

IFRS® Foundation

Agenda paper 2

Update on the Board's Activities

IFRS Advisory Council
November 2021



Perspectives of the new Chair

Key challenge

To remain relevant in an ever faster changing environment

- Previously unforeseen emerging topics → be proactive, “scan the horizon”
- New ways of digesting financial (and other) information → impact of/on digital
- Sustainability reporting developments
- Communication is key! → explain what we do and why, recipients’ perspective

Additional considerations

- Execution of current work plan → a new Chair ≠ a new work plan
- Be realistic about what can be achieved by when (resources!)
- Be cognisant about frequency and amount of change we impose on stakeholders
- Timeliness (too fast for some, too slow for others), but: independence and robust due process are essential for credibility of result!

Significant developments since the last meeting

Consultation document published

Request for Information *Post-implementation Review of IFRS 9—Classification and Measurement* on 30 September with 120-day comment period (slide 5)

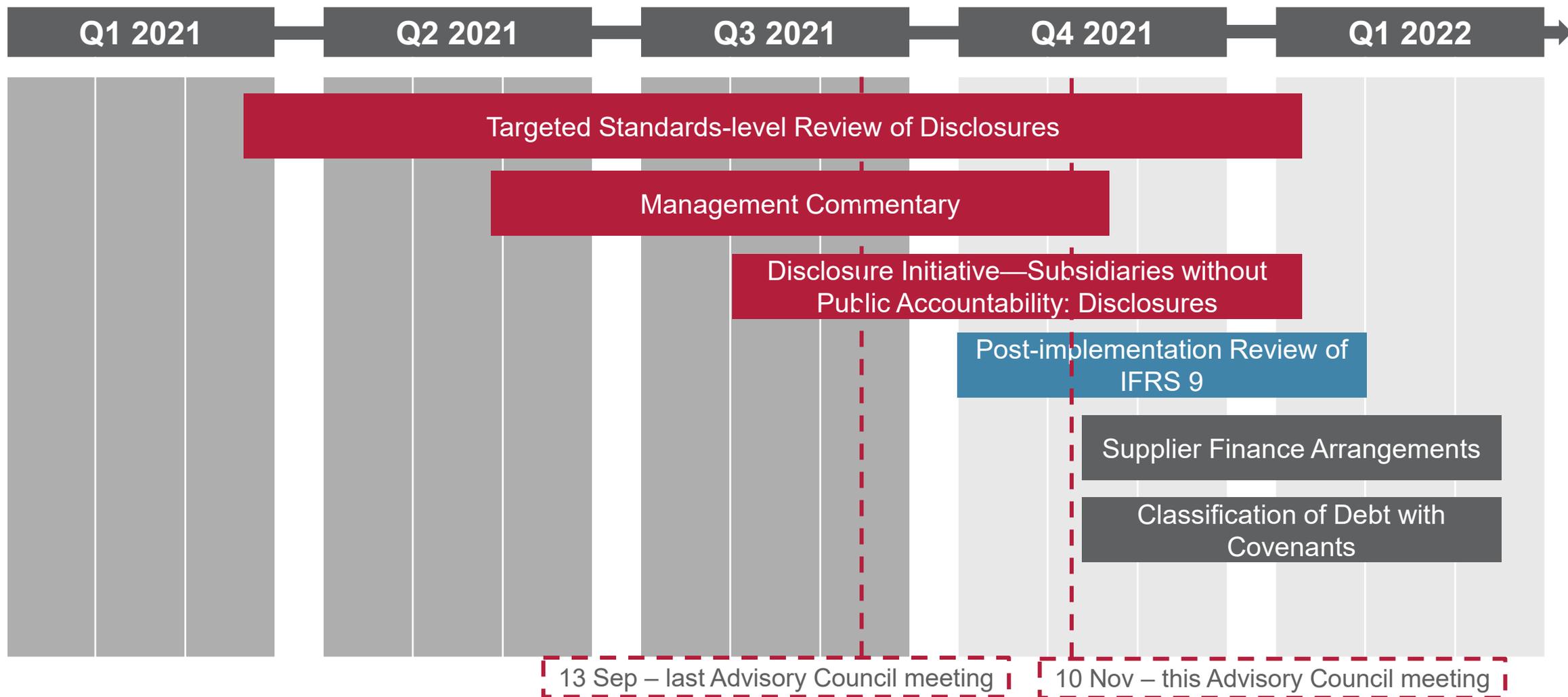
Consultation periods ended (deliberations to begin in Q4)

1. Discussion Paper *Business Combinations under Common Control*
2. Exposure Draft *Lack of Exchangeability*
3. Exposure Draft *Initial Application of IFRS 17 and IFRS 9—Comparative Information*. Final amendment expected in December.
4. Request for Information *Third Agenda Consultation*

