and Impairment project (see paragraphs 40-43 of Agenda Paper 18A of the September 2023 IASB meeting.

For each business combination during the reporting period, the acquirer shall disclose:

- *the amounts recognised at the acquisition date for each class of the acquiree's assets and liabilities*

(c) IAS 7 - par 133 of the ED - To inform about the ability to use the cash or cash equivalents by the group might depend on issues within the groups structure. The IASB explained that credit analysts might be the main users of the information. However, it might be useful to understand which balances can be transferred to the parent entity, but it might be challenging to prepare the information.

In general, there are three areas to discuss: Whether the information to be prepared should be only related to issues within the reporting entity. Disclosures related to the parent entities are normally not relevant for subsidiaries' reporting. As such, it is to be considered whether subsidiaries' specific reporting boundaries should be respected. It could be costly to prepare the information: Challenges could arise as e.g. covenants or other legal or regulatory requirements of intermediary parent entities may make the cash unavailable for transfer to the ultimate parent. To obtain such information could be complex and costly. Lastly, it should be noted that, while the proposed wording aligns IFRS 19 with IAS 7, this is a change to the disclosure requirements and not an update in the language, so it could be discussed separately.

Amend the proposed requirement to disclose the amount of significant cash and cash equivalent balances held by the entity that 'are not available for use by the entity' to those that 'are not available for use by the group' to match the requirement in paragraph 48 of IAS 7. Delete the sentence with examples as this is not present in IAS 7.

Questions for EFRAG FR TEG

24 Does EFRAG FR TEG have any comments on the IASB approach to updating the language of the disclosure requirements?

25 Does EFRAG FR TEG members have a view on the issues listed in paragraph 23? In addition, do EFRAG FR TEG members have further remarks to the topics listed in par. 17 above?

26 Does EFRAG FR TEG agree with the EFRAG Secretariat analysis?

Project plan for the Catch-up Exposure Draft

IASB proposal in the ED

27 The proposed disclosure requirements in the ED were developed considering all IFRS Accounting Standards issued as of 28 February 2021 and Exposure Drafts published as of 1 January 2021, except for the Exposure Draft General Presentation and Disclosures (PFS Standard).

EFRAG Final Comment Letter

28 In its FCL, EFRAG have few comments on the updating of the Standard. In terms of the cut-off date, EFRAG's view is that the IASB should proceed with caution with the inclusion of the ED published by the IASB as of 1 January 2021 (e.g., IASB's Exposure Draft ED/2020/4 Lease Liability in a Sale and Leaseback) in its consultation document to avoid the risk of double consultation on the same topic.

29 Moreover, EFRAG welcomed that the IASB will consider proposing amendments to the draft Standard whenever it publishes an Exposure Draft of a new or amended IFRS Accounting Standard.

Background - IASB discussions and tentative decisions until July

30 In June 2022, the IASB tentatively decided to include the disclosure requirements of IFRS Accounting Standards issued as of 28 February 2021 (cut-off date) and consider amendments to the disclosure requirements in IFRS Accounting Standards issued after 28

February 2021 after the reduced disclosures IFRS Accounting Standard is issued (in a catch-up ED).

31 In May 2023, the IASB tentatively decided that until the IASB issues an amendment to the prospective Standard, eligible subsidiaries would be required to comply with disclosure requirements in amendments to IFRS Accounting Standards that have been issued after the publication of the Exposure Draft.

32 In July 2023, the IASB discussed the effective date of, and transition to, the Accounting Standard. The IASB tentatively decided:

(a) to permit an eligible subsidiary to apply the Standard on 1 January 2027;

(b) to permit an eligible subsidiary to apply the Standard early and to require a subsidiary that elects to do so to disclose that fact; and

(c) to confirm the proposals (as set out in paragraphs 10–11 of the ED) about the comparative information that an eligible subsidiary would be required to provide when either electing to apply the Standard for the first time or electing not to apply the Standard in the current period.

33 The IASB also:

(a) confirmed that disclosure requirements issued in other IFRS Accounting Standards since the ED was developed remain applicable; and

(b) decided to specify the disclosures an eligible subsidiary is required to make if it applies the Standard early but does not apply the IFRS Accounting Standard General Presentation and Disclosures early.

IASB discussions and tentative decisions after July

34 In November 2023, the IASB staff informed the IASB members on the project plan for the Catch-up Exposure Draft. The IASB not had to make any decision on that.

35 New or amended Standards proposed or issued after 28 February 2021 will be divided in four groups:

(a) Group 1: Requirements issued between 28 February 2021 and the publication of the SwPA Exposure Draft in July 2021.

