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## Technical Work Plan December 2023 - June 2024

### Objective

- 1 The objectives of this session are for the 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 FRB 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 FRB 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 FRB members, but no action is expected from the EFRAG FRB (decision reconfirmed in the meeting on 3 May 2023).
- 5 At its meeting in September 2016, the EFRAG FRB 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 FRB review 13 July (updated as of 12 December)

- 6 The IASB published:
  - (a) Amendments to IAS 21 – Lack of Exchangeability. Effective date 1 January 2025
  - (b) Exposure Draft: Annual Improvements to IFRS Accounting Standards—Volume 11. Comment deadline was 11 December 2023. EFRAG submitted its comment letter on 8 December 2023.
  - (c) Exposure Draft: Financial Instruments with Characteristics of Equity. Proposed amendments to IAS 32, IFRS 7 and IAS 1. Comment deadline 29 March 2024
- 7 The IASB added to its work plan:
  - (a) Power Purchase Agreements. IASB is to have educational session on own use and hedge accounting in January 2024. Timing of ED currently not known.
  - (b) Updating the Subsidiaries without Public Accountability: Disclosures Standard. An ED is expected in H1 2024

- 8 The IASB withdrew from its work plan:
- (a) Extractive Activities was withdrawn on 7 December 2023.
  - (b) Business Combinations Under Common Control (BCUCC): The IASB decided in November 2023 to discontinue the project. A Project Summary is expected in Q2.
- 9 The IASB specified the timing for several publications/projects:
- (a) Disclosure Initiative – Subsidiaries without public Accountability: Disclosures: The standard is now expected in Q2 2024.
  - (b) Financial Instruments with Characteristics of Equity: ED feedback is expected in Q2 2024.
  - (c) Primary Financial Statements: The Standard is now expected in Q2 2024.
  - (d) Management Commentary: The project direction will now be decided in Q2 2024.
  - (e) Business Combinations – Disclosures, Goodwill and Impairment: An ED is now expected in Q1 2024.
  - (f) Amendments to the Classification and Measurement of Financial Instruments: Amendments to IFRS 9 and IFRS 7 is now expected in Q2 2024.
  - (g) Annual Improvements to IFRS Accounting Standards (several minor projects): The ED Feedback is now expected in Q1 2024.
  - (h) Climate-related and Other Uncertainties in the Financial Statements: Decision on Project direction is expected in Q1 2024.
  - (i) Equity Method: An ED is now expected in H2 2024.
  - (j) Provisions – Targeted Improvements: The IASB is expected to issue an Exposure Draft in H2 2024.
  - (k) Post-implementation Review of IFRS 9 – Impairment: A Project Summary is now expected in H2 2024.
  - (l) Post-implementation Review of IFRS 15 Revenue from Contracts with Customers: Request for Information Feedback is expected in January 2024.
  - (m) Post-implementation review of IFRS 16 Leases project initiation is expected in Q2 2024.

### Basis of preparation of the workplan

#### *Sessions to Update the EFRAG FRB*

- 10 The IASB projects currently active are mostly in the re-deliberation phase, following the outcome of a consultation on the ED (or RFI). Considering the prioritisations given by EFRAG FRB in its meeting 11 September 2023, the EFRAG Secretariat is actively following the process per each project and performing activities: 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 FRB 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*

- 11 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 16, IAS 12 – International Tax Reform Phase 2).

*EFRAG proactive agenda*

- 12 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 newly initiated active projects are on the connectivity between financial and sustainability reporting, and cash flow reporting. EFRAG FRB also approved the addition to a reserve list projects on pollutant pricing mechanisms and operating segment reporting. Furthermore, in respect of the research projects from the earlier proactive workplan, the consultation period of the variable consideration discussion paper closed on 30 November and a feedback statement is expected in Q2 2024.

*Attachment 2*

- 13 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. The timing presented in the attachment 2 is an estimate and may change over time.

**Questions for the EFRAG FRB**

- 14 Does the EFRAG FRB have any comments on the technical work plan?

**Proposal to add project to list of significant projects**

*Power Purchase Agreements*

- 15 In July 2023, the International Accounting Standards Board (IASB) decided to add a project to its work plan to research whether feasible narrow-scope amendments to IFRS 9 could be made for power purchase agreements. The EFRAG Secretariat has received feedback from European constituents that PPAs are considered an important topic. As a result, EFRAG Secretariat has taken an active position and developed a principle-based proposal to a set of minor but important amendments to paragraphs in IFRS 9 and IFRS 7. As EFRAG is in an active position, EFRAG Secretariat finds it appropriate to add the project to the list of significant projects.

