

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the EFRAG FR Board. The paper does not represent the official views of EFRAG or any individual member of the EFRAG FR Board or EFRAG FR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in EFRAG Update. EFRAG positions as approved by the EFRAG FR Board are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

Technical Work Plan July 2022 - December 2022

Objective

- 1 The objective of this session is for the EFRAG FR Board (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 FR Board 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 FR Board 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 FR Board members, but no action is expected from the EFRAG FR Board.
- 5 At its meeting in September 2016, the EFRAG FR 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 the last EFRAG FR Board review

- 6 Disclosure Initiative – Subsidiaries without Public Accountability: The IASB decided to issue an IFRS Accounting Standard.
- 7 Disclosure Initiative – Targeted Standards Level Review of Disclosures: the IASB will decide about the project direction in Q3 2022.
- 8 Dynamic Risk Management: The IASB is planning to issue an ED and classifies the project now as standard setting project.
- 9 In May 2022, as a result of the PIR IFRS 9 the IASB decided to add a standard-setting project to its agenda to make narrow scope amendments to clarify the requirements for assessing a financial asset's contractual cash flow characteristics. IFRS 9 Financial Instruments requires an entity to classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- a. the entity's business model for managing the financial assets; and
- b. the contractual cash flow characteristics of the financial asset.

Feedback indicated that, in general, the requirements in IFRS 9 relating to assessing the contractual cash flows of financial assets work as intended. However, aspects of the requirements could be clarified to support consistent application, for example in the case of financial assets with ESG-linked features and contractually linked instruments.

- 10 EFRAG is still in the process to plan the meetings for 2023. Therefore, this workplan (similar to the one presented in June) stops in December 2022.
- 11 Due to the challenging timeline for sustainability reporting, various EFRAG employees from the financial area will be involved in the sustainability area. This means that during this time we will carefully decide which financial reporting projects to discuss in the EFRAG FR TEG and EFRAG FR Board. We will discuss everything that is necessary and discuss projects that are not time-critical at a later date. Due to this considerations we propose to have no meeting in September 2022.

Basis of preparation of the workplan

Sessions to Update the EFRAG Board

- 12 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 undertaking: EFRAG 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 Board when the IASB decisions and/or the EFRAG 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

- 13 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 9 ECL, PIR IFRS 9 Hedge Accounting, PIR IFRS 15, PIR IFRS 16). The EFRAG Secretariat has already started its preparation for IFRS 9 ECL and IFRS 15, which we expect will start before the others. As usual, a project will be formally added to the workplan when the IASB will add the project to its workplan. In addition, following the outcome of the PIR on IFRS 9 C&M, the EFRAG Secretariat is continuing to work on the issue of applying the SPPI test to loans with ESG features.

EFRAG proactive agenda

- 14 We expect to add two new EFRAG proactive research projects at this Board meeting after the EFRAG FRB discusses the FR TEG recommendations for new projects in light of the decisions made by the IASB on its 2022/2026 workplan .

Attachment 2

- 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 FR Board

- 16 Does the EFRAG FR Board agree to have no meeting in September 2022?
- 17 Does the EFRAG FR Board have any comments on the technical work plan?

Attachment 1: Basis for classifying projects as significant

Financial Instruments with Characteristics of Equity

- 18 Given the potential impact of this project, especially for financial institutions, the EFRAG FR 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.
- 19 EFRAG secretariat is monitoring the developments of the IASB project.

Primary Financial Statements

- 20 At its meeting in April 2017, the EFRAG FR 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.
- 21 EFRAG secretariat is monitoring the developments of the IASB project.

Goodwill and Impairment

- 22 The EFRAG FR Board decided to consider this project in a public meeting, given the significant work undertaken by EFRAG in recent years.
- 23 EFRAG secretariat is monitoring the developments of the IASB project.

Business Combination under Common Control

- 24 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.
- 25 EFRAG secretariat is monitoring the developments of the IASB project.

Management Commentary

- 26 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.
- 27 EFRAG secretariat is monitoring the developments of the IASB project.

Dynamic risk management

- 28 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 macrohedge) is also linked to the use of the carve-out.

The EFRAG FR Board agreed in the October 2020 meeting to classify the project as being significant.

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

IASB Third Agenda Consultation and EFRAG research agenda consultation

- 30 In March 2021, the IASB published a Request for Information on its Third Agenda Consultation for its 2022-2026 workplan. In May 2021, EFRAG is consulted jointly on the IASB Agenda and on its own proactive research agenda. The EFRAG FRB agreed in the October 2020 meeting to classify the project as being significant.

- 31 The EFRAG FCL was issued in October 2021. In April 2022, the IASB decided on the projects to be added to its workplan. At the meeting in June 2022, the EFRAG FRB decided on projects to be added to EFRAG's proactive research agenda. Two projects were added to the work plan, two projects recommended as EFRAG research projects are on the reserve list.

