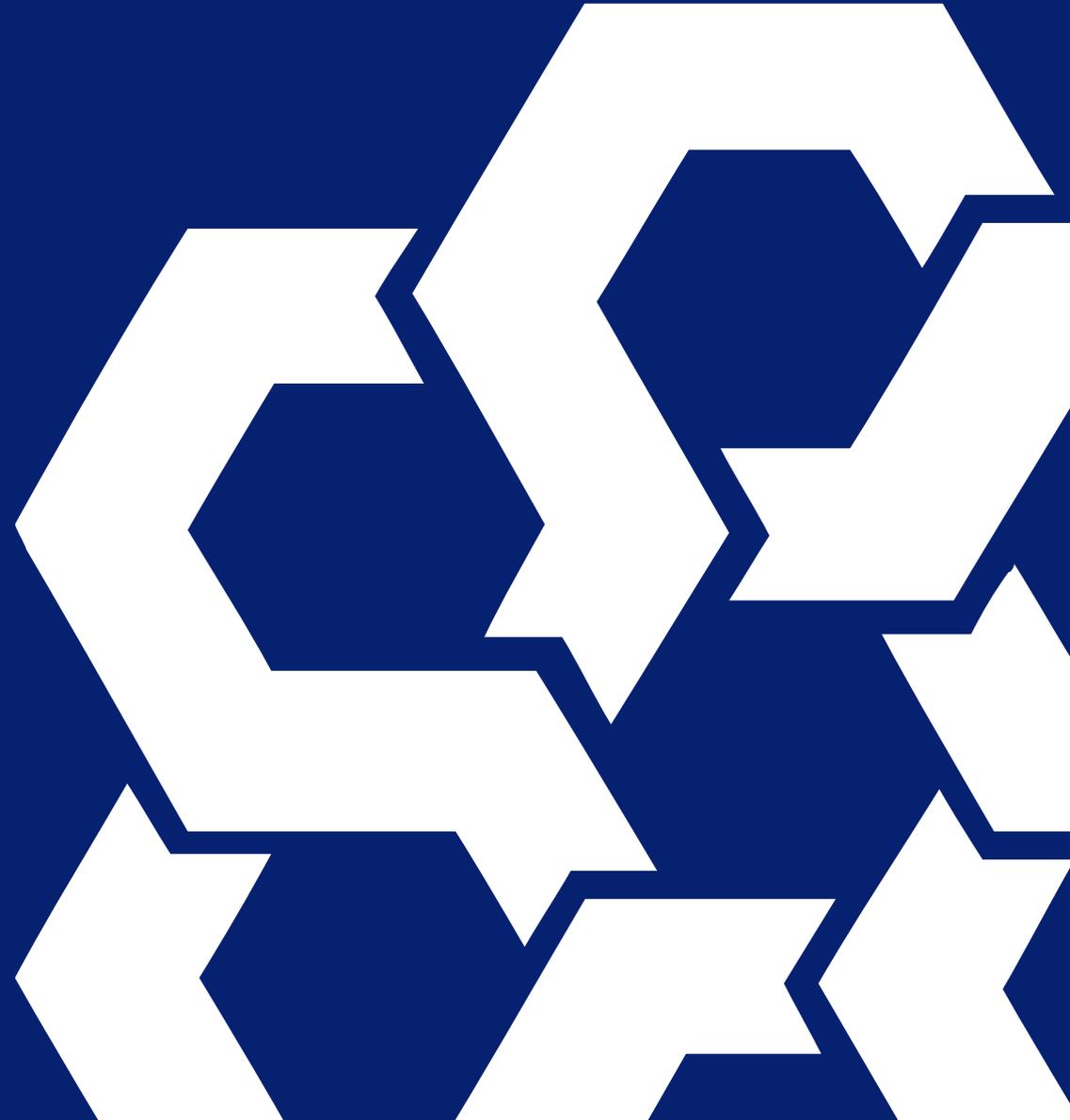

Capital Markets Advisory Committee

Date **October 2022**
Topic **IASB Update**
Contact **Nick Anderson** (nanderson@ifrs.org)

Overview

- Update on current work plan
- Overview: research projects
- Overview: standard-setting projects
- Overview: maintenance projects
- New requirements
- Digital financial reporting
- Appendix

Update on current work plan



Highlights

Recent developments since the last IASB Technical update slide deck

The IASB published:

- its Third Agenda Consultation Feedback Statement and Snapshot outlining its priorities for the next five years
- proposals to update the *IFRS for SMEs* Accounting Standard to reflect improvements made to full IFRS Accounting Standards, while keeping the Standard simple for small and medium-sized entities

Research project pipeline



Intangible Assets—this project will aim to review IAS 38 *Intangible Assets* comprehensively.



Statement of Cash Flows and Related Matters—as part of the research phase on such a project, the IASB will consider whether the project should aim to review IAS 7 *Statement of Cash Flows* comprehensively or make more targeted improvements

Maintenance project pipeline



Climate-related Risks in the Financial Statements—this project will consider whether and, if so, what narrow-scope actions might be needed in relation to accounting for climate-related risks in the financial statements.

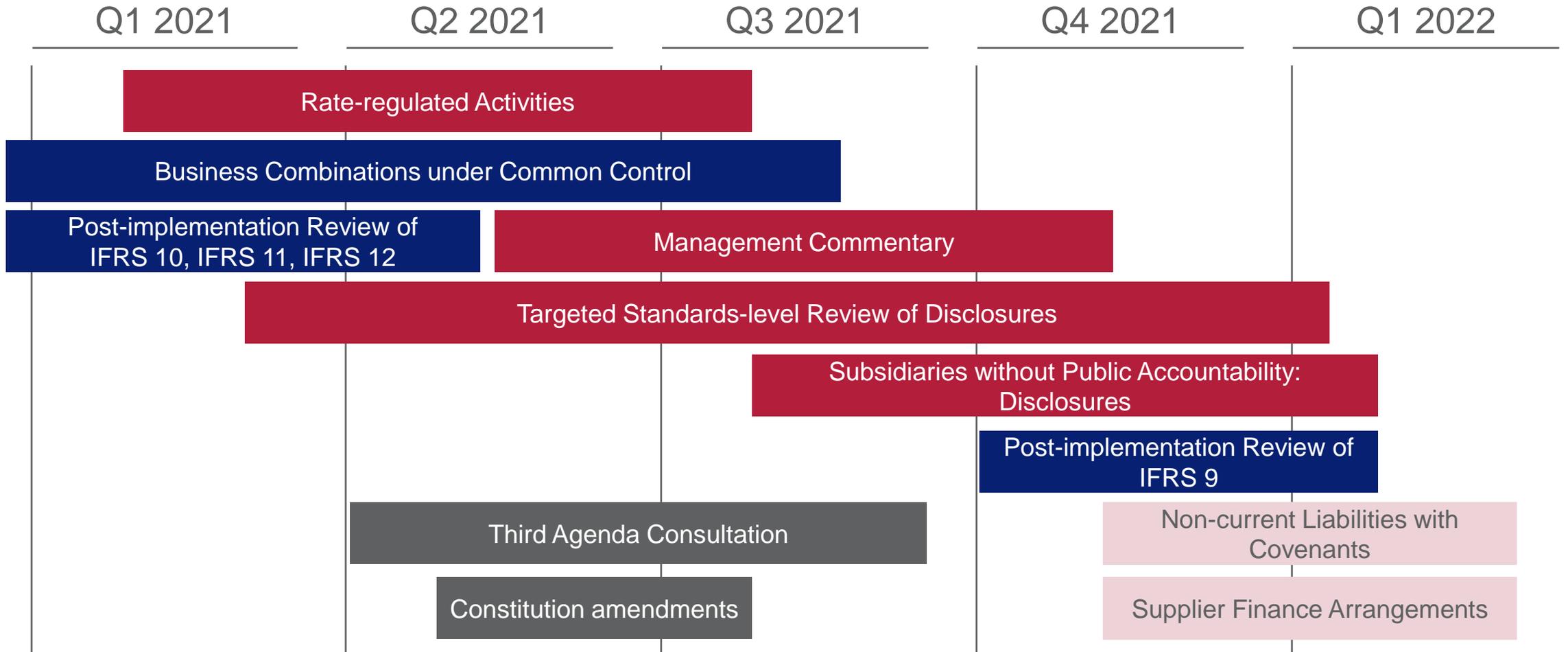
Reserve list (if additional capacity becomes available)