*Updating the Subsidiaries without Public Accountability: Disclosures*

- 16 The IASB undertook the Disclosure Initiative project in response to the demand for a simplified and less costly approach for subsidiaries that are SMEs. The IFRS is expected to be published in H1 2024. In developing the reduced disclosure requirements in the new IFRS Accounting Standard Subsidiaries without Public Accountability: Disclosures, the IASB considered the disclosure requirements in other IFRS Accounting Standards as at 28 February 2021. When the new Standard is issued, it will not contain reduced versions of any disclosure requirements that were added or amended after that date. That would include IFRS 18 or Supplier Finance Arrangements. Consequently, the IASB will consult by publishing an exposure draft setting out whether and how to reduce these post-28 February 2021 additions and amendments to disclosure requirements in the new Standard.
- 17 As the exposure draft would cover changes to disclosure requirements on projects that are classified being significant by the FRB, we propose to classify the project as being significant.

**Questions for the EFRAG FRB**

- 18 Does the EFRAG FRB agree to classify Power Purchase Agreements as a significant project?

19 Does the EFRAG FRB agree to classify Updating the Subsidiaries without Public Accountability: Disclosures as a significant project?

## Attachment 1: Basis for classifying projects as significant

### *Financial Instruments with Characteristics of Equity*

- 20 Given the potential impact of this project, especially for financial institutions, the EFRAG Board decided in 2017 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.

### *Primary Financial Statements*

- 21 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.

### *Business Combinations - Disclosures, Goodwill and Impairment*

- 22 The EFRAG Board decided in March 2018 to consider this project in a public meeting, given the significant work undertaken by EFRAG in recent years.

- 23 In 2022, the IASB has decided to continue with an impairment only model. The IASB has decided to bring the project to a standard setting level.

### *Management Commentary*

- 24 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.

### *Dynamic risk management*

- 25 The IASB has tested in 1H 2021 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 macro hedge) is also linked to the use of the carve-out. The EFRAG FRB agreed in the October 2020 meeting to classify the project as being significant.

- 26 In June 2022, the IASB decided to add the project to its standard setting projects and an ED is expected in 2025.

### *Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures*

- 27 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 FRB decided to discuss the key aspects of this project, based on the importance and implications of the project in some European jurisdictions. EFRAG FRB 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.

- 28 In its June Meeting 2022 the IASB decided to issue an IFRS Accounting Standard.

### *Provisions - Targeted Improvements*

- 29 At its December 2023 meeting, the IASB decided to issue an Exposure Draft on its targeted improvements to IAS 37. The Exposure Draft is expected to be issued in H2 2024. The

targeted improvements will align the definition of a liability with that in the Conceptual Framework, clarify which cost to be included in measuring a liability as well as which discount rate to use when measuring the liability. Due to the broad application of IAS 37, EFRAG FRB in March 2022 decided to be updated on the project to amend IAS 37.

#### *Rate-regulated Activities*

- 30 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.

#### *Amendments to the Classification and Measurement of Financial Instruments*

- 31 Following the PIR IFRS 9 - Classification and Measurement the IASB on 21 March 2023 issued an ED Amendments to the Classification and Measurement of Financial Instruments with a comment deadline of 19 July 2023. The ED propose to (a) clarify the requirements for assessing a financial asset's contractual cash flow characteristics (relevant among others for financial assets with ESG-linked features and contractually linked instruments), (b) provide extended disclosure requirements for equity instruments at FVOCI and (c) introduce an accounting policy choice to allow an entity to derecognise a financial liability before it delivers cash on the settlement date when specified criteria are met.
- 32 ESG lending is of great importance for European banks. The EFRAG FRB agreed in the October 2022 meeting to classify the project as being significant.

#### *Climate-related and Other Uncertainties in the Financial Statements*

- 33 Following the 2021 IASB Third Agenda consultation, the IASB added a project on climate-related risk in financial statements to its maintenance workplan. EFRAG's own agenda consultation had similarly identified the connection between financial reporting and sustainability reporting with an initial focus on climate-related risks to be of high priority to European stakeholders and the connectivity project was approved by the EFRAG FRB to be added to the EFRAG proactive research agenda.
- 34 In March 2023, the IASB initiated this project and will research to what extent its educational material published in 2020 is helping companies reflect climate-related risks in financial statements, and what actions, if any, it could take to improve information on these matters. Correspondingly, EFRAG considers this project to be part of the suite of its connectivity-related workstreams and, as a result, it is a significant project.

