

This paper provides the technical advice from EFRAG FR TEG to the EFRAG FRB, following EFRAG FR TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG FRB. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in EFRAG Update. EFRAG positions as approved by the EFRAG FRB are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

## Technical Work Plan June 2023 - December 2023

### 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

- 6 The IASB published its RFI PIR IFRS 9 ECL.
- 7 The IASB specified the timing for several publications/projects:
  - a. PFS - The Standard is now expected in 2024.
  - b. Subsidiaries without Public Accountability: Disclosures - The Standard is now expected in 2024 (after PFS).
  - c. Business Combinations - Disclosures, Goodwill and Impairment - The ED is now expected in H1 2024.
  - d. Dynamic Risk Management - The ED is now expected in 2025.
  - e. Equity Method - The ED is now expected in 2024.

- f. FICE - The ED is now expected in Q4 2023 (instead of H2 2023).
- g. Management Commentary: The project direction will now be decided in H2 2023.
- h. Rate Regulated Activities - The Standard is now expected in 2025.
- i. PIR IFRS 9 - ECL: RFI Feedback is now expected for Q4 2023.
- j. PIR IFRS 15- Revenue from Contracts with Customers: RFI Feedback is now expected for Q4 2023.
- k. BCUCC - The project direction will now be decided in Q3 2023.
- l. Extractive Activities - The project direction will now be decided in Q3 2023.
- m. Amendments to the Classification and Measurement of Financial Instruments - ED Feedback will now be discussed in Q3 2023.
- n. Annual Improvements to IFRS Accounting Standards (several minor projects) - The ED(s) are now expected in Q3 2023.
- o. Climate related Risks - Review Project direction after current ongoing outreach is expected in Q4 2023.
- p. Lack of Exchangeability (Amendments to IAS 21) is now expected in August 2023.
- q. Provisions - Targeted Improvements - The project direction will now be decided in H2 2023.

### **Basis of preparation of the workplan**

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

- 8 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 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*

- 9 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).

#### *EFRAG proactive agenda*

- 10 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 projects on pollutant pricing mechanisms and operating segment reporting.

*Attachment 2*

- 11 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**

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

**Attachment 1: Basis for classifying projects as significant**

*Financial Instruments with Characteristics of Equity*

- 13 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*

- 14 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.
- 15 EFRAG Secretariat is closely monitoring the developments of the IASB project.

*Business Combinations - Disclosures, Goodwill and Impairment*

- 16 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.
- 17 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. The IASB has largely made its tentative decisions related to disclosure requirements on synergies expected from a BC and information about subsequent performance of BC. The IASB is now looking at possibilities to simplify and improve the impairment test.

*Business Combination under Common Control*

- 18 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. The EFRAG Board decided in June 2020 to consider this project in public meetings.

*Management Commentary*

- 19 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. Following the formation of the ISSB, the Chairs of the IASB and the ISSB have committed to considering opportunities to address similarities and differences between the IASB's proposals in the

Management Commentary project and the Integrated Reporting Framework. As part of the ISSB agenda consultation, the IFRS Foundation is seeking views on whether and how a project on integration in reporting could build on the work done on the Management Commentary project, analyse the feedback on the IASB's proposals on this project and explore similarities and differences between those proposals and the Integrated Reporting Framework.

*Dynamic risk management*

- 20 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 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.
- 21 In June 2022 the IASB decided to add the project to its standard setting projects.

*Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures*

- 22 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.
- 23 In its June Meeting 2022 the IASB decided to issue an IFRS Accounting Standard.
- 24 EFRAG Secretariat is monitoring the developments of the IASB project.

*Supplier Finance Arrangements*

- 25 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 FRB agreed in the July 2021 meeting to classify the project as being significant.
- 26 In March 2022 EFRAG submitted its comment letter on the ED to the IASB. EFRAG Secretariat is monitoring the developments of the IASB project. The IASB decided in its Meeting in November 2022 to issue an Amendment in H1 2023 (now May 2023) with an application date for any period on or after 1 January 2024.
- 27 EFRAG Secretariat is preparing the endorsement advice.