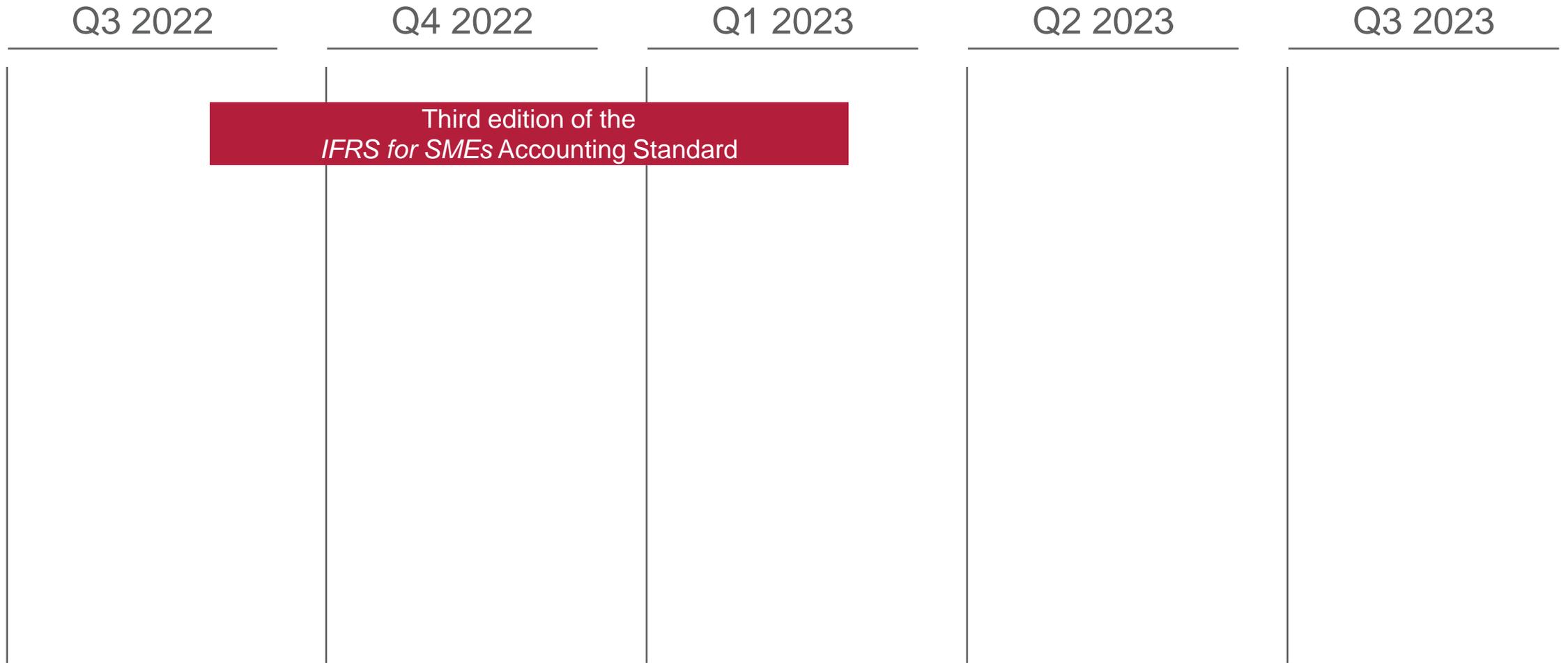
Operating Segments



Pollutant Pricing Mechanisms

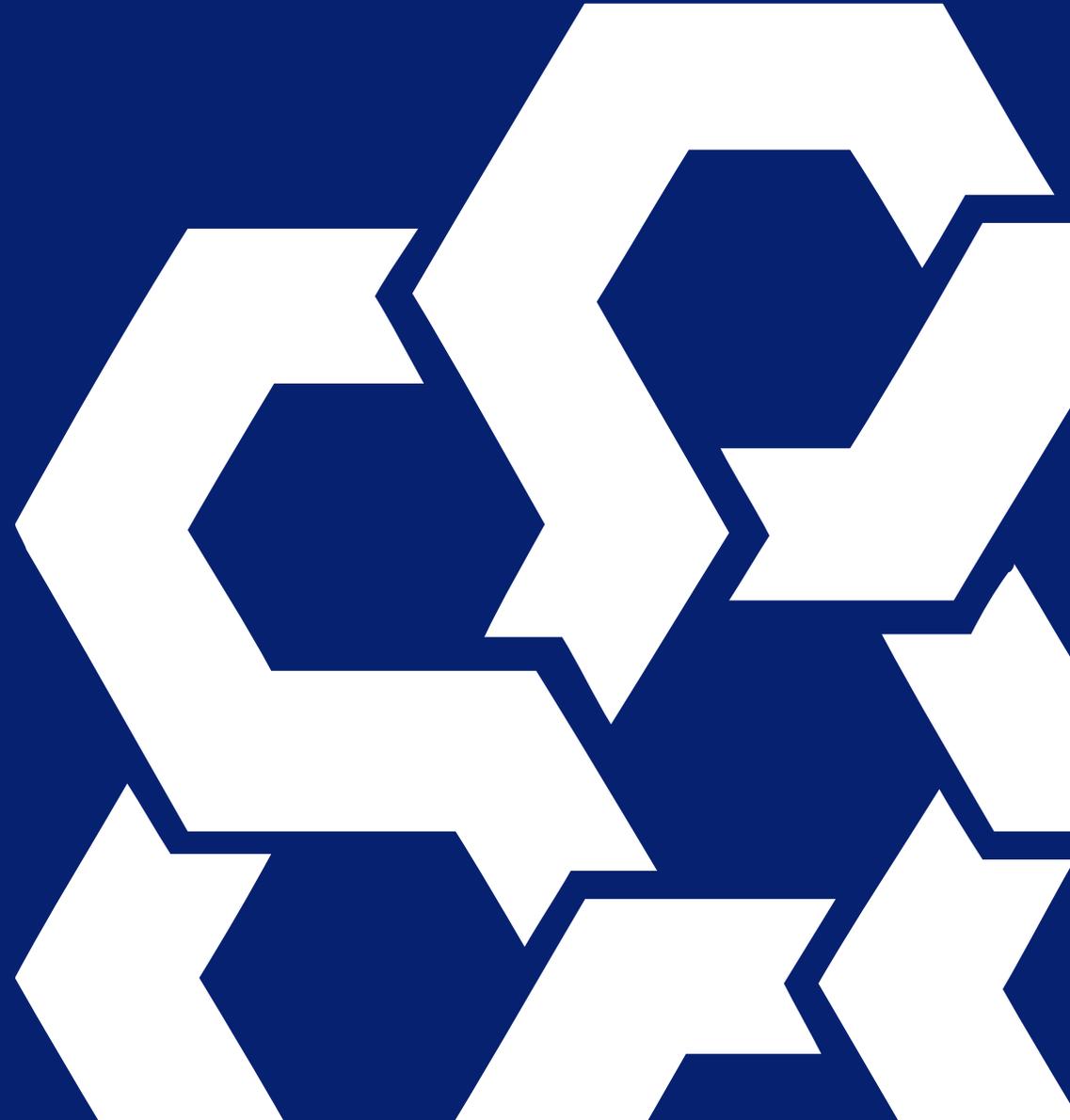


■ Research projects
 ■ Standard-setting projects
 ■ Strategy and governance projects
 ■ Maintenance projects