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

- 32 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.

- 33 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.

- 34 In December 2020 and in April 2021 the classification of liabilities was discussed in the IFRS IC meeting. The IASB decided in June 2021 to add a new project on its agenda that is expected to lead to new Amendments to IAS 1, effective from 2024.

- 35 In July 2021 the EFRAG FR Board decided to classify the project as being significant. The ED was published in Nov 2021. The EFRAG DCL was issued in January 2022. The EFRAG FCL was issued in March 2022.

- 36 EFRAG secretariat is monitoring the developments of the IASB project.

Disclosure Initiative – Targeted Standards Level Review

- 37 As a reaction to the feedback received on the IASB research project on disclosures, the IASB undertook this project in response to stakeholder demand for addressing the overall disclosure problem. In March 2021, the IASB published the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*. In the Exposure Draft, the IASB proposes a new approach to developing disclosure requirements in individual Standards (proposed Guidance for the Board) that would address better investors' information needs and clearly explains those needs in the Standards, give greater prominence to disclosure objectives, requiring companies to apply judgement and provide information that meets the described investor information needs and minimises requirements to disclose particular items of information to help companies focus on disclosing material information only. The approach is tested on IFRS 13 Fair Value Measurement and IAS 19 Employee Benefits. EFRAG FR Board decided to qualify the project as significant based on the potential impact on standard setting. In January 2022 EFRAG submitted a comment letter on the ED to the IASB.

- 38 EFRAG secretariat is monitoring the developments of the IASB project.

Lease Liability in a Sale and Leaseback

- 39 On 27 November the IASB published an ED to amend IFRS 16. Paragraph 100(a) of IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. The project addresses a question about a sale and leaseback transaction with variable payments that do not depend on an index or rate. Because of the mixed feedback, EFRAG Board decided beginning of 2021 to discuss the project in a meeting.
- 40 At the beginning of 2022, the IASB discussed the project and decided to publish an Amendment. The IASB agreed, that it would be beneficial to amend IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions. To facilitate that change, the IASB is also proposing to specify the method a seller-lessee uses in measuring the right-of-use asset and lease liability at the date of the transaction. In the FCL, EFRAG considers that the ED provides evidence of a broader conflict of principles in IFRS 16 regarding the accounting for sales and leaseback transactions and the definition of lease payments. EFRAG, therefore, encouraged the IASB to consider the issue more comprehensively and in a timely manner, possibly as part of the upcoming Post-Implementation review of IFRS 16 or the IASB's project on Variable and Contingent Consideration. EFRAG stated it can accept a temporary and faster solution to address the lack of guidance in IFRS 16, pending a more holistic review of the matter. However, EFRAG encourages the IASB to consider a simplified solution by recognising the profit attributable to the retained interest in the right-of-use asset as a non-lease liability or deferred income rather than a lease liability. The IASB decided to go forward with the proposed amendment with some minor changes. EFRAG Board decided in its meeting in March 2022 to discuss the implications on the endorsement process.

Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures

- 41 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 FR Board decided to discuss the key aspects of this project, based on the importance and implications of the project in some European jurisdictions. EFRAG FR Board 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.
- 42 EFRAG secretariat is monitoring the developments of the IASB project.

Supplier Finance Arrangements

- 43 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 FR Board agreed in the July 2021 meeting to classify the project as being significant.

- 44 In March 2022 EFRAG submitted its comment letter on the ED to the IASB. EFRAG secretariat is monitoring the developments of the IASB project.

Provisions – Targeted Improvements

- 45 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 FR Board decided to be updated on the project to amend IAS 37.

Rate-regulated Activities

- 46 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.
- 47 In meetings held in October and November, the IASB was updated on constituents' feedback to the ED and in December it decided on its redeliberation plan. It has commenced its redeliberation in February 2022 with a focus on the topics where there were significant concerns (i.e. scope of the proposed Standard and total allowed compensation) and is undertaking outreach including with its Consultative Group.
- 48 EFRAG secretariat is monitoring the developments of the IASB project and, in March and April 2022, has had update sessions with the EFRAG FR TEG-CFSS, EFRAG FRB and EFRAG RRAWG.

