Summary and analysis of the comment letters received in response to EFRAG's draft comment letters

Objective

1 The objective of this paper is to share with the EFRAG Board a summary of the feedback received from the DCL consultation.

2 This summary was presented to EFRAG TEG members (together with initial staff recommendations) at its meeting on 18 January 2022.

Summary of respondents

3 At the time of writing, 20 comment letters have been received in final versions from a wide range of constituents.

4 All final letters received have been uploaded to EFRAG's Website (here).

5 Appendix 1 provides a list of all respondents who submitted final comment letters.

6 After the comment letter deadline, EFRAG received nine additional comment letters. Their input is very consistent with the messages received by the comment letters before the deadline.

7 Respondents by geography and type are as follows:

By geography		**By Type**	
Europe	5	Accounting Organisation	2
Germany	4	Standard Setter	7
Sweden	3	Preparer/ Preparer Org	7
France	2	Regulator	1
The Netherlands	1	Professional Organisation	2
Denmark	1	User Organisation	1
Austria	1		
Norway	1		
Italy	1		
Global	1		
total	**20**	**Total**	**20**

8 The letters received were generally supportive of the main views expressed by EFRAG in its draft comment letter but contained a number of suggestions or drafting improvements to consider.

9 The following sections provide a summary of the main comments received. The resulting necessary changes to EFRAG's final comment letter were discussed in the TEG meeting 18 January 2022 and are summarised in the cover note (paper 05-01).

10 The summarised feedback gathered from respondents is grouped to the extent possible to reflect the views of several participants at a time. The following table provides an indication of the range of responses relating to the terms used throughout the summary[1]:

Term Extent of response among respondents	
Almost all	91% to 100% (19-20 respondents)
Most	76% to 90% (16-18 respondents)
Majority	51% to 75% (11-15 respondents)
Many, significant	31% to 50% (7-10 respondents)
Some, others	21% to 30% (5-6 respondents)
A few	10% to 20% (2-4 respondents)

[1] The numbers indicated between parenthesis are for information and assume that all 20 respondents addressed the applicable questions. When this is not the case, the percentages indicated apply to the actual number of respondents who addressed the questions.

Contents

Proposed Guidance for developing disclosure requirements

Question 1 —Using overall disclosure objectives

Question 2 —Using specific disclosure objectives and the disclosure problem

Proposals in the ED

11 The ED proposes a new approach for the IASB to develop disclosure requirements in the future that would:

(a) require entities to comply with overall disclosure objectives that describe the overall information needs of users of financial statements;

(b) require entities to comply with specific disclosure objectives that describe the detailed information needs of users of financial statements; and

(c) identify items of information that, while not mandatory, can be considered in assessing whether and how to meet the overall and specific objectives.

12 Specific disclosure objectives will describe the detailed information needs of users of financial statements. It will also require an entity to disclose all material information that enables such an understanding by a user, as described in the objectives, to be achieved. The specific disclosure objectives will be accompanied by a separate paragraph that provides context by explaining how the suggested information is employed by users of financial statements.

EFRAG's tentative position

13 In its Draft Comment Letter, EFRAG:

(a) Welcomed the development of a rigorous methodology to define objective-based disclosure requirements, with the same level of rigour and scrutiny as requirements for recognition and measurement.

(b) Agreed in particular, with the proposal to work more closely with users of financial statements and other stakeholders early in the standard-setting process to understand what information users want in financial statements, and to better articulate how the information is intended to be used by those users.

(c) Supported the introduction of overall and specific objectives.

14 EFRAG also recommended that the IASB:

(a) Considers as a necessary preliminary step is clarification of the role (and therefore the boundaries) of the notes to financial statements and the interactions of the proposals in the ED with the Primary Financial Statement project.

(b) Considers the interaction between the proposals in the ED and the developments in digital reporting.

(c) Explains whether and how the objectives serve the stewardship objective of financial reporting.

(d) Further considers and explains the relationship between the overall and specific disclosure objectives, and the concept of materiality, to clarify the proposals.

(e) Considers, in developing objectives for a specific standard, existing disclosures objectives and requirements in other standards should be considered to avoid inconsistencies or redundancies.