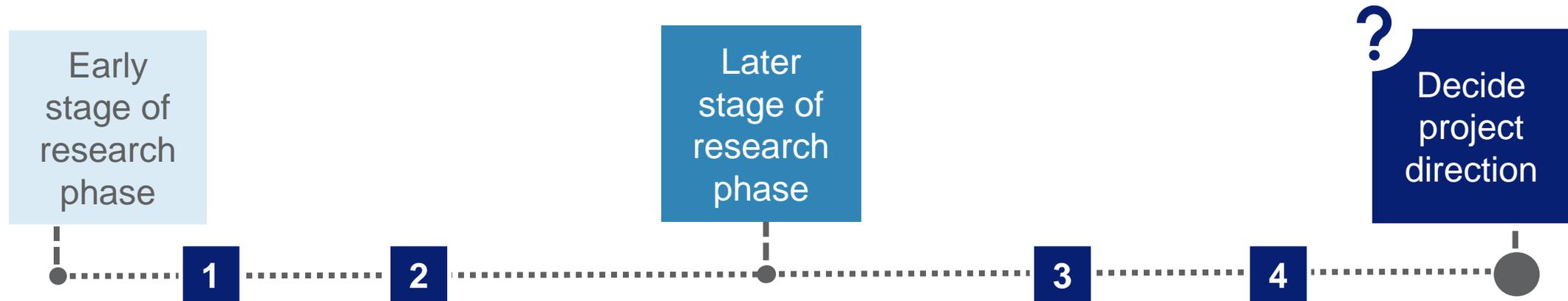


-  Research projects
-  Standard-setting projects
-  Strategy and governance projects
-  Maintenance projects

Overview: research projects



Overview: research projects



- 1** Equity Method
- 2** Extractive Activities
- 3** Business Combinations under Common Control
- 4** Goodwill and Impairment

Goodwill and Impairment

Objective

- Improve information companies provide about their acquisitions at a reasonable cost

Areas of focus

- A package of disclosure requirements about business combinations (decision in Q3 2022)
- Whether to retain impairment-only model for goodwill (decision in Q4 2022)

Next steps

- Decide project direction

Extractive Activities

Objective

- Provide more useful information about exploration and evaluation expenditure and activities accounted for applying IFRS 6 *Exploration for and Evaluation of Mineral Resources* by improving the transparency and comparability of this information

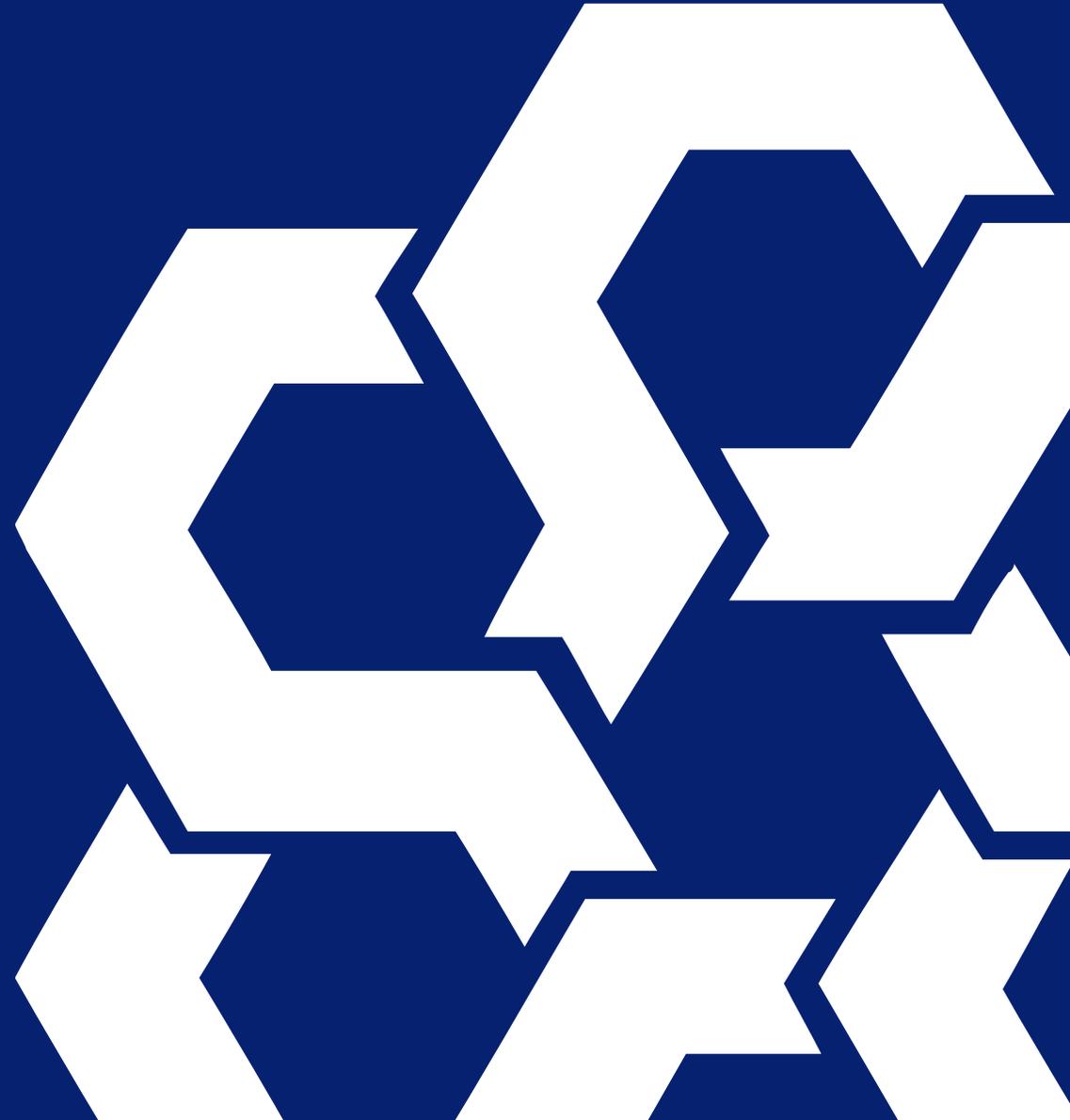
Project scope

- Explore developing requirements or guidance to improve a company's disclosures about its exploration and evaluation expenditure and activities
- Explore removing the temporary status of IFRS 6

