

# AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

Video conference    **March 2021**

**Agenda ref 1B**

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## Technical Activities: Key Issues and Update

### Purpose of the report

1. This report provides the Due Process Oversight Committee (DPOC) with an update on the activities of the International Accounting Standards Board (Board) and the IFRS Interpretations Committee for the period October 2020 to February 2021.
2. The report sets out how the Board and the Interpretations Committee have fulfilled their due process obligations as set out in the *Due Process Handbook*. The report aims to assist the DPOC in fulfilling its role of overseeing the due process activities of the Board and the Interpretations Committee, as set out in paragraphs 2.1–2.15 of the *Due Process Handbook*. Paragraph 2.8(a) of the *Due Process Handbook* explains:

*The DPOC is responsible for ... reviewing regularly, and in a timely manner, together with the Board and the IFRS Foundation staff, the due process activities of the Board and the Interpretations Committee, including standard-setting, the development of materials to support the consistent application of IFRS Standards, and the IFRS Taxonomy.*

3. At this meeting there are no projects for which the DPOC is being asked to specifically confirm that due process has been followed. **Accordingly, all information in this report is for noting only.**
4. The report is structured as follows:
  - (a) Summary of key points (paragraph 6)
  - (b) Due process matters in the period for noting (paragraphs 7–34)
  - (c) Other matters occurring during the period for the attention of the DPOC (paragraphs 35–49).
5. The accompanying appendices are as follows:

Appendix A—Overview of projects on the Work Plan

Appendix B—Due process documents published in the period.

## Summary of key points

6. The key points for the period to note are as follows:
- Due process documents published (see Appendix B) include:
    - Discussion Paper *Business Combinations under Common Control*
    - Exposure Draft *Regulatory Assets and Regulatory Liabilities*
    - Request for Information *Post-implementation Review of IFRSs 10, 11 and 12*.
  - Outreach activities to support these consultations are in progress.
  - All of these due process documents had comment periods longer than the minimum required by the *Due Process Handbook*. A key consideration in agreeing to publish due process documents at present is getting the balance right between allowing sufficient time for stakeholders to provide high-quality feedback, given challenges arising from the pandemic and the number of consultations, and maintaining project progress (see paragraph 35).
  - The Exposure Draft proposing a one-year extension to the relief for covid-19-related rent concessions was published on 11 February 2021 with a 14-day comment period as approved by the Trustees on 1 February (see paragraphs 26–30).
  - The Board started the Post-implementation Review of the classification and measurement requirements in IFRS 9 *Financial Instruments* (see paragraphs 8–9).
  - The Board moved the Financial Instruments with Characteristics of Equity project to the standard-setting programme (see paragraphs 16–19).
  - The Board considered the feedback from the Exposure Draft in the Primary Financial Statements project and agreed a plan for redeliberating the proposals (see paragraphs 37–39).
  - The balloting process for the revised Management Commentary Practice Statement is proceeding to plan and the Exposure Draft is planned for publication in April 2021 (see paragraphs 20–22).
  - Work on the Agenda Consultation is proceeding to plan and the Request for Information is planned for publication at the end of March (see paragraph 31 & Agenda Paper 1D).
  - The Board was formally involved in the finalisation of an agenda decision for the first time in December 2020, applying the recently enhanced due process for agenda decisions in the *Due Process Handbook* (see paragraphs 32–33).

## Due process matters in the period for noting

### Due process documents published

7. The due process documents published in the period are listed in Appendix B on pages 18–20. The staff confirms that the required due process steps had been completed for each of the documents listed. When the Board is required to review a summary of the due process steps undertaken for the due process document, the DPOC receives a copy of the supporting Board paper in advance of the Board’s discussion.

### Due process decisions

#### Research projects (including post-implementation reviews)

##### Post-implementation Review of IFRS 9—Classification and Measurement

8. At its October 2020 meeting, the Board considered the timing of the Post-implementation Review of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. It decided to start the PIR of the classification and measurement requirements of IFRS 9 in line with the requirements of the *Due Process Handbook*<sup>1</sup> which states that a PIR ‘normally begins ... about 30–36 months after the effective date’ of a new Standard, which in the case of IFRS 9 and IFRS 15 is July–December 2020. The Board concluded, however, that it is too early to assess the impairment and hedge accounting requirements of IFRS 9, as well as IFRS 15, as more trend information is required.
9. Although some insurers are not yet applying IFRS 9<sup>2</sup>, the Board concluded sufficient data would be available to undertake the PIR of the classification and measurement requirements. The Board also concluded it would be useful to have evidence from practice on how the classification and measurement requirements are working, given the continuing debate in Europe to revisit some of these requirements (specifically the prohibition from recycling in profit or loss any gains or losses on equity investments previously recognised in other comprehensive income when those investments are sold).
10. The Board will consider the appropriate start date of the PIRs of the other requirements of IFRS 9 and IFRS 15 together with the new leases Standard (IFRS 16) in the second half of 2021.