Digital Reporting

15 EFRAG noted the trade-off between providing relevant (entity-specific) disclosure and providing comparable disclosure and encouraged the IASB to further consider the interaction between the proposals in the ED and the increased use of digital reporting, as comparability of the information is a pre-requisite of an effective use of technology-based reporting.

16 EFRAG observed also that developments in technology influence how information is included in financial statements and how such information is used. With digitalisation some of the issues detected in relation to disclosures provided in Financial Statements could be handled, in particular in relation to summarising or condensing information.

17 EFRAG considered that the interaction of objective-based standards (moving away from lists of required disclosures) and electronic reporting might create specific challenges with comparing information like for like and over time.

Role of the notes

18 EFRAG considered that a necessary preliminary step is clarification of the role (and therefore the boundaries) of the notes and ensuring that the overall and specific objectives developed at standard-level are consistent with that role. Therefore, EFRAG encouraged the IASB to consider the interaction of the ED proposals with the amendments that may result from IASB's Exposure Draft 2019/7 *General Presentation and Disclosures* regarding the proposed role as defined of the notes to financial statements.

Stewardship

19 EFRAG considers that it is essential that the ED better explains how it has determined that the application of the proposed overall and specific objectives would result in providing information that how is useful to users in both:

(a) Making decisions relating to providing resources to the entity; and

(b) Assessing management's stewardship.

Summary of constituents' comments

20 All but one of the respondents shared the tentative views expressed in EFRAG's draft comment letter.

(a) Supporting the objective of the project to improve the disclosure requirements in IFRS Standards and to develop a more rigorous guidance for the IASB to define objective-based disclosure requirements.

(b) Supporting the introduction of both overall and specific objectives to explain why disclosures are required and how they are used by users in making their assessments and decisions.

21 Conversely one respondent, an association of preparers, considered that objectives could be useful for the IASB to develop requirements but considered that they would be less helpful for preparers because it is not evident that disclosure objectives would help entities, auditors and regulators to reach the same conclusion regarding user needs and what information to disclose for each standard, as this would still require an extensive amount of judgement. One preparer provided similar feedback: user needs should be better defined. In particular, this respondent asked the IASB to better explain which types of users it had reached out to determined users' needs and whether these users were representative.

22 However, most respondents did not consider that an objectives-based disclosure approach alone will solve the disclosure problems as the absence, in most cases, of a list of mandated disclosures would lead to a significant judgement by preparers in determining which items of information are relevant and could also compromise

comparability of information. In addition, it could make the review by auditors and enforcement by regulators more difficult.

23 One respondent assessed that the proposed approach raises implementation issues as the IASB is proposing as too radical change without having considered enough, as a first step, the overall reporting environment (including developments in digitalisation and the sustainability reporting) the different types of information an entity should disclose in the notes, nor did the IASB explain enough how users' needs have been identified and which users were referred to.

Interactions with other IASB projects

24 Some respondents assessed that:

(a) The IASB should consider the interactions of this project with other IASB's projects including Primary Financial Statements which introduces a definition of the role of the notes, and the IFRS Conceptual Framework which defines the role of financial reports as a whole.

(b) The different approaches utilised for this project and for the Management Commentary ED to develop objectives-based disclosures *were* not helpful and could create confusion.

25 One respondent also noted that the IASB did not propose to apply the proposed approach to subsidiaries without public accountability and considered that more clarity on how the approach interacts with other projects in general would better illustrate the IASB's efforts to solve the disclosure problem and promote stakeholders' support for the initiative.

26 One respondent considered essential that any such future approach is applied consistently across all Standards. It was noted that some objective-based disclosure standards, such as IFRS 12 include a requirement to disclose 'any additional information needed to meet the disclosure objective', whilst others do not. This respondent believes that the interaction between the general provision in IAS 1 and the specific provisions included in the specific standards should be clarified and a harmonised approach should be applied across all Standards.

27 One respondent noted the following inconsistencies between the ED and the proposals in the Management Commentary Project (MC ED):

(a) The ED lists two levels of disclosure objectives (overall objectives and specific objectives), whereas the MC ED provides 3 levels of disclosure objectives (headline objective, assessment objectives, specific objectives)

(b) The ED labels the overall information needs of users as 'overall objective', whereas the MC ED uses 'headline objective'

(c) The ED addresses these in 'items of information', whereas the MC ED uses 'key matters' and 'metrics'.