(b) Group 2: Requirements issued between publication of the SwPA Exposure Draft and issuing of the SwPA Standard. The projects are:

Project	Effective date	Remarks
Lack of Exchangeability (Amendments to IAS 21)	Annual reporting periods beginning on or after 1 January 2025	Exposed in April 2021 and issued in August 2023.
International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)	Annual reporting periods beginning on or after 1 January 2023	Exposed in January 2023 and issued in May 2023.
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	Annual reporting periods beginning on or after 1 January 2024	Exposed in November 2021 and issued in May 2023.
Non-current Liabilities with Covenants (Amendments to IAS 1)	Annual reporting periods beginning on or after 1 January 2024	Exposed in November 2021 and issued in October 2022.
Primary Financial Statements	Annual reporting periods beginning on or after 1 January 2027	Exposed in December 2019 and expected to be issued in H1 2024 before the SwPA Standard.

(c) Group 3: Requirements proposed between the publication of the SwPA Exposure Draft and the issuance of the SwPA Standard whose proposals are expected to be finalised and issued after the SwPA Standard is issued. However, there are two exemptions, Rate-regulated Activities and Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), that will be included in the catch-up ED.

Project	Remarks
Financial Instruments with Characteristics of Equity (Amendments to IAS 32, IFRS 7 and IAS 1)	Published in Q4 2023
Business Combinations—Disclosures, Goodwill and Impairment (Amendments to IFRS 3 and IAS 36)	Expected to be exposed in H1 2024
Rate-regulated Activities	The catch-up ED will propose disclosure requirements for rate-regulated

	activities (RRA) based on the ones tentatively agreed by the IASB for the new RRA standard.
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	As for the RRA, proposals will be included in the catch-up ED.

(d) Group 4: new or amended disclosure requirements expected to be proposed after the SwPA Standard is issued.

Project	Remarks
Equity method	The consultation document for the project is expected to be published in H2 2024
Dynamic risk Management	An Exposure Draft is expected in 2025

36 The first two Groups are the ones in the scope of the catch-up Exposure Draft. Disclosure requirements in Group 3 will be included in the ED of the new or amended Standards. The last one will be subject to the agreed maintenance approach that the IASB discussed in September 2023.

37 The IASB staff expectation is to publish the catch-up Exposure Draft within a few months from issuing IFRS 19.

38 Regarding the Primary Financial Statements (PFS) standard, the IASB staff approach would be:

(a) If the disclosure requirement was in IAS 1 and remains in PFS or is relocated to another Standard the IASB's proposals in the ED apply to IFRS 19.

(b) new or amended disclosure requirements in the PFS Standard will all apply to eligible subsidiaries.

39 The IASB will discuss the content of the 'catch-up' Exposure Draft in early 2024. After the catch-up the amendments to the SwPA Standard will be proposed and finalised at the same time as other IFRS Accounting Standards are amended or issued.

EFRAG Secretariat analysis

~~40~~ The EFRAG Secretariat welcomed that the IASB staff included an overview to all the Standards that still needs to be considered for a reduction of the disclosure requirements in the upcoming IFRS 19. The table in the Appendix with the Standard to amend is a useful clarification tool. Nevertheless, EFRAG Secretariat continue to suggest an implementation guidance for the companies that adopt the Standard because the subsidiaries applying the new standard might have the difficulty to understand for which IFRS Standard they will have to provide full disclosure and until when. To address the impact of early application (before application of the expected IFRS 18) might bring specific challenges related to the structure and implementation guidance, as IAS 1 disclosure requirements would still be applicable (see the following chapter).

41 The EFRAG Secretariat also welcomed that the PFS Standard will be issued before the SwPA Standard. This choice enables to avoid potential endorsement issues.

42 It is also important to highlight that the catch-up ED is published as soon as possible. To update the upcoming standard on a timely basis would be appreciated by the entities intending to apply. Changes at a later date should be reduced as good as possible. Entities would appreciate to being able to prepare the systems for the potential approach.

Questions for EFRAG FR TEG

43 Does EFRAG FR TEG have any comments on the updating timeline proposed by the IASB staff?

44 Does EFRAG FR TEG have any comments on the project plan for the Catch-up Exposure Draft?

Sweep issues – approach to updating the Exposure Draft for the disclosure requirements in the PFS Standard

IASB proposal in the ED

45 The ED was developed by considering the disclosure requirements included in all IFRS Accounting Standards issued as at 28 February 2021 and Exposure Drafts published as at 1 January 2021, except for the ED *General Presentation and Disclosures*.

46 Therefore, the ED included proposed disclosure requirements based on IAS 1.

Background

47 The future IFRS Accounting Standard *Presentation and Disclosure in Financial Statements* (PFS Standard) is expected to be published in the first half of 2024 and precedes the publication of the SwPA Standard.

48 The forthcoming PFS Standard will replace IAS 1 *Presentation of Financial Statements* and will make consequential amendments to other IFRS Accounting Standards (e.g., IAS 8).

49 Both the PFS and SwPA Standard have the same implementation date of 1 January 2027, with an earlier application permitted.

50 The IASB will publish an Exposure Draft for new or amended disclosure requirements in other IFRS Accounting Standards after 28 February 2021 (as tentatively decided by the IASB in June 2022) and will also include new or amended disclosure requirements in the PFS Standard.