##### Post-implementation Review of IFRSs 10, 11 and 12

11. At its November 2020 meeting, the Board confirmed that it had complied with the applicable due process requirements to publish a Request for Information (RFI) for the Post-implementation Review of IFRSs 10, 11 and 12 (the consolidation package of Standards). The RFI seeks feedback on specific aspects of applying these Standards

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<sup>1</sup> Paragraph 6.48.

<sup>2</sup> Some insurers qualify for an optional exemption from IFRS 9 until annual periods beginning on or after 1 January 2023, ie when they also first apply IFRS 17 *Insurance Contracts*.

and on the information provided to users of financial statements. The RFI has been developed in light of the findings from the outreach undertaken in 2019 and 2020 (as reported to the DPOC in June 2020). The RFI was published in December with a comment period of 150 days. This is longer than the 120 days minimum specified by the *Due Process Handbook* to assist stakeholders in the light of challenges arising from the covid-19 pandemic and the Board's other consultative documents.

## Standard-setting projects

### Disclosure Initiative—Subsidiaries that are SMEs

12. The Board is developing an IFRS Standard that would permit a subsidiary that does not have public accountability (ie is an SME) to apply IFRS Standards with reduced disclosure requirements.
13. As reported to the DPOC in February 2020, this project was moved to the standard-setting programme in January 2020. Since then the Board has developed disclosure requirements for the proposed Standard applying the principles for setting disclosure requirements in the *IFRS for SMEs* Standard and using disclosure requirements of the *IFRS for SMEs* Standard and IFRS Standards.
14. At its January 2021 meeting, the Board considered whether the initial consultation document for the project should be a discussion paper or an exposure draft, considering the requirements of the *Due Process Handbook*<sup>3</sup>. The Board decided to proceed directly to an exposure draft. It noted that the project is not developing new disclosure requirements—the disclosure requirements are derived from those of the *IFRS for SMEs* Standard and IFRS Standards. It concluded that the information required from the consultation would be best obtained by providing stakeholders with a complete draft of the proposed disclosure requirements (ie an exposure draft).
15. At its February 2021 meeting, the Board confirmed that it had complied with the applicable due process requirements to start the balloting process to publish the Exposure Draft. The Exposure Draft is planned to be published in H2 2021 and will have a comment period of 180 days. This is longer than the 120 days minimum specified by the *Due Process Handbook* and reflects the pervasive nature of the proposals. It allows time for stakeholders to analyse the suggested disclosure requirements and also understand what information would not be provided.

### Financial Instruments with Characteristics of Equity

16. As previously reported, after considering the feedback on the Discussion Paper, the Board decided in September 2019 not to pursue the classification approach proposed in the Discussion Paper. Instead, the Board decided to explore making clarifying amendments to the existing Standard IAS 32 *Financial Instruments: Presentation* to

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<sup>3</sup> Paragraph 5.5 of the *Due Process Handbook* explains that the Board would 'normally propose to develop a new IFRS Standard only after it has published a discussion paper'. Publishing a discussion paper is not a requirement, but to proceed without a discussion paper, the 'Board needs to be satisfied that it has sufficient information and understands the problem and the potential solutions well enough'.

address common accounting challenges that arise in practice when applying that Standard. In addition, the Board intends to further develop some presentation and disclosure requirements.

17. In light of the research work performed to date, at its December 2020 meeting, the Board moved the project from the research programme to the standard-setting programme. In doing so, the Board evaluated the project against the criteria for a standard-setting project outlined in paragraph 5.4 of the *Due Process Handbook*.
18. The Board concluded that there are pervasive deficiencies in current reporting about financial instruments with characteristics of equity that are affecting users of financial statements. Further, based on work to date, the Board concluded it should be feasible to provide:
  - (a) a clearer articulation of some of the IAS 32 classification principles and their underlying rationale;
  - (b) improved consistency, completeness and clarity of the requirements for classification; and
  - (c) improved information through new presentation and disclosure requirements about features of more complex financial liabilities and equity instruments not captured in the binary liability/equity classification.
19. The Board also considered in line with the *Due Process Handbook*<sup>4</sup> whether to establish a dedicated consultative group for the project. It decided this was not necessary and that it would continue to use the expertise of the existing advisory and consultative groups to advise on this project. It also noted that the staff can undertake targeted outreach when detailed specialist knowledge is required.

