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Technical Work Plan May 2021 – November 2021

Objective

- 1 The objective of this session is for the EFRAG Board to conduct its regular review of the technical work plan and advise of any necessary changes.

Background

- 2 In the past, the EFRAG Board requested that:
 - (a) an explanation be provided for any IASB implementation projects that are classified as significant; and
 - (b) the work plan 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 Board agreed that, as responses to IASB post-implementation reviews collate European views and do not include an EFRAG position, post-implementation review responses should be finalised by EFRAG TEG. IASB proposed post-implementation reviews have been included in the work plan for the convenience of EFRAG Board members, but no action is expected from the EFRAG Board.
- 5 At its meeting in September 2016, the EFRAG Board 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 last EFRAG Board review

- 6 Disclosure initiative - Targeted Standards-level Review of Disclosures: The IASB has published an Exposure Draft in March 2021 with a comment period of 210 days.
- 7 IASB Agenda Consultation: A consultation document seeking views on IASB's priorities over the next five years was published on 30 March 2021 by the IASB.
- 8 The Exposure Draft for the Management Commentary project is expected to be published now in May 2021.
- 9 The IASB is preparing a Request for Information on the PIR on IFRS 9 (expected for H2 2021).
- 10 The Exposure Draft on the minor project Lack of Exchangeability (Amendments to IAS 21) was published in April 2021.
- 11 The final amendment Covid-19-Related Rent Concessions beyond 30 June 2021 was issued by the IASB on 31 March 2021 (minor project).

- 12 Amendments for the following (minor) projects were issued in February 2021: Definition of Accounting Estimates (Amendments to IAS 8) and Disclosure initiative — Accounting policies.
- 13 In 2020 the IASB issued Classification of Liabilities as Current or Non-current (Amendment to IAS 1; classified in this workplan as being a minor project). In December 2020 and in April 2021 the classification of liabilities was discussed in the IFRS IC meeting based on three examples that illustrate the principle that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The IFRS IC did not finalise the TAD based on the feedback received and recommended that the issue is considered again by the IASB. Because of the ongoing discussions by the IASB, EFRAG TEG did not finalise its discussion on the endorsement advice.
- 14 The Exposure Draft for the Subsidiaries that are SME project is expected to be published now in July 2021. The IASB is developing a reduced-disclosure IFRS Standard that would apply on a voluntary basis to subsidiaries that are SMEs—that is, subsidiaries that do not have public accountability.
- 15 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.

Questions for the EFRAG Board

- 16 Does the EFRAG Board agree to classify the standard setting project, *Subsidiaries that are SME* as a project that will be discussed in EFRAG Board meetings?
- 17 Does the EFRAG Board have any comments on the technical work plan?

Attachment 1: Basis for classifying research projects or minor projects as significant

Financial Instruments with Characteristics of Equity

- 18 Given the potential impact of this project, especially for financial institutions, the EFRAG Board decided 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. The Discussion Paper was issued in June 2018 and the EFRAG Board approved the final comment letter at its meeting in January 2019.

Primary Financial Statements

- 19 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.
- 20 The EFRAG Board has approved a final comment letter on the Exposure Draft of the new standard in the meeting on October 30.

Goodwill and Impairment

- 21 The EFRAG Board decided to **consider this project in public meeting**, given the significant work undertaken by EFRAG in recent years.

- 22 The EFRAG Board was provided with an update on the development of the IASB's project at its meeting in December 2018 jointly with EFRAG TEG and in the meeting in December 2019. A Discussion Paper was issued in March 2020. The DCL by EFRAG Board was approved in the webcast meeting as of May 18 2020. Deadline for comments was the 30 November. Approval by the Board is planned in January 2021.

Business Combination under Common Control

- 23 The IASB is exploring ways to improve the reporting on combinations of businesses under common control. The IASB has completed its discussions of measurement approaches and disclosures and is preparing a discussion paper setting out its preliminary views on reporting these transactions. The IASB plans to publish the Discussion Paper in November 2020. The issuance of EFRAG DCL is planned for beginning of February 2021. In the meeting 16 June 2020 the Board has agreed to discuss the DCL in a dedicated meeting (rather than to adopt a written procedure).

