

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in EFRAG Update. EFRAG positions as approved by the EFRAG Board are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

Disclosure Requirements in IFRS Standards – A Pilot Approach

Cover note

Objective

- 1 The objective of this session is to approve a draft comment letter ('DCL') in response to the IASB's Exposure Draft (ED) *Disclosure Requirements in IFRS Standards – A Pilot Approach* (the ED).

Background

- 2 The [ED](#) has been published on 25 March 2021 together with its [Basis for Conclusion and a project summary \(snapshot\)](#).
- 3 The ED is response to the feedback received from the IASB Principles of Disclosures Discussion Paper which identified that disclosures included too many irrelevant information, not enough relevant ones and that information was sometimes ineffectively communicated.
- 4 At its 22 April meeting, EFRAG TEG agreed to recommend a draft comment letter for consideration by the EFRAG Board. In doing so, EFRAG TEG considered
 - (a) The input provided by EFRAG advisory groups including EFRAG CFSS, EFRAG Pension Plan Advisory Panel, EFRAG User Panel and EFRAG Financial Instrument Working Group.
 - (b) The previous public views expressed by EFRAG on the matter, in particular in EFRAG's 2012 Discussion Paper Towards, a Framework for the Notes, and the comment letters in response to the IASB's 2017 Principles of Disclosures Discussion Paper and to the Post-implementation review of IFRS 13.

Summary of the main messages in the DCL

- 5 In the DCL, EFRAG agrees with the overall objective of the project to provide more relevant disclosures based on the identification of users' needs. EFRAG acknowledges that the objective is not to change the volume of disclosure although this may be a consequence.
- 6 EFRAG welcomes the development of overall and specific disclosure objectives to help entities identify which information they have to disclose to enhance relevance. However, EFRAG is concerned that the objective-based disclosure proposals in the ED, without requiring disclosure of specific items (or only a limited number of them), risks application challenges for preparers, increased enforcement challenges and may ultimately impair comparability of information.
- 7 EFRAG considers that assessing effects and outcomes of the proposals (including their costs and benefits) through extensive outreaches and field-testing will be paramount in demonstrating the validity of the proposals:

- (a) the proposals will only achieve their full benefits if not only preparers of financial statements, but also auditors and regulators use appropriate judgement when applying those requirements; and
 - (b) the effects of the proposals may vary based on the diverse nature of entities, from small to large and from less to more sophisticated. Less resourced or less sophisticated entities when confronted with such an increased level of judgement, may tempt such entities to continue providing the same disclosures as before or use the non-mandatory examples as new checklists
- 8 Accordingly, EFRAG recommends that the IASB conducts such an extensive outreach and field testing on its proposals. EFRAG's workplan, including its planned outreach activities and field testing is described in Appendix 1. These activities are considered as essential in forming a final view on the proposals in EFRAG's final comment letter.

Agenda papers

- 9 In addition to this cover note, agenda paper 06-02 – EFRAG Draft comment letter on Disclosure Requirements in IFRS Standards – A Pilot Approach has been provided for the session.

Questions for the EFRAG Board

- 10 Does the EFRAG Board have comments on the initial drafting of appendix 1 of the draft comment letter in response to the IASB's ED?
- 11 Does the EFRAG Board agree with the drafting of the cover letter of the initial draft comment letter?
- 12 Does the EFRAG Board agree with the field work activities as presented in Appendix 1?

Appendix 1 – EFRAG’s workplan for the project

Workplan

13 EFRAG’s workplan includes a combination of outreaches, field testing and consultation with are presented below:

Date	Meeting	Objectives
3 March (done)	CFSS-TEG	To discuss possible field work activities
31 March (done)	FIWG	To collect views on the proposals on IFRS 13 disclosure requirements
14 April (done)	EFRAG Pension Advisory Panel	To collect views on the proposals on IAS 19 disclosure requirements
21 April (done)	TEG + User Panel joint meeting	To collect UP views on the proposals and field work activities
22 April (done)	TEG	To agree to recommend a DCL to the EFRAG Board
5 May	EFRAG Board	To approve the publication of the DCL
May to September	Ask CFSS members and user organisations for interest on outreach	To consult different jurisdictions on their input
May to September	Regulators, Auditors and other external parties	To consult ESMA, ECB, EIOPA, EBA, Accountancy Europe, IVSC
May to August	Field testing jointly with the IASB	To test in coordination with the IASB the new disclosure approach in practice (IFRS 13 and IAS 19 or participants per standard)
September	EFRAG Webinar jointly with the IASB and potentially user organisations	To consult different stakeholders on their input under consideration of the practical experience during field testing
May to July	Outreach work within EFRAG working groups	To collect views of the RRWG and Insurance Accounting Working Group, User Panel, Academic Panel on the proposals
July to September	EFRAG TEG, FIWG and PPAP	Inform EFRAG TEG and other EFRAG WG to field work result and get final input on the CL
20 October and beginning of Nov	EFRAG TEG	To agree to recommend a FCL (and Feedback Statement) to the EFRAG Board
18 Nov	EFRAG Board	To approve publication of FCL

Planned Field work activities on the ED

- 14 EFRAG aims to target **a wide range of different stakeholders** to test the application of the IASB disclosure requirements new approach **on IAS 19 and IFRS 13**. This will include preparers (large and smaller), users, but also enforcers and auditors. EFRAG TEG believes that it is essential to conduct field tests to assess the effects of the proposals.
- 15 EFRAG considers it important to address the field testing to smaller and medium sized companies as well (beside to different industries). The approach proposed by the IASB requires judgement when preparing Financial Statements. Cost and

benefits need to be tested therefore with smaller entities, which have lower capacities in the accounting departments.

- 16 EFRAG is also willing to participate in field work initiated by other organisations including the IASB and National Standard Setters. Contacts have already been established with the IASB to coordinate the efforts.