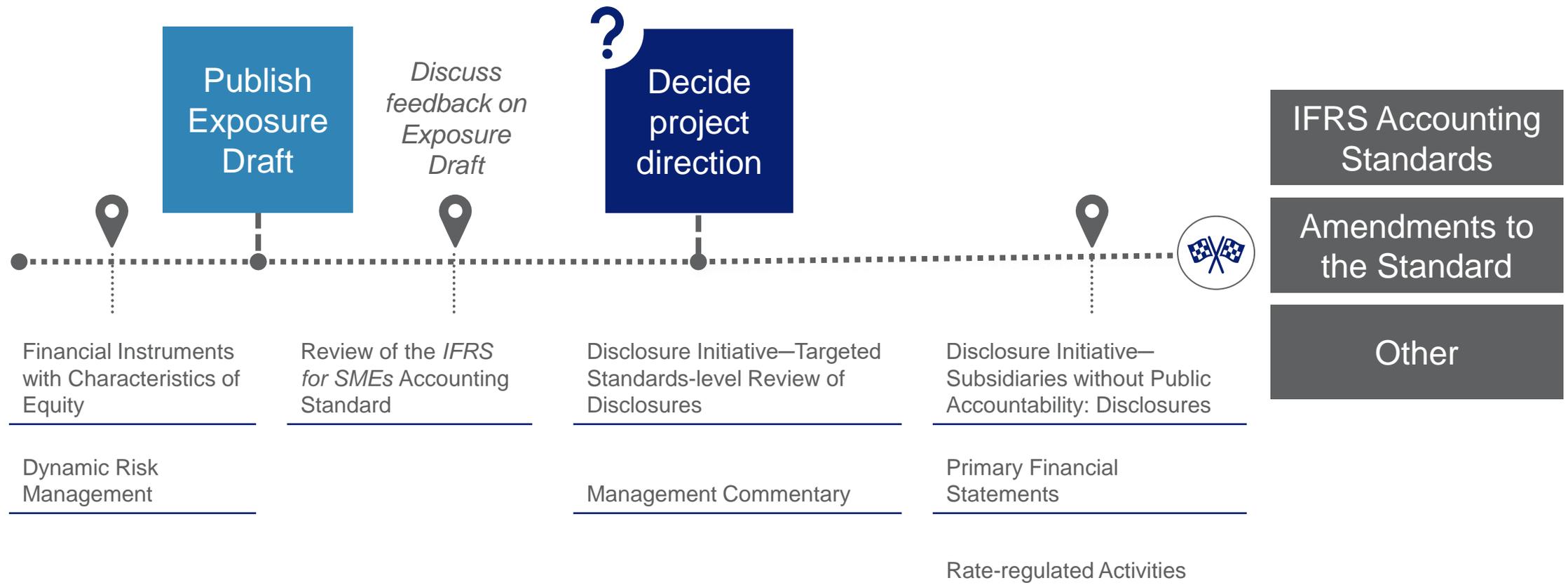
Next steps

- Decide project direction

Overview: standard-setting projects



Overview: standard-setting projects



Primary Financial Statements

Objective

- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

Proposals

- Require additional defined subtotals in statement of profit or loss
- Strengthen requirements for disaggregating information
- Require disclosures about management performance measures

Next milestone

- Issue IFRS Accounting Standard

Targeted Standards-level Review of Disclosures

Objective

Help address the disclosure problem by:

- improving the IASB's approach to developing and drafting disclosure requirements
- enabling preparers to improve the usefulness of disclosures in the notes

Current focus

- Explore a middle ground approach to drafting disclosure requirements
- Reservations about proceeding with the proposed amendments to IFRS 13 and IAS 19

Next milestone

- Decide project direction

Management Commentary

Objective

- Overhaul IFRS Practice Statement 1 to provide a comprehensive framework on management commentary—building on innovations in narrative reporting and focusing on capital market needs

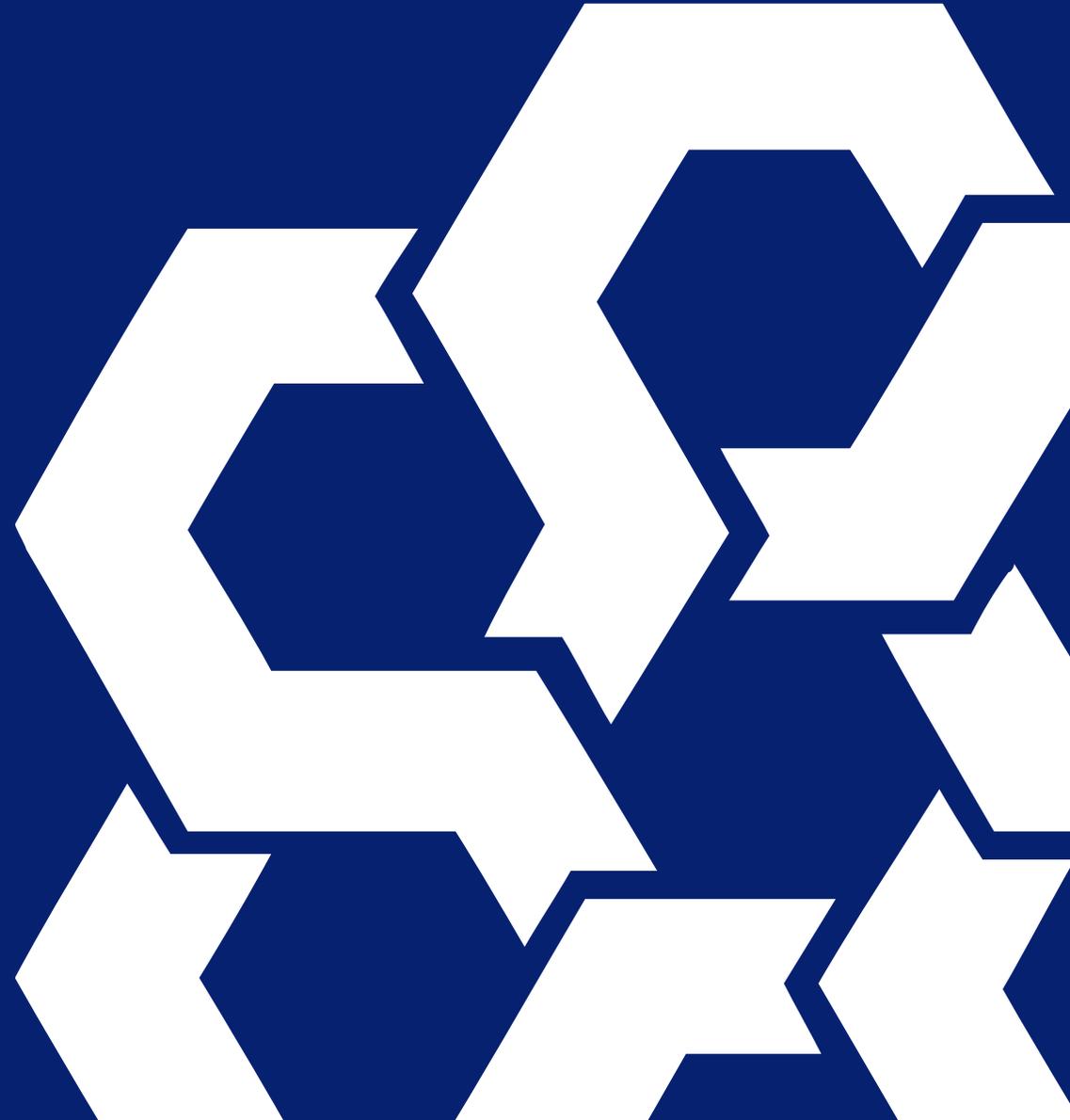
Feedback

- Support for proposed objectives-based approach, disclosure objectives and areas of content
- Calls to work together with the ISSB with suggestions to pause the project to enable that connectivity
- Some suggestions for further integration with other reporting frameworks

Next milestone

- Consider project direction

Overview: maintenance projects



Overview: maintenance projects

What milestone is next for the maintenance projects?