#### **Management Commentary**

20. At its October 2020 meeting, the Board confirmed that it had complied with the applicable due process requirements to start the balloting process to publish an Exposure Draft of a revised Management Commentary Practice Statement.
21. The Board has concluded a discussion paper is not necessary for this project and that it can proceed directly to an exposure draft because:
  - (a) the financial reporting problem is well defined and the Board's proposals are sufficiently detailed for an exposure draft;
  - (b) investors' demand for the project remains strong and they support the overall direction of the project;

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<sup>4</sup> Paragraph 3.45(b) of the *Due Process Handbook* explains that establishing a consultative group for a major project is a 'comply or explain step'—ie it is not a mandatory step, but the Board is required to explain its reason for not undertaking the step.

- (c) given the importance of drafting for this project, it would be more effective to obtain the required feedback from the draft guidance of an exposure draft rather than from a discussion paper.
22. The Exposure Draft is planned to be published in April 2021. The Board deferred the publication from February 2021 to reduce overlap with the Board's other consultation documents. The deferral would also allow time for more clarity about stakeholder views and potential next steps with respect to the Trustees' consultation on sustainability reporting. The Board will decide on the length of the comment period in March, which will allow it to consider the most current information about stakeholders' capacity to respond to consultation documents.

### **Maintenance projects (narrow-scope amendments)**

#### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)**

23. At its November 2020 meeting, the Board confirmed that it had complied with the applicable due process requirements to start the balloting process to issue narrow-scope amendments to IAS 12 *Income Taxes*. The amendments relate to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognising both an asset and a liability.
24. The Board also agreed that the amendments did not require re-exposure. The changes made to the proposals in the 2019 exposure draft respond to concerns and questions raised by respondents, while not fundamentally changing those proposals.
25. The amendments are planned to be issued in Q2 2021 and will be effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

#### **IFRS 16 and covid-19**

26. In February 2021, the Board published an Exposure Draft proposing an amendment to IFRS 16 *Leases*. The Exposure Draft proposes extending by one year the period of practical relief in accounting for covid-19-related rent concessions that the Board provided last year—ie to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022.
27. At a specially convened Board meeting on 4 February 2021, the Board noted that because the pandemic is still at its height, some rent concessions that reduce lease payments beyond the original expiry date of 30 June 2021 are consistent with what the Board had in mind when it originally provided the relief in May 2020. Therefore the Board concluded that extending the expiry date would:
- (a) continue to provide lessees with practical relief during the height of the covid-19 pandemic;
  - (b) enable lessees to account for similar covid-19-related rent concessions consistently during the height of the pandemic, thus continuing to provide useful information to users of financial statements; and

- (c) avoid any unintended consequences if the practical expedient were to be applied beyond when it is needed most.
28. Most investors who provided initial feedback in advance of the Board's discussion supported extending the expiry date, although they had mixed views on how long that extension should be—some suggested 31 December 2021 and others 30 June 2022. On balance, the Board decided to propose an extension to 30 June 2022. It noted the importance of extending the practical relief sufficiently to meet the objective of providing relief when it is needed most, thus avoiding any further amendments and giving stakeholders certainty about the period during which the relief would be available.
29. The Exposure Draft has a comment period of 14 days, which was approved in advance by the Trustees at their meeting on 1 February. The staff are contacting investors during the comment period to obtain further investor input on the proposed extension. The Board will consider the feedback at another special Board meeting in March and plans to issue any final amendment by the end of that month.
30. At the 4 February Board meeting, the Board also confirmed that it had complied with the applicable due process requirements to publish the Exposure Draft.

## Other projects

### Agenda Consultation

31. At its February 2021 meeting, the Board confirmed that it had complied with the applicable due process requirements to publish a Request for Information (RFI) for the Agenda Consultation. The RFI is planned to be published in March with a comment period of 120 days. The Board noted the ongoing challenges for stakeholders arising from the pandemic (see paragraph 35); however, on balance it decided it was more important to maintain momentum on this strategic consultation given that it has already delayed issuing the RFI by six months. See also paper Agenda Paper 1D for this meeting.

## Interpretations Committee

32. In December 2020, the Interpretations Committee agreed on a final agenda decision relating to the application of existing requirements to reverse factoring arrangements—a type of supply chain financing arrangement that is increasingly common and for which investors have concerns about the disclosures provided.
33. After the Interpretations Committee meeting and in line with the revised requirements of the *Due Process Handbook*<sup>5</sup>, the Board was asked to confirm at its December 2020 meeting that it did not object to the Agenda Decision. No board member objected and accordingly the Agenda Decision was published in December.

