

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG 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 the 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 Cover Note**

### **Objective**

- 1 The objectives of the session are to:
  - (a) share with EFRAG TEG the input gathered to date from the field test and outreach activities on the ED Disclosure Requirements in IFRS Standards (The 'ED'); and
  - (b) seek EFRAG TEG initial orientation on the approach to the final comment letter due to be recommended by EFRAG TEG at its January 2022 meeting. The discussion of the proposed changes to the comment letter will take place at a future meeting on the basis of the complete feedback, including the analysis of comment letters.

### **Background**

- 2 On 25 March 2021, the IASB published [the ED](#) with a comment deadline on 21 March 2022. The ED proposed a new approach for the IASB to develop disclosure requirements and test that approach by applying it to IFRS 13 Fair Value Measurement and IAS 19 Employee benefits ([see IASB snapshot](#)).
- 3 The new approach would require entities to comply with:
  - (a) overall disclosure objectives that describe the overall information needs of users of financial statements; and
  - (b) specific disclosure objectives that describe the detailed information needs of users of financial statements.
- 4 The new approach is written as draft guidance for use by the IASB when developing disclosure requirements in individual Standards. In applying this guidance, the IASB aims to:
  - (a) enhance investor engagement to ensure the Board has an in-depth understanding of investors' information needs and clearly explains those needs in the Standards;
  - (b) give greater prominence to the objective of disclosure requirements, requiring companies to apply judgement and provide information to meet the described investor needs; and
  - (c) minimise requirements to disclose particular items of information, and instead to help companies focus on disclosing material information only.

- 5 The IASB has tested this new approach using IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* and has proposed amendments to the disclosure requirements in those Standards in the Exposure Draft.
- 6 Stakeholders are invited to provide their views on both the new drafting approach and its application to the two tested standards

#### **EFRAG activities**

- 7 EFRAG published a [draft comment letter](#) on 11 May 2021 which is open for consultation until 04 January 2022.
- 8 In the letter, EFRAG supported the objective of the project to improve the relevance of disclosures and to develop a more rigorous methodology for the IASB to define objective-based disclosure requirements. However, EFRAG noted a number of challenges as the proposed approach introduces a radical change to the way disclosures are being prepared with a higher level of judgement involved. That includes
  - (a) operational aspects of the new proposed guidance like lack of minimum requirements,
  - (b) balancing the requirements,
  - (c) comparability,
  - (d) auditability and enforceability.
- 9 EFRAG also observes that different type of users may have different information needs (e.g., equity investors vs. lenders) and these needs can vary over time.
- 10 EFRAG considered the application of the proposed approach to the two tested standards but concluded that it was not in a position to express definitive views on the proposed changes and their expected effects, until EFRAG has conducted appropriate outreach and field testing.
- 11 Since the publication of its DLC EFRAG has conducted a wide array of activities including:
  - (a) A comprehensive field test of the proposals with preparers in close coordination with the IASB staff which results were subsequently discussed at Three workshops with small groups of preparers, in the presence of the national standard setters of the countries involved, to discuss the results of the field test and seek additional inputs
  - (b) Four public events;
  - (c) A survey covering smaller and medium entities applying IFRS;
  - (d) Interviews with auditors of smaller and medium entities;
  - (e) Targeted meetings with different groups of stakeholders.
- 12 All outreach and field-testing activities are listed in the appendix 1.
- 13 Several TEG members were involved in the outreach activities as either participants in the field test, in the workshops and in the public events throughout the process.
- 14 Regarding the field-testing of the proposals
  - (a) 17 companies agreed to prepare mock disclosures and
  - (b) Five companies agreed to provide more limited input via questionnaire or via interview.
  - (c) The field-testing covered financial institutions (eight entities), real estate sector entities (three), and corporates (eleven).

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- (d) A total of 15 companies subsequently participated any of the three workshops, in the presence of the national standard setters of the countries involved, to discuss the results of the field test and seek additional inputs.
  - (e) Two additional dedicated workshops were set up with members of EFRAG's advisory groups with user and auditor backgrounds, respectively, in the presence of some the preparers.
- 15 The summary report of the preparer workshops can be accessed in the background papers (agenda paper 08-03).
- 16 To gather additional input from small and medium sized entities, EFRAG also launched an online survey dedicated to those entities which gathered the views of 45 entities (see summary in agenda paper 08-04); and conducted structured interviews with auditors of smaller and medium sized entities to get feedback on the ED's expected impacts on those entities (see summary in agenda paper 08-05).
- 17 Agenda paper 08-02 provides an overview of the feedback and emerging messages from all the activities conducted and considers how these might be addressed in EFRAG's final comment letter.
- 18 It is noted that the EFRAG Secretariat's views expressed are tentative, at the stage, and they don't reflect the Comment Letters and EFRAG will still be consulting on its DCL until 4 January: the views expressed by constituents in their comment letters to EFRAG's DCL will be presented at the January 2022 EFRAG TEG meeting.
- 19 Therefore, EFRAG TEG will not make any decisions at the December meeting.