Publish Exposure Draft

Contractual Cash Flow
Characteristics of Financial
Assets

Decide project direction

Lack of Exchangeability

Provisions — Targeted
Improvements

Supplier Finance Arrangements

Issue Amendment

Lease Liability in a Sale and
Leaseback

Non-current Liabilities with
Covenants

Supplier Finance Arrangements

Objective

- Provide information that enable investors to assess the effects of supplier finance arrangements on a company's liabilities and cash flows

Proposals

- Describe the arrangements for which the proposed disclosure would be required
- Add qualitative and quantitative disclosure requirements
- Highlight the required disclosure of liquidity risk and risk management and of non-cash changes in financing liabilities

Next milestone

- Decide project direction

Post-implementation reviews

Recently completed

PIR of IFRS 10, IFRS 11 and IFRS 12

PIR of IFRS 9—Classification and Measurement

Ongoing

PIR of IFRS 9—Impairment

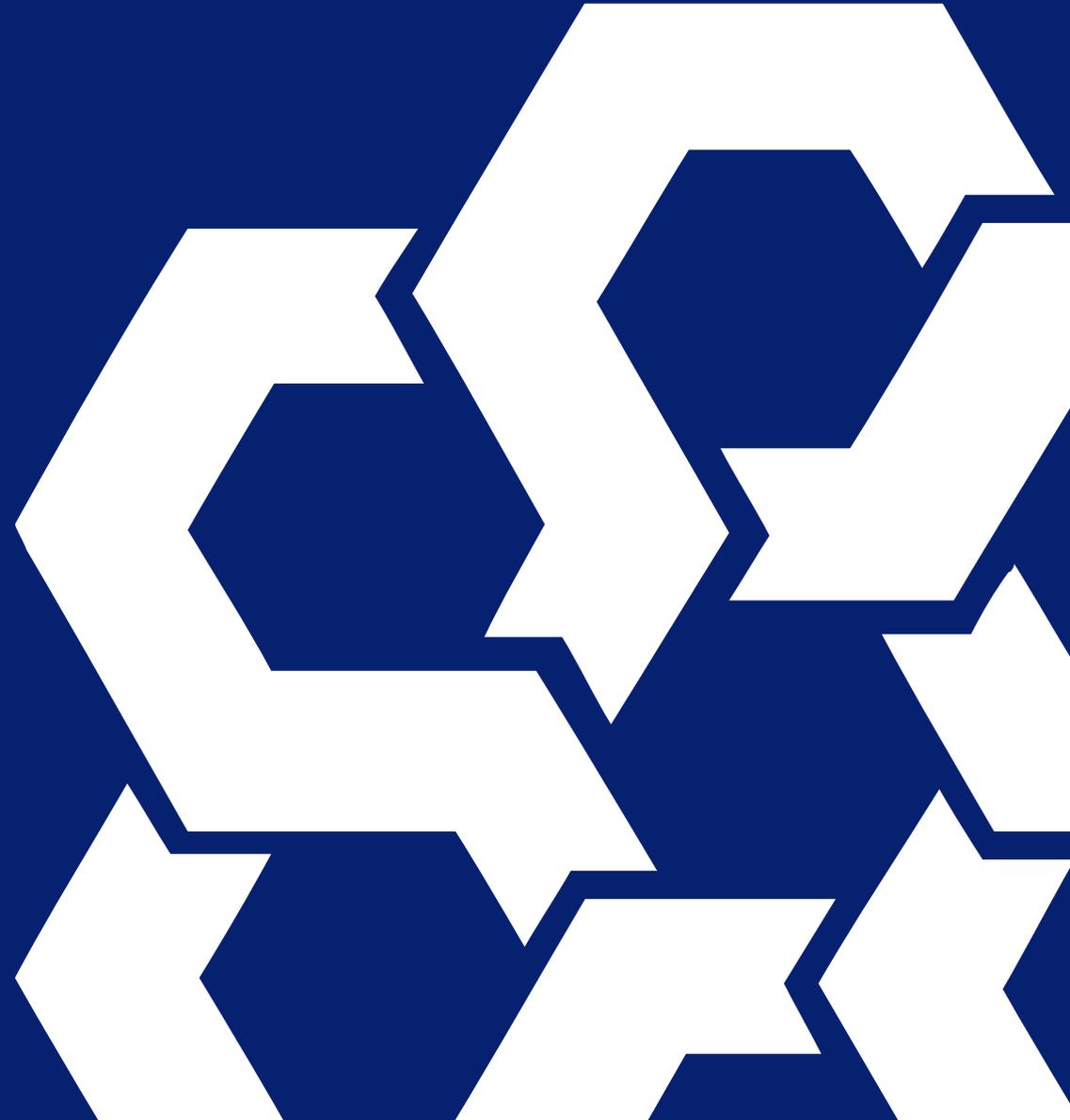
PIR of IFRS 15 *Revenue from Contracts with Customers*

PIR of IFRS 16 *Leases*

Forthcoming

PIR of IFRS 9—Hedge Accounting

New requirements



What is required when?

1 January 2023

- IFRS 17 *Insurance Contracts*
- *Definition of Accounting Estimates*
- *Disclosure of Accounting Policies*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12)

1 January 2024

- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)*

* The IASB has proposed to defer the effective date of the amendments to no earlier than 1 January 2024

IFRS 17 *Insurance Contracts*



More useful and transparent information



Better information about profitability

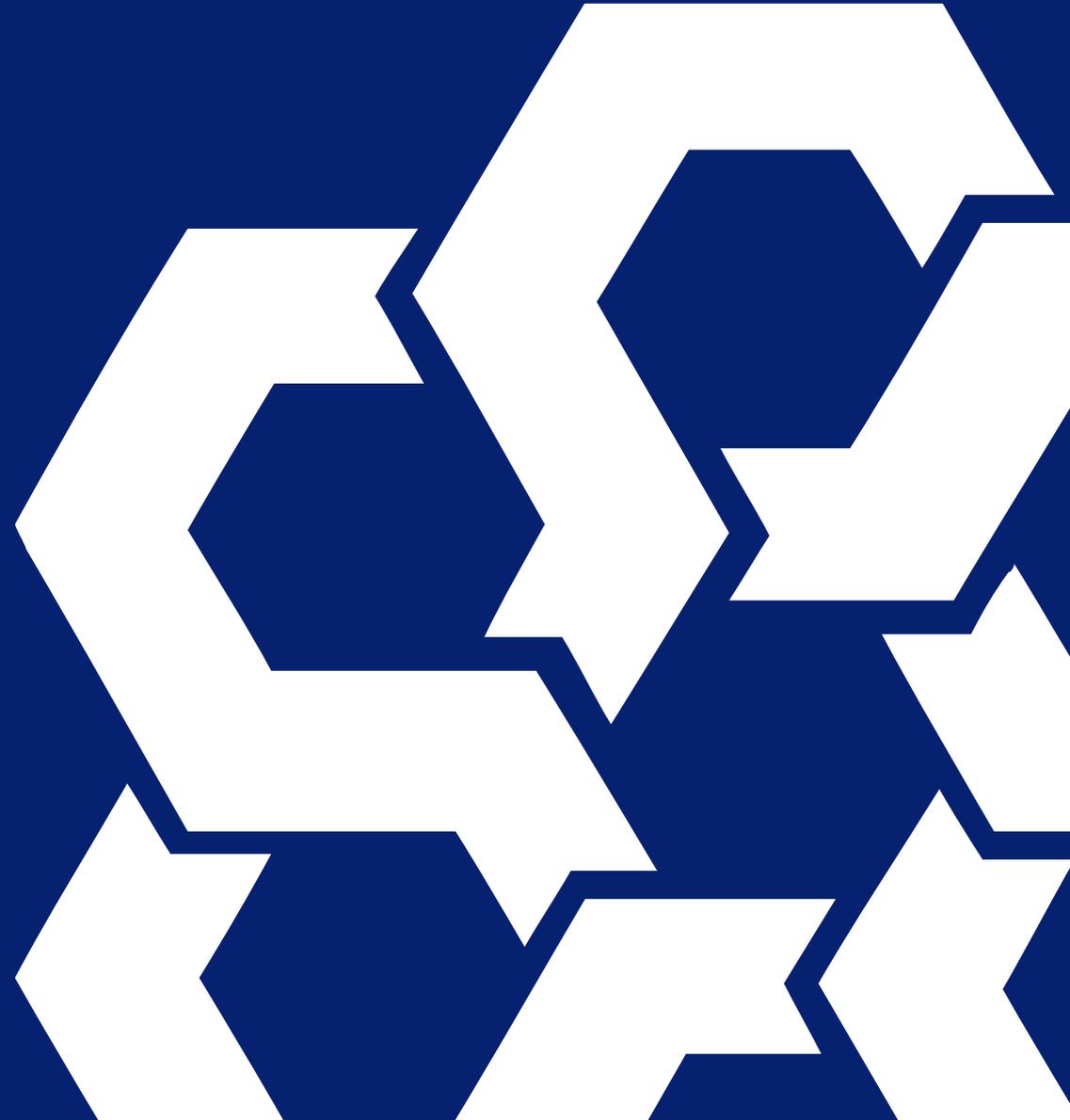
- Requires **consistent accounting** for all insurance contracts
- Based on a **current measurement** model
- Provides useful information about the **profitability** of insurance contracts
- Presents **comparable** data across companies
- Assists investors to fulfil **stewardship** responsibilities



