

# IFRS 18

## PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

### ENDORSEMENT PLAN

15 May 2024, Brussels

EFRAG Project Team



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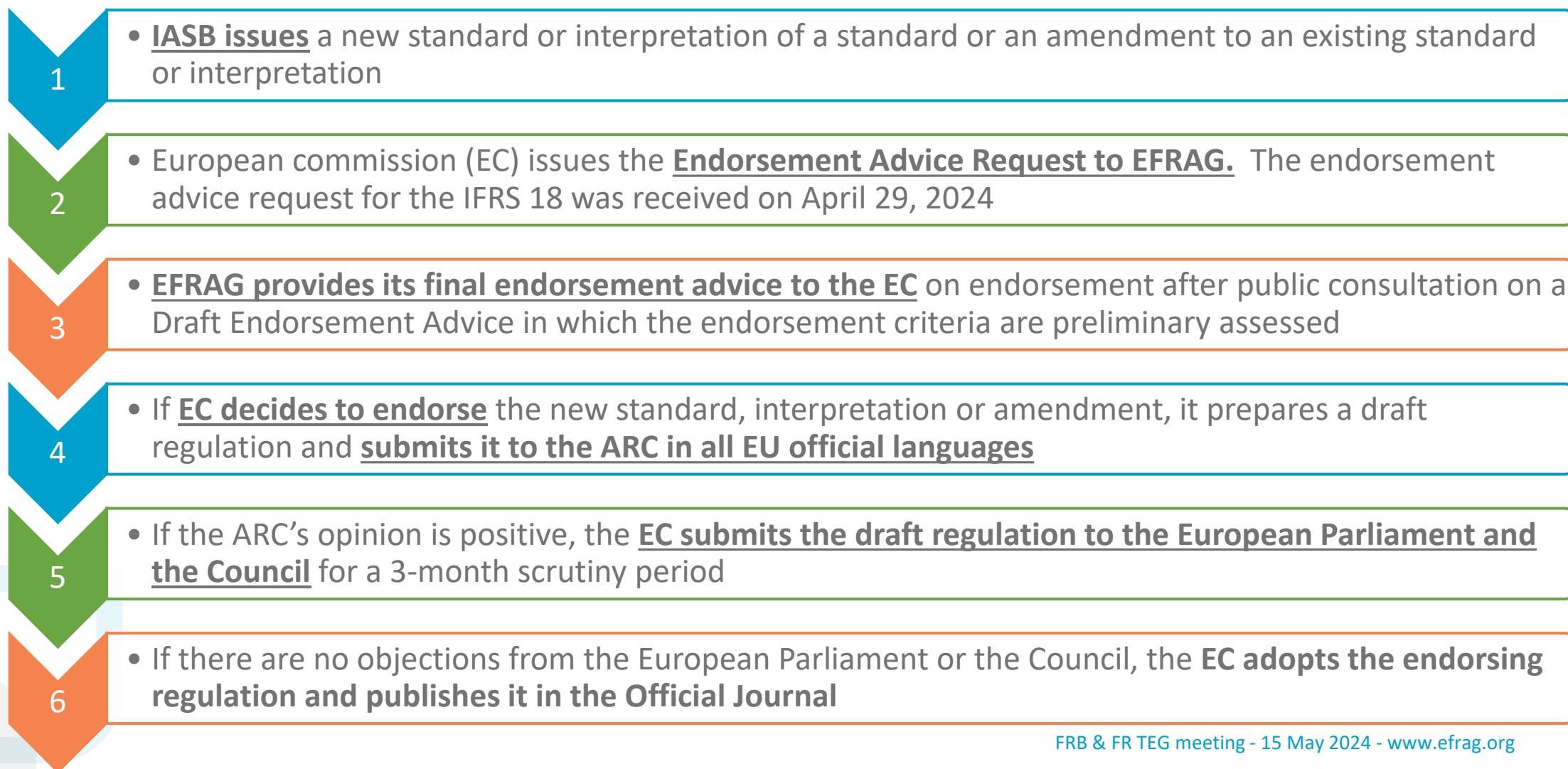
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## OVERVIEW

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## IFRS ENDORSEMENT PROCESS (reminder)



## IFRS ENDORSEMENT CRITERIA (reminder)

IFRS 18 was published in April 2024 and will be effective for annual reporting periods beginning on or after 1 January 2027, with earlier application being permitted, subject to the adoption in the EU.