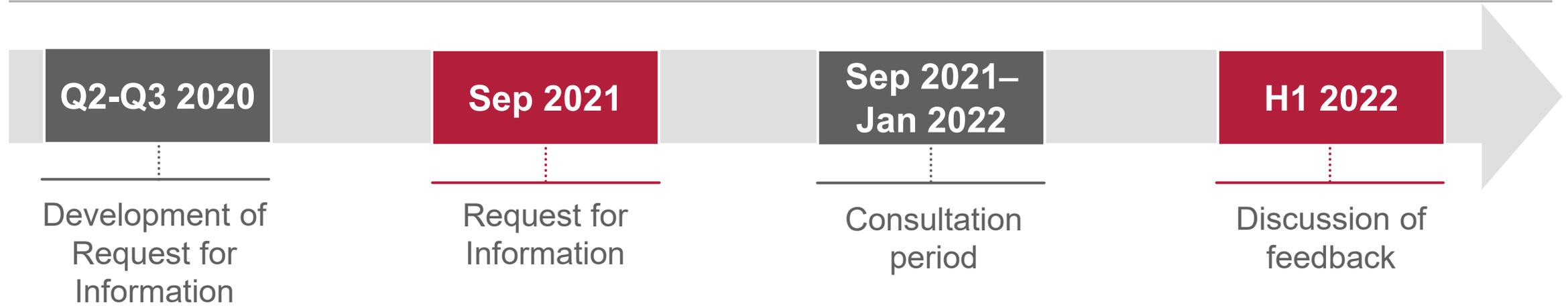
Other updates

1. Held virtually annual World Standards Setters (WSS) conference in September with 140+ delegates from about 70 jurisdictions.
2. Continued to engage in Trustees sustainability work to facilitate connectivity with the IASB
3. Officially re-opened the office with a pilot hybrid work approach

Overview of current and forthcoming consultations



Post-implementation Review of IFRS 9— Classification and Measurement



Objective

Assess whether the classification and measurement requirements in IFRS 9 are working as intended

Topics in the Request for Information

- | | | |
|---|--|-----------------------|
| 1 | Business model, SPPI, fair value changes in equity instruments | Financial assets |
| 2 | Presentation of own credit gains and losses | Financial liabilities |
| 3 | Modifications to contractual cash flows, effective interest method, transition to IFRS 9 | Other topics |

Supplier Finance Arrangements

Objective

Provide information that would help investors determine the effects of supplier finance arrangements on a company's liabilities and cash flows.

Approach

- **Explain** the type of arrangements to be included within the scope of the proposed amendments
- Add **qualitative and quantitative disclosure** requirements for supplier finance arrangements to meet overall and specific disclosure objectives
- Add supplier finance arrangements **as an example** within the existing liquidity risk disclosure requirements in IFRS 7

Next milestone

Exposure Draft expected Q4 2021

Classification of Debt with Covenants

Objective

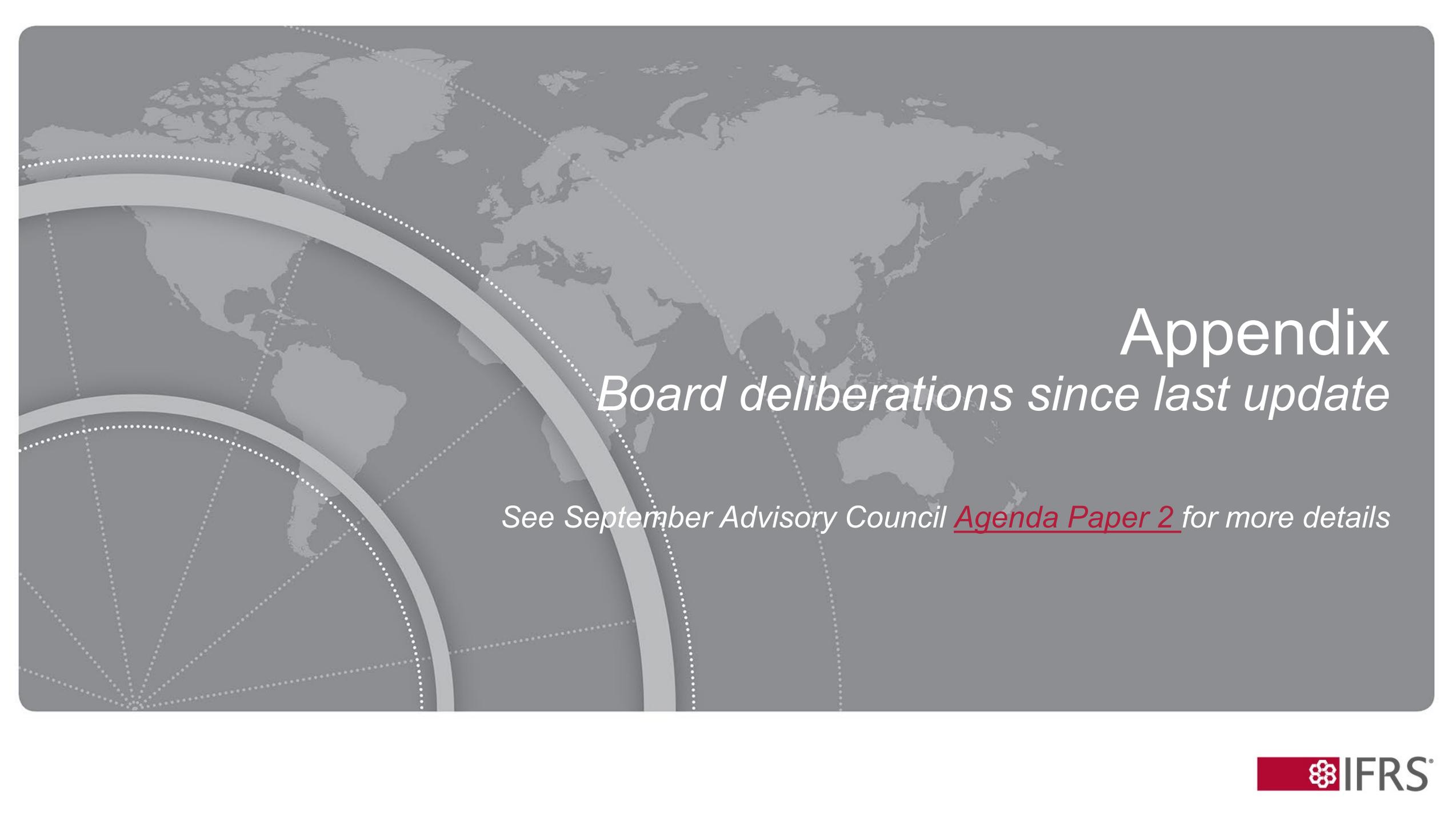
Improve the information about liabilities with covenants provided through classification (as current or non-current), presentation and disclosure in financial statements