Effective date

Annual reporting periods beginning on or after 1 January 2023

Digital Financial Reporting



Why digital financial reporting is important



More and more information is becoming available to investors

- Including sustainability-related financial information



By digitalising financial reports, information in those reports becomes machine-readable, allowing investors to access and analyse information more efficiently – including information in foreign languages



Digital financial reporting provides opportunities to improve capital market efficiency and reduce cost of capital



Investors are already consuming information through digital means to make investment decisions

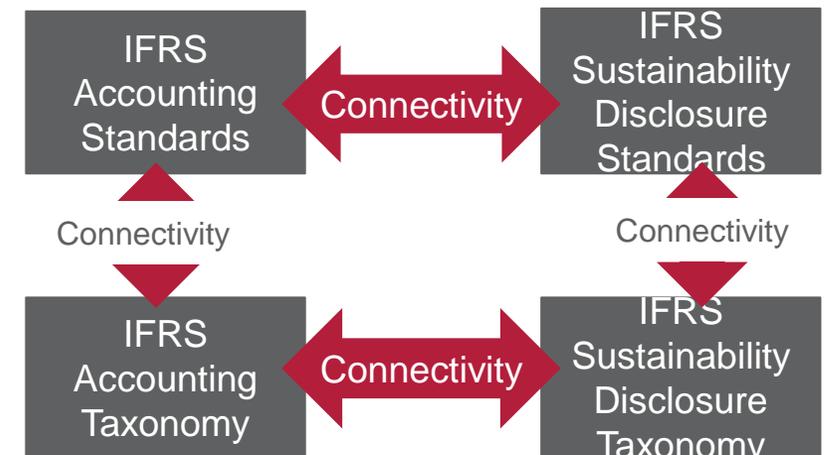
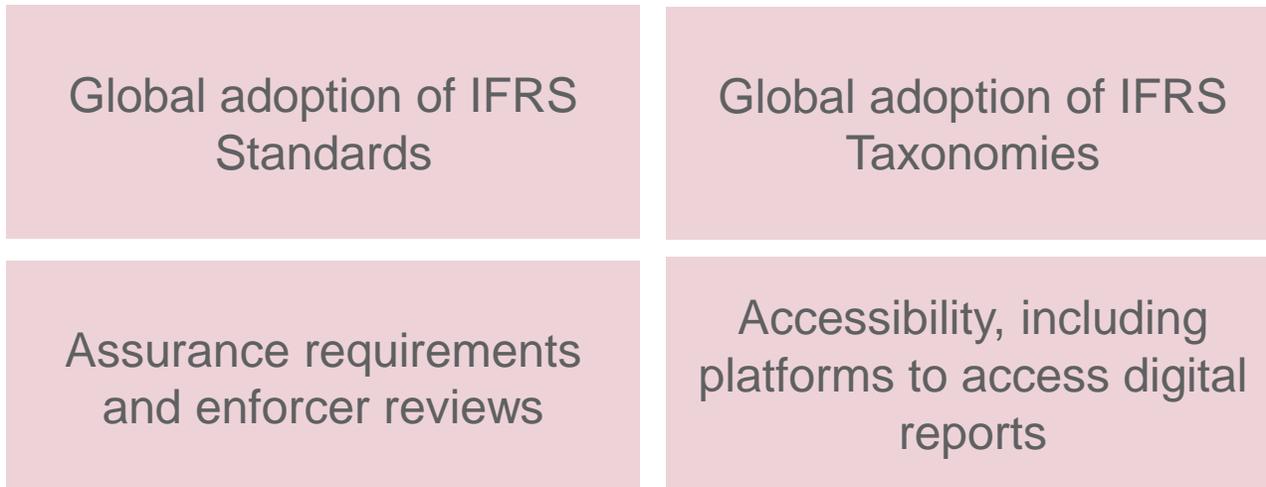
- Over 90% of global market capitalisation now require some form of digital financial reporting (eg US, EU, UK, China, India, Japan)

