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## Technical Work Plan May 2024 - October 2024

### Objective

- 1 The objective of this session is 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 latest EFRAG FRB review of 29 February 2024 (updated as of 23 April 2024)

- 6 on 23 April 2024 the IASB agreed to add to its research work plan a project on intangible assets. The initial review research will be carried out during H2 2024.
- 7 On 9 April the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*. This was the IASB finalisation of the Primary Financial Statement project which was then taken off the IASB workplan.
- 8 On 17 April the IASB issued Project Summary: Business Combinations under Common Control, formally taking that project off the IASB workplan. The decision to stop this project was taken in November 2023.
- 9 The IASB specified the timing for several publications/projects:
  - (a) Financial Instruments with Characteristics of Equity: ED Feedback is expected in May 2024;

- (b) Management Commentary Practice Statement: Decision on project direction is now expected in June 2024;
- (c) Business Combinations – Disclosures, Goodwill and Impairment: ED feedback is expected in H2 2024;
- (d) Amendments to the Classification and Measurement of Financial Instruments: Amendments are now expected in May 2024;
- (e) Climate-related and Other Uncertainties in the Financial Statements: Decision on project direction is now expected in April 2024;
- (f) Equity Method: The ED is now expected in Q3 2024;
- (g) Annual Improvements to IFRS Accounting Standards: Amendments are expected in July 2024;
- (h) Post-implementation Review of IFRS 15 Revenue from Contracts with Customers: Feedback Statement is now expected in Q3 2024.

### Basis of preparation of the workplan

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

- 10 Several of the IASB projects currently active are currently or soon to be in the consultation phase, there are overall seven ED consultations ongoing/expected in 2024. Furthermore, several projects are in the re-deliberation phase, following the outcome of a consultation on the ED (or RFI). Following the Publication of IFRS 18 *Presentation and Disclosure in Financial Statements*, the publication of IFRS 19 (SwPA) and of IFRS 7 and IFRS 9 amendments is expected within the next month. Annual Improvements will follow shortly after. In addition to the workload to follow the timelines related to the IASB projects will be challenging in 2024. 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/redeliberations; 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.

#### *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 (PIR IFRS 16; the maintenance projects: IFRS 16 / IFRS 10 Sale and Lease Back – Subsidiaries, and IAS 12 – International Tax Reform Phase 2: and the Research Projects: Amortised Cost Measurement, Statement of Cash Flows, and Related Matters; and Pollutant Pricing Mechanism).

#### *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. EFRAG contributed to the IASB survey on pollutant pricing mechanisms and will kickstart

the project in Q2 2024. A feedback statement on the Variable Consideration Discussion Paper was recently published.

- 13 In light of the IASB taking on Intangible Assets to its workplan and considering that EFRAG has published its Recommendation and Feedback Statement on Better information on Intangibles, EFRAG Secretariat will focus its resources on the IASB project and no longer update EFRAG FRB on any activities related to the EFRAG research project. EFRAG Secretariat will propose a significant / non-significant classification of the Intangible Asset project when more information on the proposed scope of the IASB project is known.

*Attachment 2*

- 14 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**

- 15 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*

- 16 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.

### *IFRS 18 Presentation and Disclosure in Financial Statements (Previously known as the Primary Financial Statements project)*

- 17 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. IFRS 18 was issued 9 April and is likely to lead to significant changes to the presentation of financial performance. We expect to receive an endorsement advice request from the EC.

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

- 18 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.
- 19 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.
- 20 An exposure draft was issued in March 2024.

### *Management Commentary*

- 21 The IASB is revising the IFRS Practice Statement 1 Management Commentary (Practice Statement). At the October 2020 meeting, the EFRAG FRB decided the project should be classified as significant.

### *Dynamic risk management*

- 22 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.
- 23 In June 2022, the IASB decided to add the project to its standard setting projects and an ED is expected in H1 2025.

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

- 24 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.
- 25 In its June Meeting 2022 the IASB decided to issue an IFRS Accounting Standard. The publication of the final standard is expected in May 2024.