Technical Work Plan December 2023 - June 2024

**Attachment 2: Work plan December 2023 - June 2024**

**Legend**

**Bold** = EFRAG FRB decision point

**WP** = Written procedure

**DP** = Discussion paper

**ED** = Exposure draft

**DCL** = Draft comment letter

**FCL** = Final comment letter

**DEA** = Draft endorsement advice

**FEA** = Final endorsement advice

Project (IASB next steps in brackets)	Most recent status		EFRAG FRB meeting dates scheduled next 6 months								
			<b>8 January</b> (Online meeting)	<b>30 January</b> (Online meeting)	<b>28 February</b> (Half-day physical meeting joint with SRB)	<b>29 February</b> (Physical meeting)	<b>22 March</b> (Online meeting)	<b>30 April</b> (Online meeting)	<b>15 May</b> (Physical joint with FR TEG)	<b>25 June</b> (Online meeting)	<b>26 June</b> (Online meeting joint with SRB)
Rate-regulated Activities (IFRS Standard 2025)	ED DCL April 2021	ED FCL Sept 2021				Update					
Disclosure Initiative - Subsidiaries without Public Accountability	ED DCL Sept 2021	ED FCL Feb 2022					Update			Endorsement Process Approach	

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(IFRS Standard Q2 2024)												
Financial Instruments with Characteristics of Equity (ED Feedback Q2 2024)	DP DCL Aug 2018	DP FCL Feb 2019	<b>DCL</b>					<b>FCL</b> in an additional meeting 27 March				
Primary financial statements (IFRS Standard Q2 2024)	ED DCL Feb 2020	ED FCL Nov 2020			Update						Endorsement Process Update	
Management Commentary Practice Statement	ED DCL	ED FCL										



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(Decide Project Direction Q2 2024)	July 2021	Dec 2021										
Dynamic Risk Management (ED 2025)	Summary report about Core model Outreach June 2021										Update	
Business Combinations - Disclosures, Goodwill and Impairment (ED Q1 2024)	DP DCL May 2020	DP FCL Jan 2021			Update							

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Business Combinations Under Common Control (Project summary Q2 2024)	DP DCL Feb 2021	DP FCL Oct 2021				Update on IASB project summary						
Provisions - Targeted Improvements (Decide Project Direction December 2023)												
Amendments to the Classification and Measurement	ED DCL									DEA		

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of Financial Instruments (Amendments Q2 2024)												
<b>IASB PROJECTS BY WRITTEN PROCEDURE: Implementation</b>												
Lack of Exchangeability (Amendments to IAS 21 August 2023)	ED DCL June 2021	ED FCL Sept 2021	<b>FEA (written procedure)</b>									
Climate-related and Other Uncertainties in the Financial Statements (Decide project)					Update							

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direction Q1 2024)												
Equity Method (ED H2 2024)												
Annual Improvements to IFRS Accounting Standards (ED feedback Q1 2024)											DEA (written procedure)	
Power Purchase Agreements (Discuss Feedback December 2023)												
Updating the Subsidiaries												

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without Public Accountability : Disclosures (ED H1 2024)												
<b>IASB PROJECTS: Research</b>												
<b>IASB Post Implementation Review</b>												
PIR IFRS 9 - Impairment (Project Summary H2 2024)												
PIR IFRS 15 - Revenue Recognition (RFI Feedback January 2024)												
<b>EFRAG proactive agenda 2022/2026</b>												

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EFRAG research Better Information on Intangibles	Recommendations and feedback statement issued in April 2023											
EFRAG research Crypto-assets	Recommendations and feedback statement issued in											

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	April 2022											
EFRAG Research Variable Consideration	DP published Sept 2022					Update						
EFRAG Research Connectivity between financial and sustainability reporting					Update							
EFRAG Research Cash Flow Reporting									Update			
EFRAG Research Reserve list												

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project Pollutant Pricing Mechanism												
EFRAG research Reserve list project Operating Segment									Update			
EFRAG Research New evidence on the relevance of recycling FVOCI gains and losses											Update on finding from 2023 reporting	