Digital reporting vision

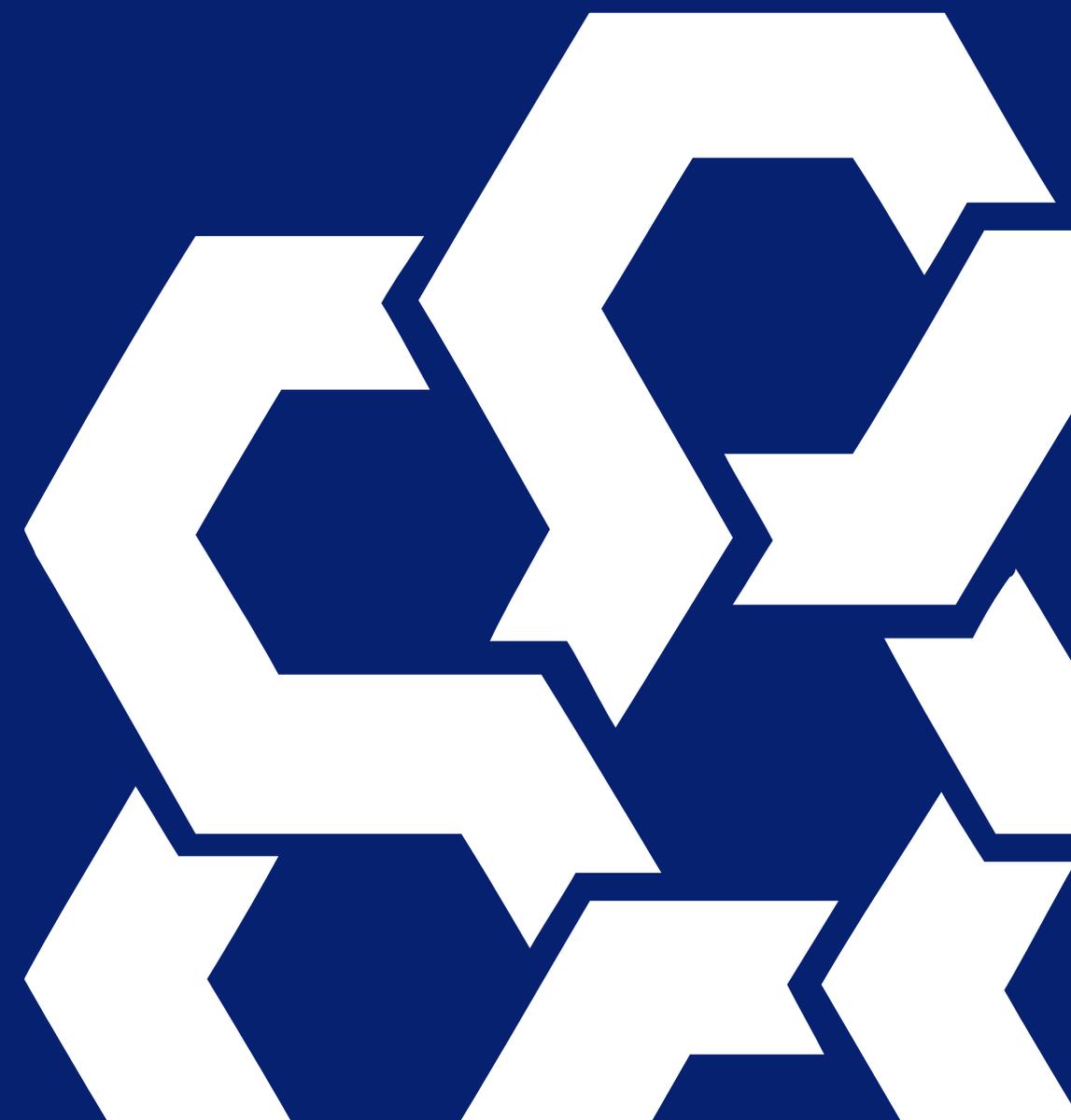
Our vision

Decision-useful, high-quality, comparable and accessible global digital financial reports

How we get there



Appendix



Other research projects



Equity Method

Objective

- Assess whether application questions with the equity method as set out in IAS 28 *Investments in Associates and Joint Ventures* can be addressed in consolidated and individual financial statements by identifying and explaining the principles of IAS 28

Project plan

- Identify application questions in the equity method and decide which of these problems to address
- Address application questions by identifying and explaining the principles that underlie IAS 28

Next steps

- Decide project direction

Business Combinations under Common Control

Objective

- Develop reporting requirements to reduce diversity in practice and improve transparency

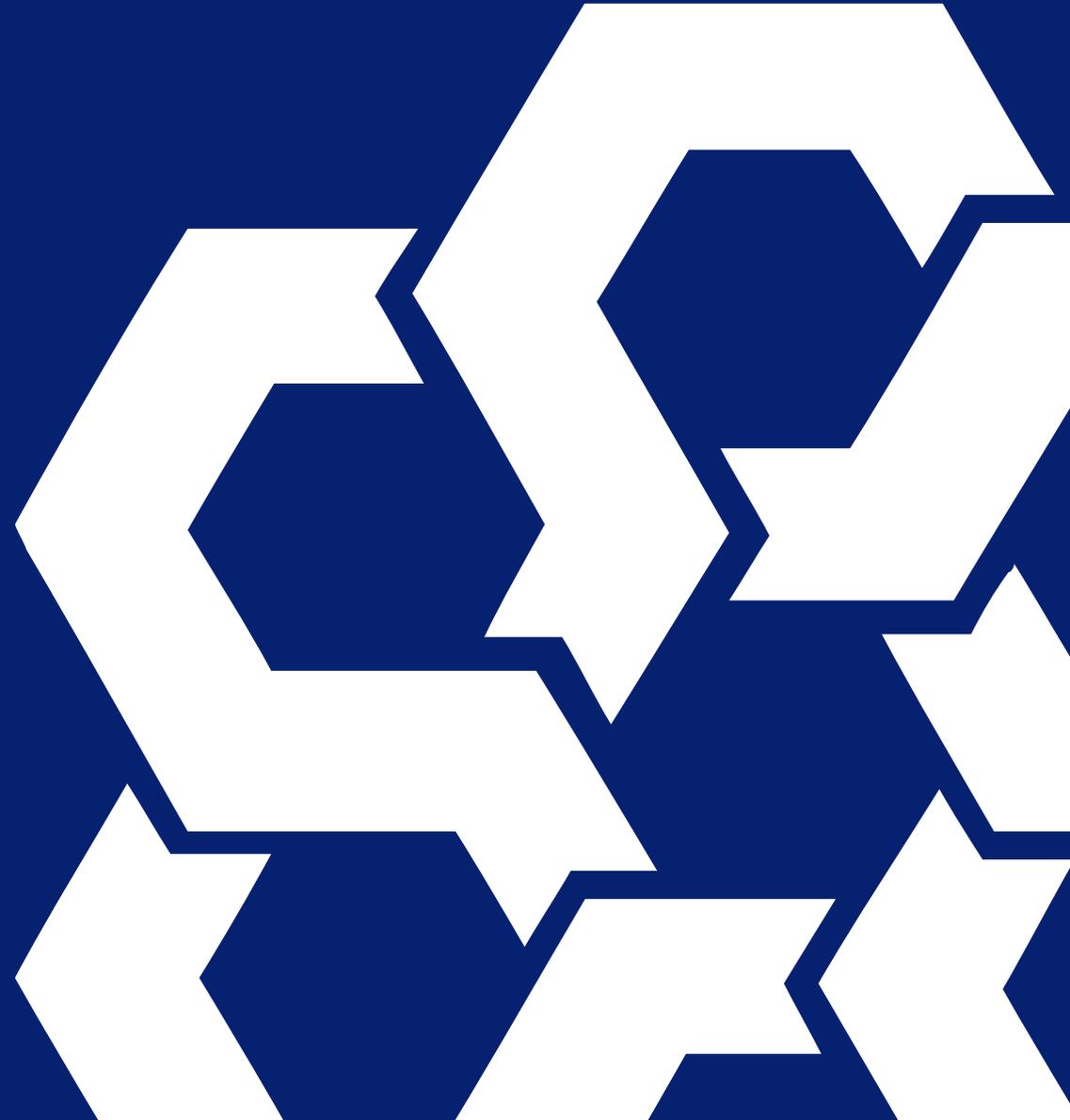
Project update

- In March 2022 the IASB tentatively decided not to expand the project's scope

Next steps

- Deliberations will initially focus on selecting the measurement method(s) to apply
- How to apply the measurement method(s) and other topics to be deliberated subsequently

Other standard-setting projects



Financial Instruments with Characteristics of Equity

Purpose

- Improve the information that companies provide in their financial statements about financial instruments that they have issued
- Address challenges with applying IAS 32 *Financial Instruments: Presentation*

Approach

- Explore clarifying IAS 32 classification principles to address practice issues (eg classification of financial instruments settled in the issuer's own equity instruments)
- Provide classification guidance and illustrative examples
- Improve presentation and disclosure

Next milestone

- Publish Exposure Draft

Dynamic Risk Management

Objective

- Develop an accounting model to better reflect the effect of dynamic risk management in a company's financial statements

DRM model

- The risk mitigation intention is the extent of current net open position that the company dynamically manages using derivatives
- A DRM adjustment is recognised in the statement of financial position to represent the extent to which the designated derivatives successfully mitigated the variability in both the fair value of and the net interest income from the risk mitigation intention, and achieved the entity's target profile

Next steps

- Discuss project proposals
- Publish Exposure Draft

Review of the *IFRS for SMEs* Accounting Standard

Objective

- Update the *IFRS for SMEs* Accounting Standard to reflect improvements made in full IFRS Accounting Standards (in the scope of the second comprehensive review) while keeping the simplicity of the Standard