Management Commentary

- 24 The IASB revises the IFRS Practice Statement 1 *Management Commentary* (Practice Statement). In undertaking the project, the IASB will consider how broader financial reporting could complement financial statements prepared applying IFRS Standards. The IASB has completed an initial round of consultations and is currently discussing what guidance to provide in the revised Practice Statement. The exposure draft is expected to be published in May 2021. The issuance of EFRAG DCL is planned for June 2021. In the October meeting 2020 the Board decided the project to be classified as significant.

Dynamic risk management

- 25 The IASB will start the field test of the core model with selected preparers in October. EFRAG will take part to this field test and focus on European preparers. The ultimate purpose of the project is for the IASB to pave the way of a discontinuation of use of IAS 39, which is still used by entities that apply the fair value hedge to interest rate risk. The topic has a direct relevant impact for European stakeholders as the continuation of use of IAS 39 (paragraphs related to the macrohedge) is also linked to the use of the carve-out. EFRAG will also run a supplement of testing with European banks not included in the list by the IASB. EFRAG Board will consider the result of the EFRAG testing activity in a public meeting and a Report will be issued. The EFRAG Board agreed in the October 2020 meeting to classify the project as being significant.

IASB Agenda Consultation and EFRAG research agenda consultation

- 26 The IASB has published in March 2021 a Request for Information. To assist stakeholders affected by the coronavirus pandemic, the publication of this Request for Information was postponed. The consultation will shape the IASB agenda for the next 5 years. At the same time, EFRAG will consult on its own Agenda, and in particular on proactive research projects. The EFRAG Board agreed in the October 2020 meeting to classify the project as being significant.

Amendment to IAS 1 – Classification of liabilities as current or non-current

- 27 Because of diversity in practice on the classification of liabilities as current and non-current and an apparent contradiction between IAS 1 paragraph 69(d) and IAS 1 paragraph 73 the IASB published amendments to IAS 1 on January 23, 2020. This issue was originally addressed as part of the annual improvements project 2010 -

2012 cycle. An Exposure Draft was published in February 2015. The IASB discussed feedback on the ED from December 2015 to September 2019, pausing the project between 2016 and 2018 while it finalised revisions to the definition of a liability in the Conceptual Framework. As a result of these discussions, the IASB made no fundamental changes to the proposed amendments but changed some of the wording of the amendments. The final amendments, clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability as current or non-current. That means that the classification is not affected by expectations about whether an entity will exercise its right to defer settlement of a liability and that any condition has to be met on the reporting date. In addition the amendments make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- 28 The IASB issued as part of the issues related to COVID19 Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments continues to be permitted. In December 2020 and April 2021 the classification of liabilities was discussed in the IFRS IC meeting based on three examples that illustrate the principle that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The feedback received on the TAD includes that for some the outcome of whether it has "the right to defer settlement" when a long-term liability is subject to a condition and its compliance with the condition is tested at dates after the reporting date, applying the amended IAS 1 was a kind of unexpected. EFRAG Board decided on 3 February 2021 to consider this project being significant.

Attachment 2: Work plan 2021 – June 2021

Legend

- Bold** = EFRAG Board 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 | | | | | | |
|---|---------------------------------------|--|--------|--------|------------|-------|------------|
| | | | June 9 | July 7 | Sept 7 | Oct 6 | Nov 18 |
| Rate-regulated Activities (ED Feedback) | ED DCL April 2021 | | | | FCL | | |
| Disclosure initiative – Targeted Standards-level Review of Disclosures (ED Feedback) | ED DCL to be approved in May | | | | | | FCL |

Technical Work Plan May 2021 – November 2021

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|---|-----------------------|--------------------|---|--------|--------|-------|--------|--------|
| | | | June 9 | July 7 | Sept 7 | Oct 6 | Nov 18 | |
| Dynamic Risk Management (Core model Feedback Q2 2021) | DP DCL July 2014 | DP FCL Oct 2014 | Summary report about Core model Outreach | | | | | |
| Financial Instruments with Characteristics of Equity (ED) | DP DCL Aug 2018 | DP FCL Feb 2019 | | | | | | |
| Goodwill and Impairment (DP Feedback April 2021) | DP DCL May 2020 | DP FCL Jan 2021 | | | | | | Update |
| Primary financial statements (IFRS Standard) | ED DCL Feb 2020 | ED FCL Nov 2020 | | | | | | Update |