[Regulation \(EC\) No 1606/2002](#) (IAS Regulation) establishes the criteria for the IFRS Accounting Standards to be adopted in the EU.

### Technical endorsement criteria

- Relevance
- Reliability including prudence
- Comparability
- Understandability
- True and Fair view

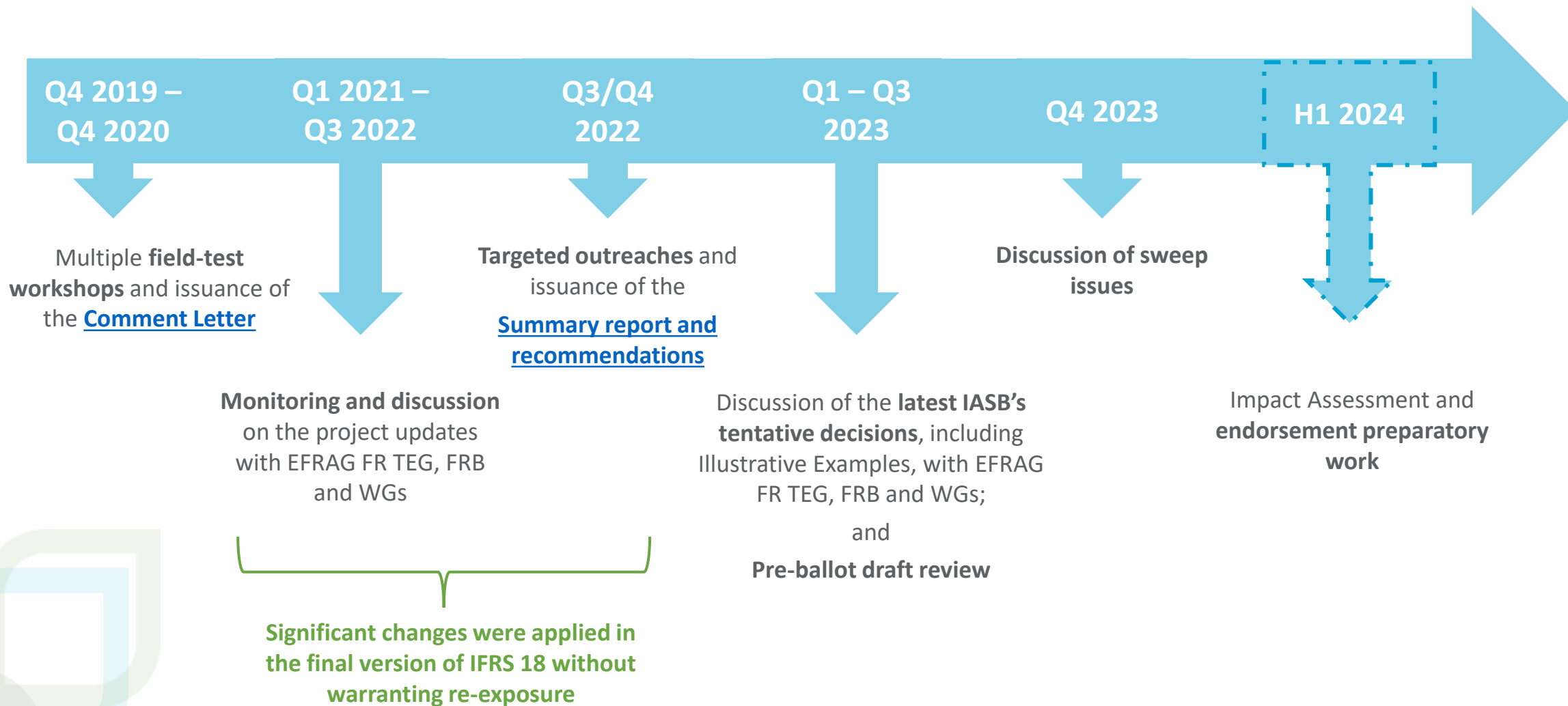
### European public good criteria

- Potential effect on EU economy (financial stability, competitiveness)
- Potential effects on stakeholders
- Costs and benefits analysis