(d) For items of information that are not mandatory but may help achieve a(some) specific disclosure objective(s): this ED uses the wording 'while not mandatory, the following information may enable an entity to meet the disclosure objective', whereas the MC ED uses 'could include'

Digitalisation considerations

28 Some respondents recommended like EFRAG a broader consideration of digitalisation of reporting in developing the proposals in the ED. They encouraged the IASB to evaluate whether and how the changes in digital consumption of financial information should affect the way it develops disclosure requirements.

29 First, digitalisation may help alleviate the disclosure problem that the ED intends to address. The reason is that digital users of financial information are able to navigate

reports more easily and find the information, they are looking for without need to search for it manually - which is where the "disclosure overload" becomes most problematic.

30 They also noted, like EFRAG, that purely objective-based disclosures would pose challenges to digitalisation:

(a) In a digital environment, comparable and standardised data sets are needed which may conflict with the entity's selection of disclosure using relevance criteria. Users expect a common/unique set of tags in digital reporting, which does not necessarily result from applying the relevance criterion as intended in paper-based reporting.

(b) An increase in entity-specific information will likely result in companies using more extensions which would need to be correctly anchored in a particular category to be found by users. There is a risk that the context of that information may be lost, thereby reducing the usefulness of that information compared with paper-based financial statements.

(c) If fewer data points will be available in the IFRS taxonomy to tag that information, tagging in detail the notes (which is currently allowed on a voluntary basis in the EU) will require additional extensions. Whilst tagging could help make entity-specific disclosures more comparable, it is noted that as of today no EU jurisdiction mandates anchoring for the Notes.

31 One respondent noted that here could also be a practical issue from the application of materiality in so far as when information is consumed in digital form. It suggested that the IASB provided guidance on how, preparers should consider digital consumption of information when making materiality judgements.

32 This respondent noted that In the European Union digital-friendly standards have become an important aspect for financial reporting standards adopted. Therefore, it is important that any future IFRS adopted in the EU considers digital reporting. For example, the European Single Electronic Format (ESEF) is seen as a tool that improves comparability both for qualitative and quantitative information. Regulators support it as it improves comparability and efficiency. In addition, auditors are soon expected to provide assurance of ESEF.

33 One respondent considered that the first priority of the IASB should be to ensure that preparers disclose all material and relevant information. Disclosure of too much immaterial information (often in a prominent way), on the other hand, is likely to negatively impact mainly some specific categories of users (namely users of paper-based financial information) and as such the IASB should not give equal weight to taking out immaterial information and taking in material one when considering possible solutions to the disclosure problem.

34 One respondent disagreed with the requirement in the ED (paragraph DG1) that an entity is required to disclose '*all material information needed to meet the detailed user information needs'*. In the view of this respondent, completeness of the information should be assessed from a preparer's not user's perspective and it would be very challenging for preparers to consider all possible users' needs.

Other comments

35 One respondent encouraged the IASB to further clarify the status of the new drafting guidance: does it relate to the Due Process Handbook, to the Conceptual Framework, or is a new type of guidance that frames standard setting? The respondent also considered important that the draft guidance is consulted upon, and the final document is made publicly available.

36 One respondent assessed that the proposed approach was silent on the issues of connectivity between financial and sustainability reporting and that this is a missed opportunity.

Question 3—Increased application of judgement

Proposals in the ED

37 The approach suggested in the ED aims to shift the focus from applying disclosure requirements like a checklist to determining whether a specific disclosure objective has been satisfied by:

(a) using the prescriptive language 'shall' to require entities to comply with disclosure objectives in the Standards; and

(b) typically using less prescriptive language when referring to items of information to meet the disclosure objectives.

38 Placing the compliance requirement on disclosure objectives and not on items of information would require an entity to apply similar judgement to that required by paragraph 31 of IAS 1. In the IASB's view, this approach would reinforce the materiality requirements in IAS 1 while also reducing the perceived compliance burden that stakeholders told the Board was a cause of the disclosure problem.

39 The IASB concluded that the language 'while not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph [x]' would be the most effective option of those considered, in helping to address the disclosure problem.

40 The IASB considered that specifying that items of information are not mandatory should not result in material information being omitted provided that mandated disclosure objectives are specific enough to be operational and enforceable requiring that all material information necessary to meet the objective to be disclosed.