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<sup>5</sup> Paragraph 8.7 of the *Due Process Handbook* requires the Board to be asked whether it objects to an agenda decision. Specifically, Board members are asked whether they object to (a) the Interpretations Committee's decision that a standard-setting project should not be added to the work plan, and (b) the Committee's conclusion that the agenda decision does not add or change requirements in IFRS Standards.

## Agenda paper compliance report<sup>6</sup>

34. In the period October 2020 to February 2021, all agenda papers discussed by the Board and the Interpretations Committee were made available on the public website unaltered. One Board paper was posted after the posting deadline in the period:
- February 2021: Board paper for the discussion on Leases and covid-19 (see paragraphs 26–30)—posted four working days before the Board meeting given urgency of the matter.

## Other matters occurring during the period for the attention of the DPOC

### Responding to the covid-19 pandemic

35. In light of the ongoing pandemic and the number of consultations, the Board and staff continue to monitor carefully stakeholders' ability to respond effectively, balancing this with the need to progress the projects. As a result, the consultation periods for Business Combinations under Common Control, Rate-regulated Activities and the Request for Information on the Post-implementation Review of IFRSs 10, 11 and 12 are nine, five and five months respectively, longer than the four months minimum specified by the *Due Process Handbook*. We also moved the planned publication of the Management Commentary exposure draft from February to April 2021 to reduce the overlap with other consultation documents.
36. In the period, the Board and staff have continued to monitor the application of the Standards in the current stressed economic environment by actively engaging with national standard-setters, accounting firms, regulators and others. Other than the proposed amendment to IFRS 16 for covid-19-related rent concessions (see paragraphs 26–30), we are not aware of any need to make any further amendments to the Standards. Given the economic environment, in early January, the Foundation published an educational document to support companies in applying the going concern requirements in IFRS Standards (see paragraph 48(b)).

## Project updates

### Primary Financial Statements

37. At its meetings in December 2020 and January 2021, the Board considered summaries of the feedback on its Exposure Draft *General Presentation and Disclosures* from the 215 comment letters received, fieldwork and other outreach undertaken. (We reported

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<sup>6</sup> Paragraph 3.12 of the *Due Process Handbook* states 'The technical staff is required to report to the Board and the DPOC at least annually on the extent to which material discussed by the Board or the Interpretations Committee has not been made available to observers and the main reasons for doing so. In addition, the technical staff is required to include in that report the number of meeting papers that have been distributed less than five working days in advance and the main reasons for doing so.'



at the October 2020 DPOC meeting on the outreach activities performed during the comment period, including fieldwork.)

38. The proposals in the Exposure Draft have been generally well-received by respondents, in particular by users of financial statements who have expressed strong agreement with the project objectives and the specific proposals. In addition, across all respondents, there is general agreement with the proposals for new defined categories and subtotals in the statement of profit or loss, and the proposals to bring more discipline and transparency to the reporting of management performance measures. However, many respondents suggested expanding the scope of proposals for management performance measures to include more non-GAAP measures.
39. The Board also agreed on its approach to redeliberate the proposals in the Exposure Draft in the light of the feedback. Specifically, the Board decided to prioritise work on project focus areas including subtotals and management performance measures, and adopt a staged approach to redeliberations on topics that have received mixed feedback.

#### **Goodwill and Impairment**

40. In March 2020 the Board published the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*. The comment letter deadline was 31 December 2020.
41. In the Discussion Paper the Board set out its preliminary views on improving the information companies report about acquisitions of businesses to help investors assess how successful those acquisitions have been. The Board also sought feedback on its preliminary view that it should retain the impairment-only approach for accounting for goodwill and not reintroduce amortisation, given there is no clear evidence that amortising goodwill would significantly improve the information that entities report to investors.
42. The Board received 190 comment letters. In addition, Board and staff members attended 90 outreach events during the consultation period. Events had between 20 and 1,000 participants and covered a range of stakeholder groups, including investors, accounting firms, accounting bodies, national standard-setters and preparers and preparer groups. The staff are also reviewing academic literature and have attended some academic conferences.
43. In addition to the outreach events, the staff undertook fieldwork on the Board's preliminary views related to requiring additional disclosures on the subsequent performance of acquisitions. Fieldwork was done with eight preparers. Each participant was asked to prepare mock disclosures, based on the Board's preliminary views. After preparing the mock disclosures the staff interviewed each participant to understand the information available within entities and what practical challenges there might be in applying the Board's preliminary views in practice.
44. The Board will begin discussing a summary of feedback at its meeting in March 2021 and start redeliberations in Q2 2021.

45. The FASB is also undertaking a project considering the same issues as the Board's. The Board and the FASB discussed their respective projects at their joint educational meeting in November 2020.