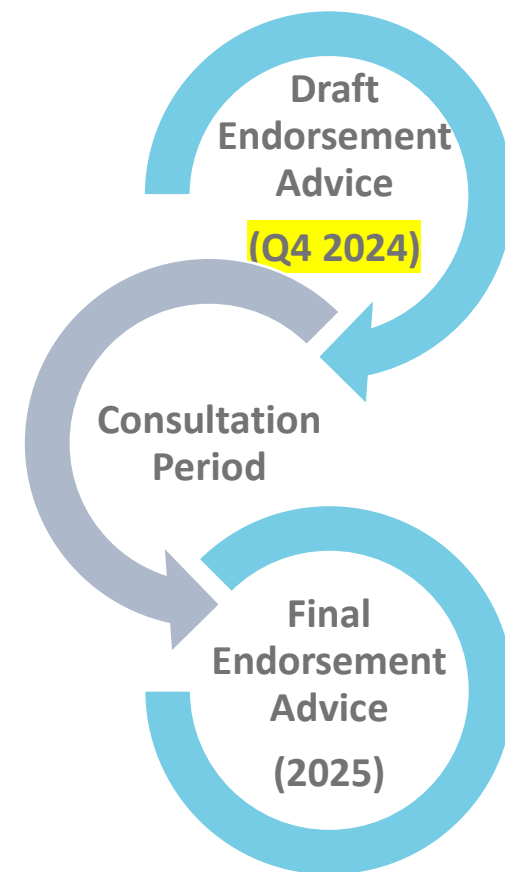
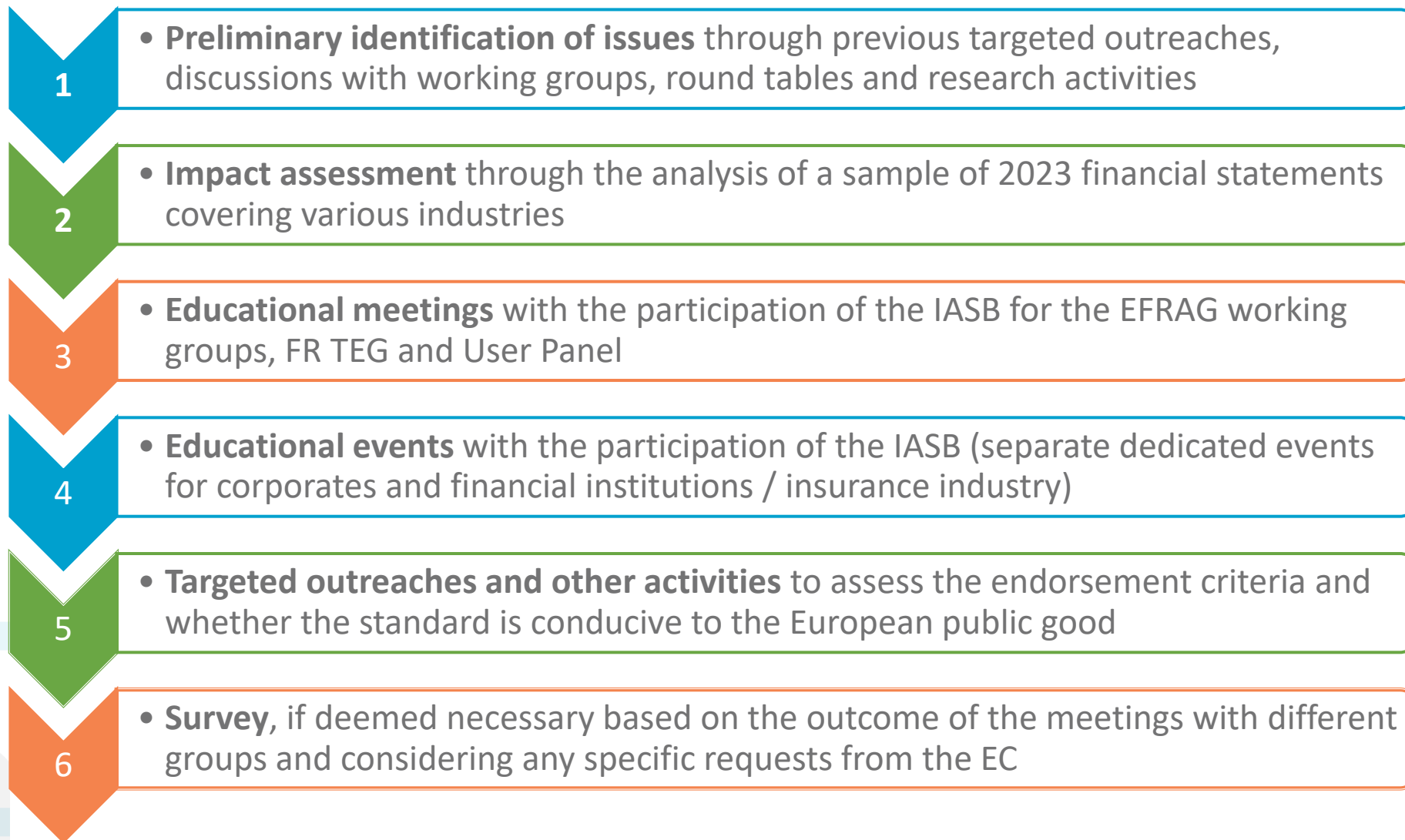
### Other criteria