Technical Work Plan May 2021 – November 2021

| Project (IASB next steps in brackets) | Most recent status | | | | | | |
|--|--------------------|--|--------|-------------------------|--------|-------|--------|
| | | | June 9 | July 7 | Sept 7 | Oct 6 | Nov 18 |
| Business Combinations Under Common Control (DP Feedback H2 2021) | DP DCL Feb 2021 | | | | FCL | | |
| Management Commentary Practice Statement (ED expected May 2021) | | | | DCL | | | |
| 2020 Third Agenda consultation (Request for information Feedback Q3 2021) | | | | | | FCL | |
| IASB PROJECTS BY WRITTEN PROCEDURE: Implementation | | | | | | | |
| Definition of Accounting Estimates – Amendment to IAS 8 (None - IFRS amendment March 2021) | DEA March 2021 | | | FEA (written procedure) | | | |
| Disclosure initiative – Accounting Policies - Amendm IAS 1 and IFRS PS 2 (None - IFRS amendment March 2021) | DEA March 2021 | | | FEA (written procedure) | | | |

Technical Work Plan May 2021 – November 2021

| Project (IASB next steps in brackets) | Most recent status | | | | | | |
|---|---------------------|--------------------------|--------|-------------------------|--------|-------------------------|--------|
| | | | June 9 | July 7 | Sept 7 | Oct 6 | Nov 18 |
| Availability of a refund (Amendm IFRIC 14) (IFRS amendment rejected, decide project direction) | ED DCL July 2015 | ED FCL Nov 2015 | | | | | |
| Classification of liabilities as current or non-current (amend IAS 1) – 2 amendments (IFRS amendment will be rediscussed) | ED DEA Nov 2020 | | Update | | | | |
| Deferred tax related to assets and liabilities arising from a single transaction (amend IAS 12) (ED issued July 2019, IFRS Amendment May 2021) | ED DCL Sept 2019 | ED FCL WP Nov 2019 | | DEA (written procedure) | | FEA (written procedure) | |
| Provisions (Decide project direction) | | | | | | | |
| Subsidiaries that are SMEs (ED expected July 2021) | | | | | DCL | | |
| Lease Liability in a Sale and Leaseback (amend IFRS 16) (ED Feedback May 2021) | DCL Dec 2020 | FCL April 2021 | | | | | |

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| Project (IASB next steps in brackets) | Most recent status | | | | | | |
|--|--------------------|--|-------------------------|--------|-------------------------|----------------|--------|
| | | | June 9 | July 7 | Sept 7 | Oct 6 | Nov 18 |
| Lack of Exchangeability (Amendm. to IAS 21 March 2021) (ED Feedback H2 2021) | | | DCL (written procedure) | | FCL (written procedure) | | |
| IASB PROJECTS: Research | | | | | | | |
| Extractive activities (Decide project direction Q2 2021) | | | | | | | |
| Equity Method (Decide project direction) | | | | | | | |
| Pension Benefits that Depend on Asset Returns (Review research Feb 2021) | | | | | | | |
| IASB Post-implementation reviews | | | | | | | |
| Consolidation package: IFRS 10, IFRS 11, IFRS 12 (Request for Information Feedback Q3 2021) | | | | | | Project update | |

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| Project (IASB next steps in brackets) | Most recent status | | | | | | |
|--|--------------------|--|--------|------------|----------------|--|----------------|
| | | | June 9 | July 7 | Sept 7 | Oct 6 | Nov 18 |
| IFRS 9 – Classification and Measurement (Request for Information Q3 2021) | | | | | | Project update | |
| IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> | | | | | | | |
| EFRAG RESEARCH PROJECTS | | | | | | | |
| General update | | | | | General Update | | General Update |
| Better Information on Intangibles | | | | Approve DP | | | |
| Crypto-assets | | | | | | Project Update – Decision about next steps | |
| Discounting with Current Interest Rates | | | | | | | |
| EFRAG Research Variable and Contingent Consideration | | | | | | | Approve DP |