## Supporting consistent application

### Interpretations Committee

46. The Interpretations Committee met in December 2020 and February 2021 and published six tentative agenda decisions and one final agenda decision (see page 20). These include material explaining the application of IFRS Standards to support their consistent application.
47. At the close of the February meeting, there were two submissions from stakeholders that the Interpretations Committee had not yet considered.

### Educational materials

48. In the period, the Foundation published two educational documents:
- (a) *Effects of climate-related matters on financial statements* (November 2020) highlights how existing requirements in IFRS Standards require companies to consider climate-related matters when their effect is material to their financial statements. The document complements an article Nick Anderson wrote on the topic a year ago and responds to stakeholder requests for further information.
  - (b) *Going concern—a focus on disclosure* (January 2021) is intended to support companies in applying the going concern requirements in IFRS Standards focusing in particular on the interaction between the specific disclosure requirements relating to going concern and broader disclosure requirements relating to significant judgements.
49. Both documents were developed in accordance with paragraphs 8.8–8.11<sup>7</sup> of the *Due Process Handbook* and, accordingly, given their nature, were reviewed by three Board members.

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<sup>7</sup> These paragraphs specify the quality assurance processes applicable to educational material.

## Appendix A—Overview of projects on the Work Plan

[abbreviations: DP=Discussion Paper; ED=Exposure Draft; RFI=Request for Information; ASAF=Accounting Standards Advisory Forum; CMAC=Capital Markets Advisory Committee; GPF=Global Preparers Forum; EEG=Emerging Economies Group; SMEIG=SME Implementation Group]

Project	Objective	Next due process step	Date	Timeline consistent with prior report	Current activity	Last due process document	Consultative group discussions <sup>8</sup>
<b>Research projects</b>							
Business Combinations under Common Control	To explore possible reporting requirements that would reduce diversity in practice and improve the transparency and comparability of the reporting on business combinations under common control	Consider feedback on DP	H2 2021	✓	<ul style="list-style-type: none"> <li>Outreach activities to support DP (open until Sep 2021)</li> </ul>	<ul style="list-style-type: none"> <li>DP published Nov 2020</li> </ul>	ASAF: Oct 2020 CMAC: Jun 2019 EEG: Mar 2019 GPF: Jun 2019
Dynamic Risk Activities	To explore whether an accounting model can be developed that will provide users of financial statements with better information about a company's dynamic risk management activities and how it manages those activities	Consider feedback from outreach on core model	Apr 2021	✓	<ul style="list-style-type: none"> <li>Outreach undertaken since Oct 2020 on the core model elements</li> </ul>	<ul style="list-style-type: none"> <li>DP published in 2014</li> </ul>	ASAF: Dec 2020
Equity method <i>New active project (transferred from research pipeline)</i>	To assess whether application problems with the equity method as set out in IAS 28 <i>Investments in Associates and Joint Ventures</i> can be addressed in consolidated and individual financial statements by identifying and explaining the principles of IAS 28	Decide project direction	TBD	n/a—new project	<ul style="list-style-type: none"> <li>Project moved from research pipeline in Oct 2020</li> <li>Board to be updated Mar 2021</li> </ul>	n/a	
Extractive Activities	To gather evidence to help decide whether to start a project to develop proposals to replace IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	Decide project direction	Q2 2021	✓	<ul style="list-style-type: none"> <li>Board considering research findings</li> </ul>	n/a	ASAF: Oct 2018 CMAC: Mar 2019

<sup>8</sup> Most recent discussion with each group highlighted

## Appendix A—Overview of projects on the Work Plan

Project	Objective	Next due process step	Date	Timeline consistent with prior report	Current activity	Last due process document	Consultative group discussions <sup>8</sup>
Goodwill and Impairment	To explore whether companies can, at a reasonable cost, provide investors with more useful information about the acquisitions those companies make. The Board is considering ways to meet the objective though improving the disclosure requirements about business combinations and the subsequent accounting for goodwill	Consider feedback on DP	Mar 2021	✓	<ul style="list-style-type: none"> <li>Staff analysing feedback from comment letters and outreach to report to the Board in Mar &amp; Apr 2021</li> </ul>	DP published Mar 2020 (extended comment period ended Dec 2020)	ASAF: Oct 2020 CMAC: Oct 2019 EEG: Dec 2020 GPF: Oct 2020
Pension Benefits that Depend on Asset Returns	To gather evidence to help decide whether to start a project to develop proposals for targeted amendments to the requirements for defined benefit plans in IAS 19 <i>Employee Benefits</i> . The amendments would relate to employee benefits that depend on the return on a specified pool of assets	Review research	Apr 2021	Delayed from Q1 to Q2 due to prioritisation	<ul style="list-style-type: none"> <li>Reviewing research</li> </ul>	n/a	ASAF: Jul 2019
Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12	Examine further the matters in the Request for Information to assess whether IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i> are working as intended	Consider feedback from RFI	Q3 2021	✓	<ul style="list-style-type: none"> <li>Outreach activities to support RFI (open until May 2021)</li> </ul>	RFI published Dec 2020	ASAF: Dec 2019 CMAC: Oct 2019 EEG: Dec 2020 GPF: Oct 2019
Post-implementation Review of IFRS 9—Classification and Measurement  <i>New project</i>	Gather evidence to assess whether the classification and measurement requirements of IFRS 9 are working as intended	Publish RFI	H2 2021	n/a—new project	<ul style="list-style-type: none"> <li>Outreach activities to assist in identifying matters on which to consult in the RFI</li> </ul>	n/a	