- No other criteria were requested by the EC

# KEY EFRAG ACTIVITIES RELEVANT FOR THE UPCOMING ENDORSEMENT PHASE (sources of information)

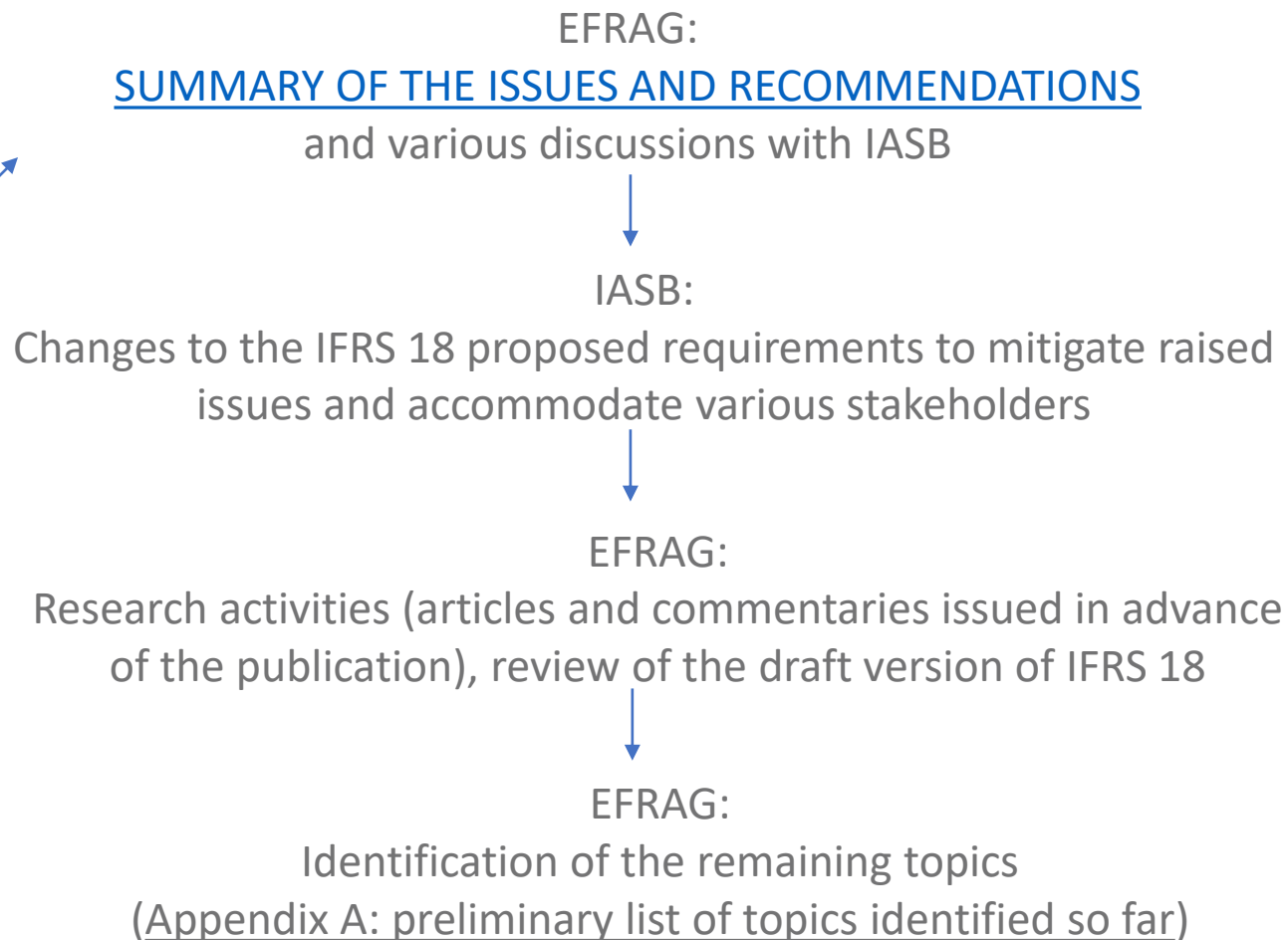
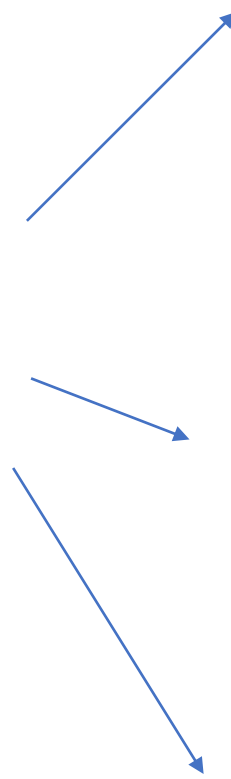