Approach

- Specify that covenants with which an entity must comply **after the reporting period** do not affect classification of a liability as current or non-current at the end of the reporting period.
- Add **presentation and disclosure requirements** for non-current liabilities subject to covenants
- Clarify situations in which an entity **does not have a right to defer settlement**

Next milestone

Exposure draft expected Q4 2021



Appendix

Board deliberations since last update

See September Advisory Council [Agenda Paper 2](#) for more details

Board deliberations since last update

Project	Update
Primary Financial Statements	<p>The Board continued redeliberations of some of the exposure draft proposals on:</p> <ul style="list-style-type: none">• classification of income/expenses from associates and joint ventures• operating profit or loss before depreciation and amortisation• aggregation and disaggregation, including analysis of operating expenses by nature / function• management performance measures
Goodwill and Impairment	<p>The Board decided on a project plan that prioritises:</p> <ul style="list-style-type: none">• tentative decisions on the package of disclosure requirements, which the Board started making in October; and• analysis of specific aspects of the feedback on whether to reintroduce amortisation of goodwill.

Board deliberations since last update

Project	Update
Initial Application of IFRS 17 and IFRS 9—Comparative Information	The Board redeliberated feedback on the Exposure Draft and decided to issue final amendments
Post-implementation Review of IFRS 10-12	The Board decided that IFRS 10-12 are working as intended. The Board also decided to consider further action on some topics as part of the outcome of the Third Agenda Consultation.
Second Comprehensive Review of the IFRS for SMEs Standard	The Board continued to deliberate specific sections of the <i>IFRS for SMEs</i> Standard that could be aligned with IFRS Standards, amendments to IFRS Standards and IFRIC Interpretations, focusing on IFRS 9, IFRS 13, IFRS 14 and IFRS 15.

Board deliberations since last update

Project	Update
Extractive Activities	<p>The Board tentatively decided to explore two aspects of IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>:</p> <ul style="list-style-type: none">• to develop requirements or guidance to improve the disclosures about an entity's exploration and evaluation (E&E) expenditure and activities; and• to remove the temporary status of IFRS 6
Pension benefits that depend on asset returns	<p>The Board decided to stop the research project</p>
Equity Method	<p>The Board decided to research to the implications of differences between the principles in IAS 28 and other Standards relating to business combinations and consolidation before considering application questions within the scope of the project.</p>

Board deliberations since last update

Project	Update
Rate-regulated Activities	The Board discussed feedback on the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i>
Financial Instruments with Characteristics of Equity	The Board discussed: <ul style="list-style-type: none">• financial instruments with contingent settlement provisions; and• the effects of laws on the contractual terms of financial instruments.
Dynamic Risk Management	The Board discussed potential refinements to the Dynamic Risk Management model (DRM model). The potential refinements address one of the challenges identified during meetings with preparers—incorporating risk limits in the DRM model.