## Appendix A—Overview of projects on the Work Plan

Project	Objective	Next due process step	Date	Timeline consistent with prior report	Current activity	Last due process document	Consultative group discussions <sup>8</sup>
Second Comprehensive Review of the IFRS for SMEs Standard	To undertake the second periodic comprehensive review of the <i>IFRS for SMEs</i> Standard	Decide project direction	Mar 2021	✓	<ul style="list-style-type: none"> <li>• Summary of feedback from RFI reported to Board Dec 2020</li> <li>• Advice from SMEIG sought Feb 2021 to assist Board in determining project direction</li> </ul>	RFI published Jan 2020 (extended comment period ended Oct 2020)	EEG: May 2020 SMEIG: Feb 2021
<b>Standard-setting projects</b>							
Disclosure Initiative—Subsidiaries that are SMEs	To develop a reduced-disclosure IFRS Standard—using the disclosure requirements of the <i>IFRS for SMEs</i> Standard and adapting them where there are recognition and measurement differences between the <i>IFRS for SMEs</i> Standard and IFRS Standards—that would apply on a voluntary basis to subsidiaries that do not have public accountability	Publish ED	H2 2021	✓	<ul style="list-style-type: none"> <li>• Board concluded initial deliberations in Jan 2021 and decided to proceed directly to an ED</li> <li>• Board gave permission to start balloting process in Feb 2021</li> <li>• Board decided on 180-day comment period</li> </ul>	n/a	ASAF: Apr 2019 GPF: Mar 2019 EEG: Nov 2020

## Appendix A—Overview of projects on the Work Plan

Project	Objective	Next due process step	Date	Timeline consistent with prior report	Current activity	Last due process document	Consultative group discussions <sup>8</sup>
Disclosure Initiative—Targeted Standards-level Review of Disclosures	To develop guidance for the Board itself to use when developing and drafting disclosure requirements in IFRS Standards  The Board will test this guidance by applying it to the disclosure requirements in IAS 19 <i>Employee Benefits</i> and IFRS 13 <i>Fair Value Measurement</i>	Publish ED	Mar 2021	✓	<ul style="list-style-type: none"> <li>• ED in balloting process</li> <li>• Board decided on 180-day comment period</li> </ul>	Project in response to feedback on 2017 DP <i>Principles of Disclosure</i>	ASAF: Apr 2019 CMAC: Jun 2019 EEG: Dec 2020 GPF: Mar 2020
Financial Instruments with Characteristics of Equity	To improve the information that companies provide in their financial statements about the financial instruments they have issued and address challenges with applying IAS 32 <i>Financial Instruments: Presentation</i>	Publish ED	TBD	✓	<ul style="list-style-type: none"> <li>• Project moved to standard-setting programme in Dec 2020</li> <li>• Decided in Dec 2020 not to establish a dedicated consultative group but use existing groups</li> <li>• Developing proposals for ED</li> </ul>	DP published Jun 2018  In light of feedback, decided to achieve DP objectives by clarifying existing IAS 32 classification principles to address practice issues, providing classification guidance and illustrative examples and improving presentation and disclosure	ASAF: Dec 2020 CMAC: Mar 2020 GPF: Nov 2018
Management Commentary	To revise and update Practice Statement 1 <i>Management Commentary</i> issued in 2010	Publish ED	Apr 2021	ED deferred until Apr 2021 (see paragraph 22)	<ul style="list-style-type: none"> <li>• ED in balloting process (Board gave permission to start balloting process in Oct 2020)</li> </ul>	n/a	Management Commentary Consultative Group: Dec 2019  ASAF: Jul 2020 CMAC: Mar 2020 EEG: May 2020 GPF: Jun 2019