41 Using prescriptive language for objectives and less prescriptive language for items of information would help entities exercise judgement to identify which information is material and therefore has to be disclosed.

EFRAG's tentative position

42 In the DCL, EFRAG acknowledged that the exercise of judgement is inherent in principle-based standards and objective-based disclosure requirements. However, the level of judgement must not be so high that, if not properly exercised, it may impair the level of relevance, reliability and comparability of the information The language used in the standard has to be prescriptive enough to encourage a certain level of comparability but not too prescriptive to discourage the use of judgement when providing relevant information.

43 EFRAG observed, in that regard, that:

(a) The proposed approach introduced a radical change from the existing guidance by making minimum requirements an exception. principle-based standards and objective-based disclosure requirements.

(b) It would require preparers to determine the information that would meet the needs of users of financial statements, whose perspectives may differ from their own. EFRAG also observed that different type of users may have different information needs (e.g., equity investors vs lenders) and these needs can vary over time.

(c) Absent a list of minimum disclosure requirements, the proposed approach would expose preparers to second guessing. It may also make the review by auditors and enforcement by regulators more difficult. It may ultimately not lead to the intended changes and improvements to information relevance.

(d) The proposals will likely create implementation challenges and tensions with comparability.

44 Therefore, EFRAG did not support the classification of certain disclosure requirements as non-mandatory; or making minimum requirements an exception as proposed and considered that the challenge is for the IASB to strike a right balance between a tier of always-required disclosures (that ensure a minimum level of comparability) and objectives to mandate additional entity-specific disclosures.

45 Finally, EFRAG recommended that a comprehensive outreach and field testing of the proposals will be necessary to better identify the operational challenges for preparers, enforcers and auditors.

Summary of constituents' comments

46 All except two of the respondents recommended like EFRAG that the IASB considers an alternative approach combining overall and specific objectives with a list of mandated disclosures (subject to materiality).

47 Respondents generally expressed doubts that the proposed approach would help address the disclosure problem. They noted that the absence, in most cases, of a minimum set of mandatory requirements would lead to a significant judgement by preparers in determining which items of information are relevant to meet the needs of users of financial statements and could also compromise comparability of information. In addition, it could create issues with auditability and enforceability.

48 Conversely, one respondent representing international users stated that a majority of its members supported the proposal in the ED and considered that the IASB could help solve the disclosure problem by developing and drafting disclosure objectives and requirements in IFRS Standards. However, a minority of its members disagreed and considered that, absent mandated requirements, the approach could lead to omitting of relevant information.

49 Another respondent (a national standard setter) expressed support for the proposals in the ED to replace disclosure requirements with objectives only but called for additional application guidance for the approach to be effective. This respondent (a national standard setter) received feedback that the proposals will require entities to adjust their reporting processes and that some preparers from their constituency preferred a checklist of mandatory disclosures especially because of the data collection process across all subsidiaries of a multinational group. This respondent:

(a) Supported the IASB's proposals as a genuine opportunity to enhance the quality of disclosures in practice and the way in which disclosure requirements are drafted in IFRS Standards.

(b) But expressed concerns about the application in practice of the proposals based on the feedback it received from preparers (difficulty to assess which information to provide to meet the objectives, need to document judgements made, discussions with auditors and enforcement authorities).

(c) Therefore, recommend that the IASB develop additional application guidance that illustrates how an entity applies judgement and concludes, which items of information need (and need not) to be disclosed, given the entity-specific facts and circumstances.

50 One association representing preparers while supporting the introduction of overall and specific objectives, considered that the proposed approach in the ED removing disclosure requirements should only be applied to new or substantially modified IFRS Standards and not to existing ones. This is because for existing IFRS Standards, there is established practices in the provision of information and it would

be difficult for preparers and auditors to ignore currently used checklist and start from a blank page. A better test of the effectiveness of the proposed approach would therefore be in the context of new standards or major amendments to existing IFRS Standards.