# EFRAG WORKPLAN OVERVIEW



# EFRAG WORKPLAN OVERVIEW

## 1. PRELIMINARY IDENTIFICATION OF ISSUES



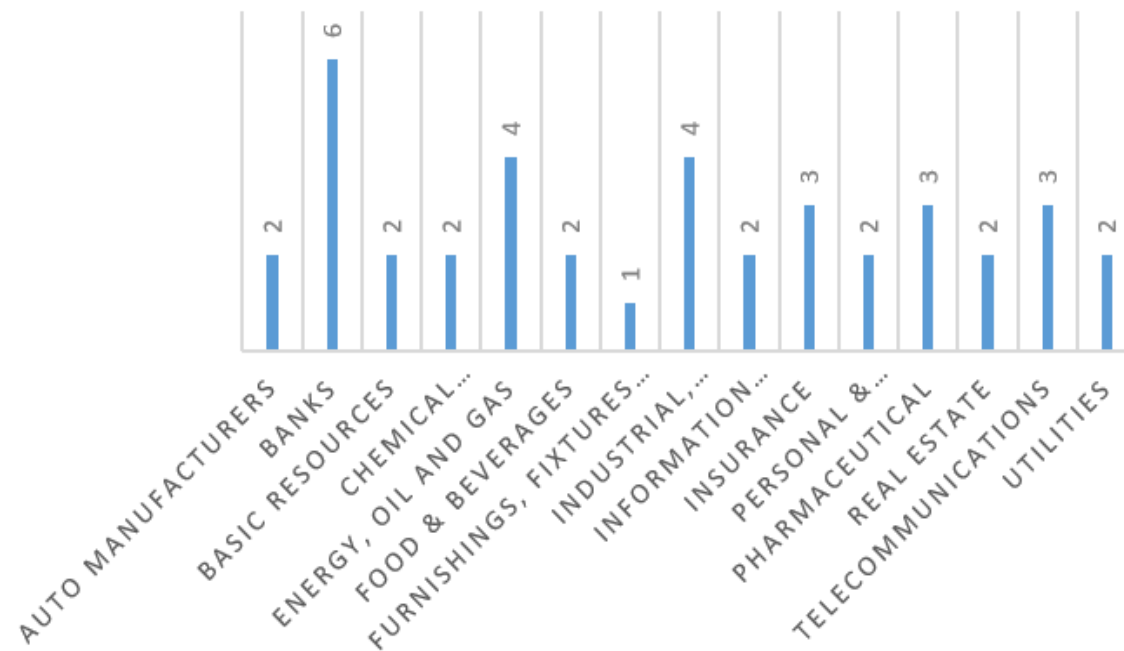


# EFRAG WORKPLAN OVERVIEW

## 2. IMPACT ASSESSMENT

Impact assessment based on the analysis of the 2023 financial statements of 40 European listed entities covering a wide range of industries, countries and sizes (market capitalisation).

Proposed additional dedicated analysis focusing on the Insurance Industry companies taking in consideration issues raised by this industry (additional ~ 10 companies).



# EFRAG WORKPLAN OVERVIEW

## 3. EDUCATIONAL MEETINGS

Educational meetings for all EFRAG’s working groups with the participation of the IASB PFS (IFRS 18 team) and a Board Member.

Educational meetings structured as follows:

- General presentation of IFRS 18 focusing on the points relevant for each group;
- Discussion of the topics previously raised by the working groups and how the topics were addressed in the final version of IFRS 18;
- Identification of any other topics relevant for the endorsement criteria.

***30 April 2024 – FIWG***

***14 May 2024 – FR TEG & UP***

***16 MAY 2024 – RRAWG***

***28 May 2024 – IAWG***

# EFRAG WORKPLAN OVERVIEW

## 4. EDUCATIONAL EVENTS

EFRAG is organising jointly with the IASB, BusinessEurope, EACB, EBF, ESG and Insurance Europe, two educational sessions for corporate and financial institution stakeholders.

The events will be structured as follows:

- Presentation of main requirements of IFRS 18 / tailored for Corporates and FI;
- Application of detailed requirements identified as hot topics in previous EFRAG discussions and through questions raised upfront
- Participants with speaking rights (companies that previously participated in the round tables and targeted outreaches) will be able to address their questions directly to the IASB;
- Other viewers will be able to raise the questions through Q&A .