### **Agenda Papers**

- 20 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 08-02 – Disclosure Requirements in IFRS Standards;
  - (b) Agenda paper 08-03 – Fieldwork feedback statement – Disclosure Initiative in IFRS Standards;
  - (c) Agenda paper 08-04 – Summary of the Survey of smaller and medium sized entities; and
  - (d) Agenda paper 08-05 – Interviews of Auditors of Smaller entities.

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### Appendix A

EFRAG conducted several outreach activities as shown below. For the event on the 30 June 2021 (EFRAG's public event) and the event on the 5 October 2021 (Outreach event Denmark) EFRAG provides links in the table below. All others events before end of October are summarised in the [October TEG paper 08-01](#).

The activities are in a chronological order:

#	Date	Meeting	Objective
1	03/03/2021	CFSS-TEG meeting	To discuss possible field work activities
2	31/03/2021	EFRAG FIWG	To collect views on the proposals on IFRS 13 disclosure requirements
3	14/04/2021	EFRAG PPAP	To collect views on the proposals on IAS 19 disclosure requirements.
4	21/04/2021	EFRAG TEG + User Panel	To collect UP views on the proposals and field work activities.
5	05/05/2021	EFRAG Board	To approve the publication of the DCL.
6	11/05/2021	EFRAG IAWG	To collect views on the proposals.
7	21/05/2021	ESMA	To collect views on the proposals and discuss enforceability challenges.
8	June to July	Meetings with IVSC and Tegova	To collect views on the proposals.
9	02/06/2021	EPRA	To discuss views on the DCL and attract fieldwork participants
10	02/06/2021	ZIA	To discuss views on the DCL and attract fieldwork participants
11	08/06/2021	AON Hewitt	To discuss views on the DCL and attract fieldwork participants
12	10/06/2021	AE	To discuss EFRAG's initial views and issues on auditability
13	16/06/2021	CFSS-TEG meeting	To discuss field testing and how national standard setters can help.
14	18/06/2021	ASCG Catch-up meeting	Informal discussion with staff
15	24/06/2021	Meeting with Auditors	To publish EFRAG's fieldwork and attract participants
16	30/06/2021	<a href="#">EFRAG's public event</a>	Educational event to promote debate (panel discussions).
17	01/07/2021	EEA	To collect views on the proposals and discuss EFRAG's DCL
18	06/09/2021	Discussion Accountancy Europe	Attend discussion on Accountancy Europe comment letter.
19	08/09/2021	CRUF	Attend discussion on CRUF comment letter.
20	September to December	Fieldwork participants	Individual meetings with fieldwork participants to discuss fieldwork results
21	04/10/2021	ESMA	Informal discussion with staff
22	05/10/2021	<a href="#">Outreach Denmark</a>	To collect views on the proposals and discuss EFRAG's DCL. Public meeting.
23	07/10/2021	Outreach Germany	To collect views on the proposals and discuss EFRAG's DCL. Public meeting.
24	10/11/2021	EPRA Update Meeting	To inform EPRA about the fieldwork results of real estate entities.
25	05/11/2021	Workshop with participants (corporates) [Field test]	To discuss fieldwork results among participants.
26	10/11/2021	Workshop with participants (corporates) [Field test]	To discuss fieldwork results among participants.
27	15/11/2021	Workshop with participants (financial institutions) [Field test]	To discuss fieldwork results among participants.
28	16/11/2021	Business Europe	To collect views on the proposals and discuss EFRAG's DCL.
29	18/11/2021	EFRAG Board Meeting	To provide an update of the results of the fieldwork.
30	24/11/2021	European Networking Group (ENG)	To collect views on the proposals and discuss EFRAG's DCL.
31	24/11/2021 and after	Interviews with auditors of small and medium entities applying IFRS	To collect views on the proposals and to discuss 1) readiness of their clients for the

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			proposed approach and 2) impact of the proposals on the audit approach.
32	24/11/2021	EFRAG TEG CFSS	To provide an update of the results of the fieldwork.
33	29/11/2021	Workshop with EFRAG WG users [Field test]	Discuss field-testing results with users to collect further input.
34	29/11/2021	Workshop with EFRAG WG auditors [Field test]	Discuss field-testing results with auditors, actuaries, and participants to collect further input.
35	30/11/2021	UK Endorsement Team	Informal discussion with staff
36	02/12/2021	EFRAG FIWG Meeting	Present field-testing results for IFRS 13 disclosure requirements and collect participant's input.
37	07/12/2021	EFRAG User Panel	Present field-testing results and collect participant's input.
38	07/12/2021	EFRAG IAWG meeting	Present field-testing results and collect participant's input.
39	08/12/2021	EFRAG Pension Plans Advisory Panel	Present field-testing results for IAS 19 disclosure requirements and collect participant's input.
40	10/12/2021	EFRAG Webinar with IASB (and user organisations)	Present field-testing results and collect participant's input. Public meeting
41	14/12/2021	ESMA meeting	Present field-testing results and collect participant's input.
42	17/12/2021	Moody's meeting	Present field-testing results and collect participant's input.
	21/12/2021	EFRAG TEG (to be held)	Present field-testing results and collect input from TEG member about tentative changes of EFRAG's DCL.