51 Two respondents noted an alternative approach, which combines aspects of the current state of play and the proposals in the ED. It would encompass the following:

(a) overall disclosure objectives (requirements),

(b) specific disclosure objectives (requirements),

(c) a list of mandated disclosures that would always be needed to be disclosed in order to meet the disclosure objectives (subject to that information being materiality to the entity)

52 One respondent also suggested that the alternative approach should also include

(a) additional items of information, over the minimum items, which may be needed in some circumstances to enable an entity to meet the disclosure objectives,

(b) examples in the Appendix to serve as guidance for entities.

53 It was also noted by some that:

(a) To determine the list of mandated disclosures, the IASB would rely on its outreach with stakeholders to determine which items of information will always be needed to meet users' needs (subject to a materiality filter) and as a result comply with specific disclosure objectives in most cases.

(b) The IASB should always link these minimum required items of information with one or more specific disclosure objectives and should also explain how these items meet a specific disclosure objective.

(c) This approach would help ensure comparability, facilitate digital reporting, ensure relevant disclosures even from less sophisticated preparers and alleviate potential disagreements between preparers and regulators as well as between preparers and auditors.

54 One respondent suggested that the Materiality Practice Statement should be made mandatory to support the application of materiality assessment and help preparers apply materiality assessments to disclosure requirements.

Question 4— Describing items of information to promote the use of judgement

Proposals in the ED

55 Under the proposed approach in the ED, the IASB will identify items of information that an entity may, or in some cases, would be required to, disclose to meet each specific disclosure objective.

56 The items of information are meant to help entities apply judgement and determine how to satisfy the specific disclosure objective. As a result, an entity may need to disclose one, some or all of the items of information identified in the standard. An entity may also need to disclose information in addition to that identified in the standard to meet the detailed user information needs described in the specific disclosure objectives.

57 The IASB will explicitly link every item of information included in the disclosure section of an IFRS Standard to one or more specific disclosure objectives.

58 At times, the IASB may identify information that, if material to an entity, is always needed to meet the detailed information needs of users of financial statements described in the specific disclosure objective. In these cases, the IASB will, in the first instance, aim to develop a disclosure objective that is specific enough to make clear what information would satisfy the objective. If that is not possible, the IASB

will use prescriptive language to require disclosure of a particular item of information.

EFRAG's tentative position

59 In its DCL, EFRAG agreed that prescriptive language should be used for disclosure objectives. EFRAG also agreed that the proposed expression for item of information to consider in assessing how to meet the objectives ('while not mandatory the following information may enable') is self-explanatory.

60 The language is also preferable to the alternatives considered by the IASB in paragraphs BC21 which would place a 'compliance burden' on entities. Entities would need to demonstrate that they had considered each item of information regardless of whether that item was ultimately disclosed. However, EFRAG is concerned that if the objectives are no specific enough to be operational and enforceable, the expression 'while non mandatory' might be misunderstood and result in material information being omitted. Therefore, we suggest that the IASB clarifies in the body of the proposed amendments that this expression does not mean that the items of information are voluntary and that entities should consider these items when assessing meeting the specific objectives.

61 EFRAG also considered that the use of the proposed less prescriptive language may create enforceability and auditability issues that put more emphasis (and therefore burden) on the level of judgement for preparers. The proposed non-prescriptive language introduced a level of flexibility in disclosure requirements and may ultimately impair comparability.

62 EFRAG assessed that the language used in a standard has to be prescriptive enough to encourage a certain level of comparability. In this regard explaining the objective of disclosure requirements is essential but not enough to result in comparable information.

63 EFRAG did not support the classification of certain disclosure requirements as nonmandatory; or making minimum requirements an exception as proposed.

64 We consider that the challenge is for the IASB to strike the correct balance between a tier of always-required disclosures (that ensure a minimum level of comparability) and objectives to mandate additional entity-specific disclosures.

65 Finally, EFRAG invites the IASB to use consistent language across IFRS Standards when referring to information that is suggested (but not required) to meet a disclosure objective.

Summary of constituents' comments

66 As mentioned in the feedback to questions 1 and 2, most respondents supported using an approach that combines mandated items information required to meet a specific disclosure objective and what other additional information may be needed in specific circumstances.

67 Some of these respondents disagreed with the use of the proposed expression ('while not mandatory the following information may enable…') as it would not create the appropriate obligation on the preparers. They assessed that the wording also increases the reliance on preparers making adequate judgements and raises enforceability and auditability issues: in the absence of guidance on which items would always meet a specific disclosure objective compared with those items that are listed for specific circumstances, preparers may still use the items in these lists as a checklist and disclose more than it is needed.