## Appendix A—Overview of projects on the Work Plan

Project	Objective	Next due process step	Date	Timeline consistent with prior report	Current activity	Last due process document	Consultative group discussions <sup>8</sup>
Primary Financial Statements	To improve how information is communicated in the financial statements, with a focus on information in the statement of profit or loss including introducing a more disciplined and transparent approach to the reporting of management-defined performance measures (a subset of 'non-GAAP')	Issue new IFRS Standard	TBD	✓	<ul style="list-style-type: none"> <li>• Summary of feedback from ED reported to Board Dec 2020 &amp; Jan 2021</li> <li>• Will start redeliberating the proposals in ED in light of feedback in Mar 2021</li> </ul>	ED published Dec 2019	ASAF Apr 2020 CMAC: Oct 2020 GPF Oct 2020 EEG May 2020
Rate-regulated Activities	To develop a new accounting model to give users of financial statements better information about a company's incremental rights and obligations arising from its rate-regulated activities	Consider feedback on Exposure Draft	H2 2021	✓	<ul style="list-style-type: none"> <li>• Outreach activities to support ED (open until Jun 2021)</li> </ul>	ED published Jan 2021	Rate Regulation Consultative Group: Nov 2017  ASAF: Dec 2020 CMAC: Oct 2019 GPF: Mar 2016 EEG: Mar 2019
<b>Other projects</b>							
Third Agenda Consultation		Publish RFI	Mar 2021	✓	<ul style="list-style-type: none"> <li>• Board discussed approach to seeking feedback Oct 2020</li> <li>• RFI reviewed by Board (Board gave permission to publish Feb 2021)</li> <li>• Board decided on 120-day comment period</li> </ul>	n/a	ASAF: Oct 2019 CMAC: Oct 2019 GPF: Oct 2019 EEG: Dec 2019

## Appendix A—Overview of projects on the Work Plan

Project	Objective	Next due process step	Date	Timeline consistent with prior report	Current activity	Last due process document
<b>Maintenance projects</b>						
Availability of a Refund (Amendments to IFRIC 14)	To clarify the accounting when other parties have rights to make particular decisions about a company's defined benefit plan	Decide project direction	TBD	n/a	• Staff researching how to progress the project	n/a
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	To amend the requirements relating to the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognising both an asset and a liability	Issue IFRS Amendment	Q2 2021	✓	• IFRS Amendment in balloting process (Board gave permission to start balloting process in Nov 2020)	ED published Jul 2019
IFRS 16 and covid-19 <i>New project</i>	To extend the existing practical expedient for covid-19-related rent concessions	Consider feedback on ED	Mar 2021	n/a—new project	• ED open until 25 Feb 2021	ED published Feb 2021
Lack of Exchangeability (Amendments to IAS 21)	To specify requirements to help entities assess when a currency is not exchangeable and the spot exchange rate to use in that situation	Publish ED	Apr 2021	✓	• Amendment in balloting process	n/a
Lease Liability in a Sale and Leaseback	To improve the sale and leaseback requirements in IFRS 16 by (i) adding subsequent measurement requirements for sale and leaseback transactions; and (ii) specifying the method a seller-lessee uses in initially measuring the right-of-use asset and liability arising in such transactions	Consider feedback on ED	Q2 2021	✓	• ED open until Mar 2021	ED published Nov 2020
Provisions—Targeted Improvements	To develop proposals for three targeted improvements to IAS 37: (i) aligning the IAS 37 liability definition and requirements for identifying liabilities with the <i>Conceptual Framework</i> ; and (ii) clarifying two aspects of the measurement requirements	Decide project direction	TBD	n/a	• Project slowed with staff working on higher priority projects	n/a



## Appendix A—Overview of projects on the Work Plan

IFRS Taxonomy projects						
2020 General Improvements and Common Practice	To assess whether improvements to the IFRS Taxonomy are needed to support high-quality tagging of information presented in the primary financial statements	Issue Taxonomy Update	Mar 2021	✓	•Taxonomy Update reviewed by Taxonomy Review Panel	Proposed Taxonomy Update Oct 2020
Amendments to IAS 1, IAS 8 and IFRS Practice Statement 2 <i>New project</i>	To reflect Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (Amendments to IAS 8), expected to be issued in Q1 2021	Publish Proposed Taxonomy Update	Apr 2021	n/a—new project	•Taxonomy Update balloted	n/a
Amendments to IFRS 17, IFRS 4 and IAS 16	To reflect Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 issued in June 2020, and Property, Plant and Equipment—Proceeds before Intended Use issued in May 2020	Issue Taxonomy Update	Mar 2021	✓	•Taxonomy Update balloted	Proposed Taxonomy Update Jul 2020
Common Practice (IAS 19 <i>Employee Benefits</i> )	To consider improvements to the IFRS Taxonomy to make it easier to analyse and compare information that entities commonly disclose about employee benefits under IAS 19	Issue Taxonomy Update	Mar 2021	✓	•Taxonomy Update being reviewed by Taxonomy Review Panel	Proposed Taxonomy Update Nov 2020