***7 June 2024 – Corporates – with IASB & BusinessEurope***

***11 June 2024 – Financial Institutions, Insurance Industry, Conglomerates – with IASB, EACB, EBF, ESG and Insurance Europe***

***Registration link is available [here](#)***

# EFRAG WORKPLAN OVERVIEW

## 5. TARGETED OUTREACHES AND OTHER ACTIVITIES

Based on the feedback collected through steps 1 through 4, targeted outreaches to clarify points raised  
*(ex. results of the equity-accounted for investments; presentation by nature when presenting by function)*

To assess the impact on competitiveness, i.e., proposed comparative analysis to US GAAP companies

To assess the economic impacts, theoretical analysis based on the available publications, inputs received from stakeholders and insights obtained by other jurisdictions.  
No dedicated economic study is currently mandated

# EFRAG WORKPLAN OVERVIEW

## 6. SURVEY

Based on the feedback collected through steps 1 through 4 or 1 through 5, potential Survey(s) targeting the key topics raised by the stakeholder and considering the endorsement criteria.

## EFRAG WORKPLAN – PROPOSED TIMELINE

April – June 2024: gathering feedback based on the proposed steps 1-5 discussed above

July – September 2024: any additional refinement of the issues (potential surveys)

September – November 2024: preparation of the Draft Endorsement Advice

Q4 2024: Board review and approval


Q1 2025: Proposed consultation period of 120 days – depending on the timing of timing of publication  
150 days to avoid the busy season

Q2 2025: Review of comments and preparation of the Final Endorsement Advice

End of Q2 2025 or beginning of Q3 2025: Board review and approval

## QUESTIONS TO FRB

1. Does the FRB have any questions regarding the proposed endorsement plan?
2. Do you see the need to extent the impact assessment to cover more entities from the insurance industry?
3. Do you have any topics that you would like to highlight specifically for one of the endorsement criteria?
  - (a) relevance, reliability, prudence, comparability, understandability, true and fair view
  - (b) financial stability, competitiveness, costs and benefits, effects on economy and stakeholders?
4. Does the FRB agrees with the proposed timeline?
5. Does the FRB have any additional activities to be included in the endorsement plan?