*Provisions - Targeted Improvements*

- 28 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 FRB in March 2022 decided to be updated on the project to amend IAS 37.

*Rate-regulated Activities*

- 29 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.
- 30 In Q4 2021 the IASB was updated on constituents' feedback to the ED and in December it decided on its redeliberation plan with a prioritisation of the three topics that were of significant concern (scope, total allowed compensation and discount rate applied for regulatory assets). In 2022, the IASB commenced its redeliberations and has held seven meetings, consulted its Rate-regulation Consultative working group three times, and discussed the topic at ASAF two times. In these meetings, the IASB has focused on the scope and total allowed compensation and has largely completed its redeliberation and tentative decisions on scope. The IASB redeliberations on scope, total allowed compensation, discount rate and ten other topics will continue in 2023 and 2024 and a final Standard is expected in 2025.
- 31 EFRAG Secretariat is monitoring the developments of the IASB project and, in March, April, July, September, November and December 2022, has had update sessions with the EFRAG FR TEG-CFSS, EFRAG RRAWG, EFRAG TEG and EFRAG FRB. EFRAG is supporting an IASB staff outreach to preparers on the features of different regulatory schemes. Updates to EFRAG FR TEG-CFSS, EFRAG RRAWG, EFRAG TEG and EFRAG FRB have also occurred in 2023.

*Amendments to the Classification and Measurement of Financial Instruments*

- 32 Following the PIR IFRS 9 - Classification and Measurement the IASB has 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.

- 33 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.
- 34 EFRAG Secretariat is preparing a Draft CL for EFRAG FRB approval at the 20 June 2023 meeting.s

*International Tax Reform – Pillar Two Model Rules Text*

- 35 In December 2022 the EFRAG FRB considered the project being significant, given the level of complexity and potential significant accounting impact. EFRAG FRB requested to discuss the DCL, FCL, DEA and FEA in meetings and to follow a fast-track process.
- 36 EFRAG Secretariat organised extensive outreach for the IASB to collect feedback for the final comment letter. The comment letter was submitted on 13 March to the IASB. The endorsement advice was sent to the EC within 10 days after the publication of the amendments on 2 June 2023. The IASB will add soon a project to its workplan to reconsider the temporary exception to recognise deferred taxes and not disclose information deferred tax information related to the resulting top-up tax.

*Climate-related risk in financial statements*

- 37 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 risk 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.
- 38 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. At the April 2023 IFASS meeting, the IASB Chair highlighted that the scope of the project may be re-oriented to focus on long-term risks in financial statements and may thus capture a wider set of risks (including but not limited to climate-risk) that are currently not being reflected in financial statements. 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. EFRAG is doing outreach via a survey questionnaire to CFSS members and its working groups with members in highly-impacted sectors (IAWG, FIWG and RRAWG).

*Technical Work Plan June 2023 - December 2023*

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

**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					
			13 July	3 October	7 November	19 December
Rate-regulated Activities (IFRS Standard 2025)	ED DCL April 2021	ED FCL Sept 2021	Update		Update	
Disclosure Initiative - Subsidiaries without Public Accountability (IFRS Standard 2024)	ED DCL Sept 2021	ED FCL Feb 2022			Update	
Financial Instruments with Characteristics of Equity (ED Q4 2023)	DP DCL Aug 2018	DP FCL Feb 2019	Update		<b>DCL</b>	