Technical Work Plan July 2022 – December 2022

Attachment 2: Work plan July 2022 - December 2022

Legend

- Bold** = EFRAG FR Board decision point **DCL** = Draft comment letter
WP = Written procedure **FCL** = Final comment letter
DP = Discussion paper **DEA** = Draft endorsement advice
ED = Exposure draft **FEA** = Final endorsement advice

| Project (IASB next steps in brackets) | Most recent status | | | | | |
|---|----------------------|---------------------------|---------|---|------------|-------------|
| | | | July 14 | September 20 (potentially cancelled) | October 18 | December 15 |
| Rate-regulated Activities (IFRS Standard) | ED DCL April 2021 | ED FCL Sept 2021 | | | Update | |
| Disclosure Initiative – Subsidiaries without Public Accountability (IFRS Standard) | ED DCL Sept 2021 | ED FCL Feb 2022 | | | | |

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|--|--|--------------------------|---------|--|------------|-------------|
| | | | July 14 | September 20 (potentially cancelled) | October 18 | December 15 |
| Disclosure Initiative – Targeted Standards-level Review of Disclosures (Decide Project Direction Q3 2022) | ED DCL May 2021 | ED FCL Jan 2022 | | | | |
| Financial Instruments with Characteristics of Equity (ED) | DP DCL Aug 2018 | DP FCL Feb 2019 | | | | |
| Primary financial statements (IFRS Standard) | ED DCL Feb 2020 | ED FCL Nov 2020 | | | Update | |
| Management Commentary Practice Statement (Decide Project Direction) | ED DCL July 2021 | ED FCL Dec 2021 | | Update (potentially Oct 2022) | | |
| Dynamic Risk Management (ED) | Summary report about Core model Outreach June 2021 | | | Update project direction (potentially Oct 2022) | | |

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| Project (IASB next steps in brackets) | Most recent status | | | | | |
|---|---|---------------------------|---------|---|------------|-------------|
| | | | July 14 | September 20 (potentially cancelled) | October 18 | December 15 |
| Goodwill and Impairment (Decide Project Direction Q4 2022) | DP DCL May 2020 | DP FCL Jan 2021 | | | | Update |
| Business Combinations Under Common Control (Decide Project Direction) | DP DCL Feb 2021 | DP FCL Oct 2021 | | | | Update |
| 2021 Third Agenda consultation (Request for information Feedback Statement July 2022) | | RFI FCL Oct 2021 | | | | |
| Classification of liabilities as current or non-current (amend IAS 1) – Amendments with follow up Amendments (IFRS follow up amendment Classification of Debt with Covenants as Current or Non- current (IAS 1) IFRS Amendment H2 2022) | DEA Nov 2020 ED DCL Jan 2022 | FCL March 2022 | | | | |

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| Project (IASB next steps in brackets) | Most recent status | | | | | |
|---|--------------------|-------------------|---------|---|------------|-------------|
| | | | July 14 | September 20 (potentially cancelled) | October 18 | December 15 |
| Supplier Finance Arrangements (ED Feedback July 2022) | ED DCL Jan 2022 | FCL March 2022 | | | | |
| Lease Liability in a Sale and Leaseback (amend IFRS 16) (IFRS Amendment Q3 2022) | ED DCL Dec 2020 | ED FCL April 2021 | | | DEA | |
| Provisions – Targeted Improvements (ED) | | | | | | |
| IASB PROJECTS BY WRITTEN PROCEDURE: Implementation | | | | | | |
| Lack of Exchangeability (Decide Project Direction July 2022) | ED DCL June 2021 | FCL Sept 2021 | | | | |
| Contractual Cash Flow Characteristics of Financial Assets (amendm. to IFRS 9) | | | | | | |
| IASB PROJECTS: Research | | | | | | |

Technical Work Plan July 2022 - December 2022

| Project (IASB next steps in brackets) | Most recent status | | | | | |
|---|--------------------|-----------------|---------|---|-----------------------------|-------------|
| | | | July 14 | September 20 (potentially cancelled) | October 18 | December 15 |
| Extractive activities (Decide project direction July 2022) | | | | | | |
| Equity Method (Decide project direction) | | | | | | |
| IASB Post-implementation reviews | | | | | | |
| IFRS 9 – Classification and Measurement (RFI Feedback H2 2022) | DCL Nov 2021 | FCL Jan 2022 | | | | |
| IFRS 15 – Revenue Recognition (RFI Feedback H2 2022) | | | | | Update on Preliminary views | |
| EFRAG RESEARCH PROJECTS | | | | | | |

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| Project (IASB next steps in brackets) | Most recent status | | | | | |
|--|---|--|-------------------|---|------------|--|
| | | | July 14 | September 20 (potentially cancelled) | October 18 | December 15 |
| EFRAG proactive agenda 2022/2026 | | | | | | |
| Better Information on Intangibles | DP published | | | | | Summary of feedback received and Approval of the Feedback Statement |
| Crypto-assets | Recommendations and feedback statement issued in April 2022 | | | | | |
| Discounting with Current Interest Rates | | | | | | |
| EFRAG Research Variable and Contingent Consideration | | | Approve DP | | | |