Approach

- Apply ‘alignment approach’ to update the *IFRS for SMEs* Accounting Standard
- The alignment approach uses the principles of relevance to SMEs, simplicity and faithful representation, including the assessment of costs and benefits, to identify possible amendments

Next milestone

- Exposure Draft open for comment until March 2023

Subsidiaries without Public Accountability: Disclosures

Objective

Permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement and presentation requirements in IFRS Accounting Standards

Current focus

- Develop a new IFRS Accounting Standard based on proposals in the Exposure Draft
- As proposed in the Exposure Draft, subsidiaries without ‘public accountability’ would be eligible to apply the new IFRS Accounting Standard

Next milestone

- Issue IFRS Accounting Standard

Rate-regulated Activities

Objective

- Provide information about the effects of regulatory income, regulatory expense, regulatory assets and regulatory liabilities on companies' financial performance and financial position

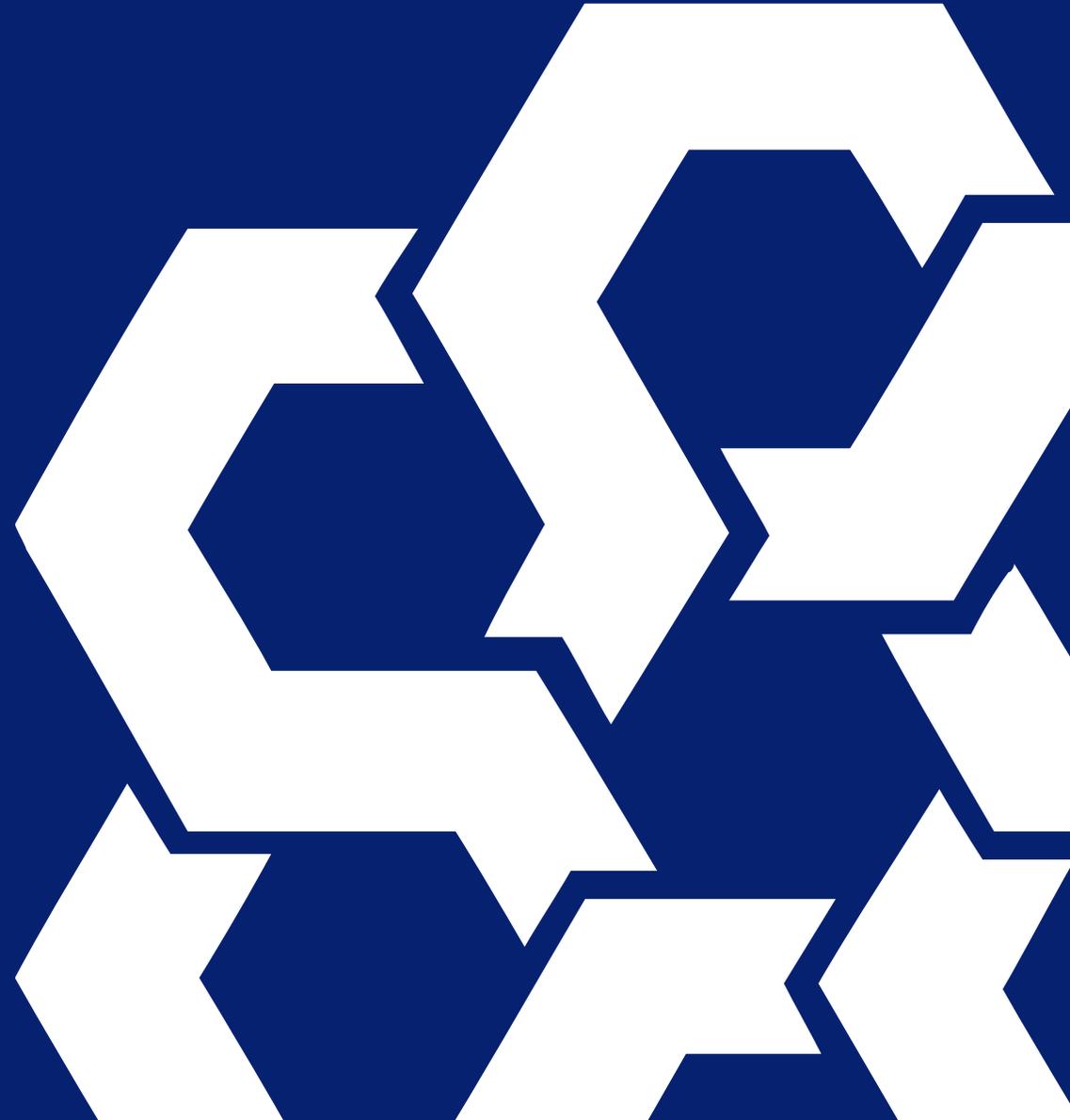
Proposals

- Require recognition of regulatory assets, regulatory liabilities, regulatory income and regulatory expense
- Reflect compensation for goods or services in financial performance in the period in which goods or services are supplied
- Measure regulatory assets and regulatory liabilities using a cash-flow-based measurement technique

Next milestone

- Issue IFRS Accounting Standard

Post-implementation reviews



PIR of IFRS 9—Classification and Measurement

Overall feedback

- Generally positive feedback – IFRS 9 considered an improvement on IAS 39
- No fundamental issues with underlying principles, but some aspects for IASB to consider

Areas of focus

- SPPI
- Equities and OCI
- Amortised cost and EIR
- Other matters, such as business model assessment and derecognition

Next steps

- Continue discussions of feedback on the Request for Information

PIR of IFRS 9—Impairment

Objective

- Assess the effect of the requirements for recognition of expected credit losses for all financial instruments that are subject to impairment accounting, on users of financial statements, preparers, auditors and regulators

Project plan

- Outreach with preparers, auditors, users of financial statements, regulators and standard-setters
- Review of academic and other research related to the implementation of impairment requirements and related disclosures

Next milestone

- Publish Request for Information in H1 2023

Other maintenance projects



Contractual Cash Flow Characteristics of Financial Assets

Objective

- To clarify particular aspects of the IFRS 9 requirements for assessing a financial asset's contractual cash flow characteristics (SPPI requirements)

Areas of focus

- Clarify the concept of a basic lending arrangement and the application of SPPI requirements to contractual terms that may change the amount or timing of contractual cash flows
- Provide a clear description of contractually linked instruments and the requirements applicable to the underlying pool of instruments

Next milestone

- Publish Exposure Draft

Lack of Exchangeability

Objective

- Improve usefulness of information provided by requiring a consistent approach to determining whether a currency is exchangeable into another currency and the exchange rate to use when it is not

Proposals

- Specify when exchangeability is lacking and how to make that assessment
- Estimate the spot exchange rate when exchangeability is lacking
- Disclose how the lack of exchangeability affects financial performance, financial position, and cash flows

Next milestone

- Decide project direction

Provisions—Targeted Improvements

Objective

- Develop proposals for three targeted amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Areas of focus

- Align requirements for identifying liabilities with Conceptual Framework
- Clarify which costs to include in measure of a provision
- Specify whether discount rates used should reflect company's own credit risk

Next milestone

- Decide project direction

Non-current Liabilities with Covenants

Objective

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

Proposals

- 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 disclosure requirements for non-current liabilities subject to covenants

Next milestone

- Issue amendments to IAS 1

Lease Liability in a Sale and Leaseback

Objective

- Improve the measurement requirements for sale and leaseback transactions — particularly those with variable payments

Proposals

- Specify subsequent measurement requirements for the lease liability in a sale and leaseback transaction
- Require retrospective application of the amendments applying IAS 8
- Effective on 1 January 2024, with earlier application permitted

Next milestone

- Issue amendments to IFRS 16

Resources available on our website

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