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Project (IASB next steps in brackets)	Most recent status					
			13 July	3 October	7 November	19 December
Primary financial statements (IFRS Standard 2024)	ED DCL Feb 2020	ED FCL Nov 2020		Update		
Management Commentary Practice Statement (Decide Project Direction H2 2023)	ED DCL July 2021	ED FCL Dec 2021				
Dynamic Management Risk (ED 2025)	Summary report about Core model Outreach June 2021					
Business Combinations - Disclosures, Goodwill and Impairment (ED H1 2024)	DP DCL May 2020	DP FCL Jan 2021		Update		
Business Combinations Under Common Control (Decide Project Direction Q3 2023)	DP DCL Feb 2021	DP FCL Oct 2021	Update			



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Project (IASB next steps in brackets)	Most recent status					
			13 July	3 October	7 November	19 December
Supplier Finance Arrangements (Amendments issued May 2023)	ED DCL Jan 2022	FCL March 2022	<b>DEA</b>	<b>FEA</b>		
Provisions - Targeted Improvements (Decide Project Direction H2 2023)						
Amendments to the Classification and Measurement of Financial Instruments (ED feedback Q3 2023)	ED DCL		<b>FCL (add. Meeting)</b>			Update
International Tax Reform - Pillar Two Model (Amendments May 2023)  Phase Two is coming soon	ED FCL Mar 2023	FEA June 2023				
<b>IASB PROJECTS BY WRITTEN PROCEDURE: Implementation</b>						

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Project (IASB next steps in brackets)	Most recent status					
			13 July	3 October	7 November	19 December
Lack of Exchangeability (Amendments to IAS 21 August 2023)	ED DCL June 2021	ED FCL Sept 2021		<b>DEA</b> (written procedure)		
Climate-related Risks in the Financial Statements (Review Research Q3 2023)				Update		
Equity Method (ED 2024)						
Annual Improvements: Hedge Accounting by a First-time Adopter (IFRS 1)(ED Q3 2023)					DCL (written procedure)	
Annual Improvements: Determination of a 'De Facto Agent' (IFRS 10) (ED Q3 2023)					DCL (written procedure)	
Annual Improvements: disclosure of deferred difference between FV and Transaction price (IE IFRS 7)(ED Q3 2023)					DCL (written procedure)	

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Project (IASB next steps in brackets)	Most recent status					
			13 July	3 October	7 November	19 December
Annual Improvements: Transaction Price (IFRS 9) (ED Q3 2023)					DCL (written procedure)	
Annual Improvements: Cost Method (IAS 7) (ED Q3 2023)					DCL (written procedure)	
Annual Improvements: Gain or Loss on Derecognition (IFRS 7) (ED Q3 2023)					DCL (written procedure)	
Annual Improvements: Credit Risk Disclosures (IFRS 7) (ED Q3 2023)					DCL (written procedure)	
Annual Improvements: Lessee Derecognition of Lease Liabilities (IFRS 9) (ED Q3 2023)					DCL (written procedure)	
<b>IASB PROJECTS: Research</b>						
Extractive activities (Decide project direction Q3 2023)						
<b>IASB Post Implementation Review</b>						

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Project (IASB next steps in brackets)	Most recent status					
			13 July	3 October	7 November	19 December
PIR IFRS 9 - Impairment (RFI Feedback Q4 2023)						
PIR IFRS 9 - Hedge Accounting						
PIR IFRS 15 - Revenue Recognition (RFI June 2023)						
<b>EFRAG proactive agenda 2022/2026</b>						
EFRAG research Better Information on Intangibles	Recommendations and feedback statement issued in April 2023					
EFRAG research Crypto-assets	Recommendations and feedback statement issued in April 2022					
EFRAG Research Variable Consideration	DP published Sept 2022					

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Project (IASB next steps in brackets)	Most recent status					
			13 July	3 October	7 November	19 December
EFRAG Research Connectivity between financial and sustainability reporting				Update		
EFRAG Research Cash Flow Reporting					Update	
EFRAG Research Reserve list project Pollutant Pricing Mechanism						
EFRAG research Reserve list project Operating Segment						
EFRAG Research New evidence on the relevance of recycling FVOCI gains and losses						