51 In July 2023, the IASB has outlined the approach about how the proposed disclosure requirements in the Subsidiaries ED will be updated to incorporate the disclosure requirements of the PFS Standard in the 'catch-up ED'. During the same meeting, the IASB also specified the disclosure requirements for subsidiaries that elect to early-apply the SwPA Standard but not the PFS Standard (IASB AP31A, July 2023).

IASB staff recommendation

52 In the December 2023 IASB agenda paper (AP31), the IASB staff has recommended how to implement the general approach (as outlined by the IASB in July 2023 – please refer to paragraph 51 of this paper) on how to update the proposed IAS 1 disclosure requirements in the ED, with the new or amended disclosure requirements and consequential amendments to other IFRS Accounting Standards under the PFS Standard.

53 The recommended general approach is summarised below and categorised based on 'retained', 'relocated' IAS 1 disclosure requirements and new PFS Standard disclosure requirements:

(a) **'retained' IAS 1 disclosure requirements that were proposed in the Subsidiaries ED**: These IAS 1 requirements include disclosures that were 'retained' in the PFS Standard. Since these disclosure requirements were included in the Subsidiaries ED would be also included in the SwPA Standard under the PFS Standard subheading.

(b) **'relocated' IAS 1 disclosure requirements that were proposed in the Subsidiaries ED**: These IAS 1 requirements include disclosures that were relocated from IAS 1 to IFRS 7 *Financial Instruments* or IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Since these disclosure requirements were included in the Subsidiaries ED would be also included in the SwPA Standard and would be relocated from subheading IAS 1 to the corresponding IFRS 7/IAS 8 subheading.

(c) **IAS 1 disclosure requirements that were not proposed in the Subsidiaries ED**: These requirements would not be included in the SwPA Standard, since they were not proposed in the Subsidiaries ED.

(d) **new PFS Standard disclosure requirements**: These requirements would be included in the SwPA Standard in full, since the IASB has not yet made tentative decisions on whether to reduce them.

54 However, some situations were noted where the general approach is not straightforward and judgement should be applied. These cases relate to 'retained' or 'relocated' IAS 1 disclosure requirements, as set out in paragraph 53(a) and 53(b) of this paper. Examples can be found in Appendix A of AP31, December 2023.

55 In particular, judgement should be applied to IAS 1 disclosure requirements that have undergone:

(a) **changes to the nature of a requirement** (e.g., change from a disclosure requirement to presentation requirement). These would be excluded from the SwPA Standard, since they are not anymore disclosure requirements;

(b) **changes to the information that should be disclosed** (e.g., guidance on how to apply the requirements). These would be excluded from the SwPA Standard which is in line with the IASB's tentative decision in April 2023 to exclude guidance on how to apply the disclosure requirements.

EFRAG Secretariat analysis

56 The EFRAG Secretariat welcomes the IASB staff's recommendation on the general approach on how to include in the catch-up ED the disclosure requirements in the PFS Standard. However, for those cases where judgment should be applied (as outlined in paragraph 55 of this paper), the EFRAG Secretariat highlights that:

(a) It should be ensured that there would be no loss of disclosures, especially for those requirements that have been changed from disclosure to presentation requirements and are therefore excluded from the SwPA Standard;

(b) It should be ensured that Appendix A of AP31 includes a comprehensive list of requirements where judgement should be applied to updating the ED;

(c) It should be ensured that all relevant relief requirements are also included in the SwPA Standard, similar to paragraph 128 of IAS 1, which was not previously included in the ED.

57 In addition, as previously noted by the EFRAG Secretariat, even though the implementation dates of the PFS and SwPA Standards are aligned, there could be temporary issues until the catch-up ED is published. In particular, when entities elect to early apply the Subsidiries Standard and not the PFS Standard. More specifically, the EFRAG Secretariat would like to express concerns related to the fact that entities would need to refer to the Appendix of the Standard, rather than the main body, which could be confusing. This is expected to impact a significant number of entities, as they are incentivised to early-apply the SwPA Standard which provides relief.

58 Therefore, in the EFRAG Secretariat's view, the IASB should provide application guidance (or guidance in the Basis for Conclusion) to avoid confusion among the stakeholders, particularly on which disclosures to apply when an entity decides to early adopt the SwPA Standard. There could be educational material published specifically for such type of situations. This application guidance should describe the disclosure requirements that should be applied in case of early adoption of other IFRS Accounting Standards together with early adoption of the reduced disclosures IFRS Standard and for how long (e.g., early adoption of IFRS 18 and IFRS 19).

59 In addition, the EFRAG Secretariat acknowledges that this issue will be addressed after the publication of the catch-up ED, and hence would like to highlight the need for its publication as soon as possible, as noted previously in paragraph 42 of this paper.

Questions for EFRAG FR TEG

60 Does EFRAG FR TEG have any comments on the IASB approach to updating the ED for the disclosure requirements for the PFS Standard?

61 Does EFRAG FR TEG agree with the EFRAG Secretariat analysis?