## Appendix B—Due process documents published in the period

### Standard-setting due process documents

Due process document	Due process stage	Date published	Due process reviewed by Board <sup>9</sup>	All applicable due process steps completed
Lease Liability in a Sale and Leaseback (Proposed amendment to IFRS 16)	Exposure Draft	November 2020	May 2020	✓
Business Combinations under Common Control	Discussion Paper	November 2020	February 2020	✓
Post-implementation Review of IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 11 <i>Joint Arrangements</i> and IFRS 12 <i>Disclosure of Interests in Other Entities</i>	Request for Information	December 2020	November 2020	✓
Regulatory Assets and Regulatory Liabilities	Exposure Draft	January 2021	July 2019	✓
Covid-19-Related Rent Concessions beyond 30 June 2021 (proposed amendment to IFRS 16)	Exposure Draft	February 2021	February 2021	✓
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	IFRS Amendment	February 2021	July 2020	✓
Definition of Accounting Estimates (Amendments to IAS 8)	IFRS Amendment	February 2021	December 2019	✓

<sup>9</sup> Paragraph 4.16, 6.6 and 6.22–6.24 of the *Due Process Handbook* set out the due process requirements for the Board when publishing a Discussion Paper, an Exposure Draft, and a new or amended Standard respectively. Before publishing these documents, the staff presents a summary of the due process steps to the Board and asks the Board to confirm that it is satisfied that all necessary steps have been completed. The DPOC receives a copy of this summary in advance of the Board discussion.

## Appendix B—Due process documents published in the period

### IFRS Taxonomy due process documents

IFRS taxonomy due process document	Due process stage	Date published	Approved by Board <sup>10</sup>	Reviewed Taxonomy Review Panel	Reviewed ITCG	All applicable due process steps completed
General Improvements and Common Practice (Presentation of information in primary financial statements)	Proposed taxonomy update	October 2020	n/a	September 2020	September 2020	✓
General Improvements and Common Practice (IAS 19 <i>Employee Benefits</i> )	Proposed taxonomy update	November 2020	n/a	October 2020	October 2020	✓
Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Taxonomy update	December 2020	November 2020	n/a	November 2020	✓

<sup>10</sup> The due process procedures for the IFRS Taxonomy are set out in the Annex to the *Due Process Handbook*. Paragraph A16 sets out the due process requirements for Taxonomy Updates relating to IFRS Standards. Paragraphs A32–A37 and A47 set out the requirements for general improvements, new common practice and other content changes not referred to explicitly by the IFRS Standards. The Board is required to approve IFRS Taxonomy Updates reflecting new or amended IFRS Standards; it is not required to approve new common practice or other content changes not referred to explicitly by the IFRS Standards. Changes for new common practice or other content changes not referred to explicitly by the IFRS Standards are required to be reviewed by the IFRS Taxonomy Review Panel. The IFRS Taxonomy Consultative Group (ITCG) provides guidance throughout the development of an IFRS Taxonomy Update and normally also reviews all content changes.

## Appendix B—Due process documents published in the period

### IFRS Interpretations Committee Agenda Decisions

Agenda decision	Due process stage	Date published	Approved by Interpretations Committee	Board not object <sup>11</sup>	All applicable due process steps completed
Classification of Debt with Covenants as Current or Non-current (IAS 1 <i>Presentation of Financial Statements</i> )	Tentative agenda decision	December 2020	December 2020	n/a	✓
Attributing Benefit to Periods of Service (IAS 19 <i>Employee Benefits</i> )	Tentative agenda decision	December 2020	December 2020	n/a	✓
Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 <i>Intangible Assets</i> )	Tentative agenda decision	December 2020	December 2020	n/a	✓
Hedging Variability in Cash Flows due to Real Interest Rates (IFRS 9 <i>Financial Instruments</i> )	Tentative agenda decision	December 2020	December 2020	n/a	✓
Supply Chain Financing Arrangements—Reverse Factoring	Agenda decision	December 2020	December 2020	December 2020	✓
Costs Necessary to Sell inventories (IAS 2 <i>Inventories</i> )	Tentative Agenda Decision	February 2021	February 2021	n/a	✓
Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10 <i>Events after the Reporting Period</i> )	Tentative Agenda Decision	February 2021	February 2021	n/a	✓

<sup>11</sup> Paragraph 8.7 of the *Due Process Handbook* requires the Board to be asked whether it objects to a (final) agenda decision approved by the Interpretations Committee before that agenda decision is published.