### *Provisions - Targeted Improvements*

- 26 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*

- 27 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 assessed as a significant project.

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

- 28 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.
- 29 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*

- 30 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.
- 31 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.

### *Power Purchase Agreements*

- 32 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 constitutes 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. The proposal is currently discussed with several constituents including the IASB.

*Updating the Subsidiaries without Public Accountability: Disclosures*

- 33 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 May 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 and 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. The exposure draft to update the new IFRS 19 *Subsidiaries without Public Accountability: Disclosures* will be issued shortly after the publication of the new standard with the purpose of amending it before its effective date for all the new or amended disclosure requirements in other IFRS Accounting Standards after 28 February 2021. As the exposure draft would cover changes to disclosure requirements on projects that are classified being significant by the FRB, the FRB decided to classify the project as being significant in its meeting in January 2024.

Technical Work Plan May 2024 - October 2024

**Attachment 2: Work plan May 2024 - October 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		Meeting						
			15 May (Physical joint with FR TEG)	11 June (TBC PPA online meeting)	25 June (Online meeting)	26 June (Online meeting joint with SRB)	17 July (Online)	4 September (Online PPA meeting joint with FR TEG)	8 October (TBC) Online meeting joint with FR TEG)
Rate-regulated Activities (IFRS Standard 2025)	ED DCL April 2021	ED FCL Sept 2021							
Disclosure Initiative - Subsidiaries without Public Accountability (IFRS Standard May 2024)	ED DCL Sept 2021	ED FCL Feb 2022			Update and Endorsement Approach				

Technical Work Plan May 2024 - October 2024

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Financial Instruments with Characteristics of Equity (ED Feedback May 2024)	ED DCL Jan 2024								
Primary financial statements (IFRS 18 issued 9 April 2024)			Update and Endorsement Approach						<b>DEA</b>
Management Commentary Practice Statement (Decide Project Direction June 2024)	ED DCL July 2021	ED FCL Dec 2021							



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Dynamic Risk Management (ED H1 2025)	Summary report about Core model Outreach June 2021									
Business Combinations - Disclosures, Goodwill and Impairment (ED Feedback H2 2024)	ED DCL April 2024						<b>FCL</b>			
Provisions - Targeted Improvements (ED H2 2024)							Update to receive input			
Amendments to the	ED DCL	ED FCL			<b>DEA</b>					<b>FEA</b>

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Classification and Measurement of Financial Instruments (Amendments May 2024)	May 2023	July 2023								
Updating the Subsidiaries without Public Accountability : Disclosures (ED Q3 2024)										<b>DCL</b>
Power Purchase Agreements (ED May 2024)				<b>DCL</b>					<b>FCL</b>	
<b>IASB PROJECTS BY WRITTEN PROCEDURE: Implementation</b>										
Climate-related and Other Uncertainties in the					Update					

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Financial Statements (Decide project direction April 2024)									
Equity Method (ED Q3 2024)									
Annual Improvements to IFRS Accounting Standards (Amendments July 2024)									<b>DEA</b> (written procedure)
Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity (IAS 21) (ED Q3 2024)									TBD <b>DCL</b> (written procedure)

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Intangible Assets									
<b>IASB Post Implementation Review</b>									
PIR IFRS 9 - Impairment (Feedback Statement Q3 2024)			Update						
PIR IFRS 15 - Revenue Recognition (Feedback Statement Q3 2024)									
PIR IFRS 16 - Leases (Project Start Q2 2024)									

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<b>EFRAG Research Projects</b>									
EFRAG research and Crypto-assets	Recommendations and feedback statement issued in April 2022								
EFRAG Research Variable Consideration	DP published Sept 2022	Feed back State ment Publi shed April 2024							
EFRAG Research Connectivity between financial and sustainability reporting			Update			Update			

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EFRAG Research Cash Flow Reporting					Update				
EFRAG Research Reserve list project Pollutant Pricing Mechanism							Update on survey and possible scope		
EFRAG research Reserve list project Operating Segment									
EFRAG Research New evidence on the relevance of recycling					Update				

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FVOCI gains and losses									