## APPENDIX A PRELIMINARY LIST OF ENDORSEMENT TOPICS



# IFRS 18 - KEY TOPICS FOR THE ENDORSEMENT PROCESS

## CLASSIFICATION OF INCOME AND EXPENSES ARISING FOR EQUITY-ACCOUNTED INVESTMENTS IN THE INVESTING CATEGORY

### PREPARERS FROM INSURANCE INDUSTRY:

Results related to the insurance contracts should be within operating category to avoid mismatch with contracts-related expenses.

Some classification will be influenced by accounting policy choice and not differences in business models

### USERS:

Disagreeing with providing industry-specific exception. For the insurance industry acknowledged importance of distinction between investments that are at the service of insurance liabilities and the others

### IASB PROPOSED SOLUTION:

Introduction of a specified subtotal “operating profit or loss and income and expenses from investments accounted for using the equity method”, which would not be an MPM.

Application of the fair-value option in accordance with paragraph 18 of IAS 28 only at transition to IFRS 18

# IFRS 18 - KEY TOPICS FOR THE ENDORSEMENT PROCESS

## ANALYSIS OF EXPENSES BY NATURE WHEN PRESENTING BY FUNCTION

PREPARERS: concerns about the costs for providing such a disclosure.

IASB PROPOSED COST MITIGATING SOLUTION: the amounts disclosed are not required to be expense amounts (i.e., it could include the amount capitalised)

USERS: supportive of the requirement to disclose by nature when presenting by function. Concerns about IASB’s proposed solution which will not allow the reconciliation to the P&L

## CONCEPT OF “USEFUL STRUCTURED SUMMARY”

Concept introduced during balloting process, seemed to go beyond the IASB tentative decisions by introducing exceptions to the general disaggregation requirements (e.g., risk to overriding structural requirement, materiality assessment...)

USERS and PREPARERS: to further investigate potential impacts on the structure of the financial statements and related costs and benefits

# IFRS 18 - KEY TOPICS FOR THE ENDORSEMENT PROCESS

## MPMS: SCOPING AND REBUTTABLE PRESUMPTION

- Highly regulated entities raised concerns on the effective applicability of the rebuttable presumption for all the significant measures communicated for regulatory purposes;
- Used with or without prominence is a highly judgemental concept. Additional clarifications included only in the Basis for Conclusions cannot be enforced;
- Practical challenges in determining which is the most directly comparable subtotal or total for the reconciliation (ex. “net debt cost”)

## MPMS: TAX EFFECT AND EFFECT ON NON- CONTROLLING INTEREST FOR EACH RECONCILING ITEM

- May result in a complex presentation, particularly if an entity also presents by segment;
- Simplified approach was introduced for the calculation of the tax effects. Calculation of the effect on non-controlling interest (NCI) was not addressed by IASB.

# IFRS 18 - KEY TOPICS FOR THE ENDORSEMENT PROCESS

DEFINITION OF THE FINANCING CATEGORY, specifically for the financial institutions. Classification of income and expenses from liabilities into the financing category, when the underlying liabilities are not of the financial nature

Classification of income and expenses from the HYBRID CONTRACTS, specifically for the financial institutions and insurance industry

Classification of income and expenses from the DERIVATIVE INSTRUMENTS in the default operating category and related potential volatility of these instruments

TRANSITION REQUIREMENTS, specifically to the restatement of the comparative periods. The concern related to the cost of the restatement for the entities who are required to provide more than one comparative periods.

Additional guidance was provided by the IASB along with the illustrative examples and flowcharts. Application of the revised approach was addressed by the IASB during the drafting process.

=>> to further investigate the application of the revised guidance

=>> no transition relief provided

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THANK YOU