68 Some were not convinced about the effectiveness of this expression to remove the checklist-mentality as the mandatory items of information could still be used as a checklist or can simply be ignored. Conversely some assessed that a possible

outcome of this approach may be longer and more detailed checklists, to cover all possible situations.

69 One respondent considered that the use of the expression “while non mandatory” may prompt reporting entities to limit the amount of information disclosed regardless of its materiality and relevance for users. This respondent would favour using a wording similar to the wording used in existing standards: “To meet the objective in paragraph X, an entity shall disclose […].”

70 One respondent suggested that the IASB replaces the proposed non-prescriptive language with ‘*an entity should assess whether the following information is necessary to meet the disclosure objective in paragraph [x]*’. Such wording would help preparers better focus on these items and apply judgement on them.

Question 5— Other comments

EFRAG’s tentative position

71 Although no specific question was raised in the ED on the matter, EFRAG welcomed the development of a unified and rigorous methodology to draft disclosure requirements (as explained in BC28 to BC47) with the same level of rigour and scrutiny as requirements for presentation, recognition and measurement. EFRAG takes no issue with the methodology presented in the ED.

72 EFRAG noted that the proposed methodology to develop disclosure requirements (which starts with an understanding of the issues at stake, understanding users' needs, performing a cost-benefit analysis and documenting the effects of the proposals) is similar to the way the IASB generally develops measurement and recognition requirements under its existing due process. EFRAG supports the fact that the proposed approach will be both flexible (each step needs not be done in sequence) and iterative so as to adapt to different circumstances.

73 EFRAG however observed that the ‘disclosure problem’ is multifaceted and includes behavioural aspects and not all factors identified as contributing to the disclosure problem can be addressed by the IASB or the IASB alone. Encouraging behavioural changes is needed to improve communication effectiveness but it requires the involvement of other stakeholders to be effective.

Summary of constituents’ comments

74 Several respondents noted that there were many factors contributing to the disclosure problem including behavioural ones and therefore addressing the disclosure problem would require behavioural changes from all participants in the ‘reporting ecosystem’ including auditors and regulator.

75 Some may not be sophisticated, committed and ready enough to move away from their checklists towards exercising judgement on what users need and what to disclose as a result. Some assessed that without the appropriate commitment and capacity to change from the other stakeholder groups, the IASB’s proposals could lead to a deterioration in the quality of reporting.

76 Respondents emphasise the behavioural nature of the disclosure problem and the fact that addressing it will involve the participation of all concerned stakeholders in their respective roles. The influence of users in particular is essential to trigger changes.

77 Few respondents encouraged the IASB in the next steps of the project, to further engage with the preparer community, the audit profession and regulatory bodies to understand what else needs to be done within those stakeholder groups to ensure that all are ready, willing and able to take this big step forward.

78 One respondent confirmed EFRAG's position expressed for question 11 and question 18 to require comparative information when new disclosures would be needed to satisfy the disclosure objective.

Proposed amendments to IFRS 13 *Fair Value Measurement* applying the proposed Guidance

Question 6 — Overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition

Question 7 — Specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition

Proposals in the ED

For assets and liabilities measured at fair value, the ED introduces

79 An overall objective stating that an entity shall disclose information that enables users to evaluate the entity's exposure to uncertainties associated with fair value measurements of classes of assets and liabilities measured at fair value in the statement of financial position after initial recognition.

80 Four specific objectives that require that the information provided shall enable users to understand:

(a) the amount, nature and other characteristics of assets and liabilities and how those characteristics relate to categorisation in the fair value hierarchy;

(b) the significant techniques and inputs used in determining fair value measurements;

(c) alternative fair value measurements using inputs that were reasonably possible at the reporting period end; and

(d) the significant reasons for changes in the fair value measurements during the reporting period.

EFRAG's tentative position

81 EFRAG generally agrees with the proposed <u>overall disclosure objective</u> for assets and liabilities measured at fair value in the statement of financial position after initial recognition. This would help them understand the information needs of primary users of financial statements in relation to fair value measurement. Finally, it will allow preparers to reassess whether the information provided satisfies both specific and overall needs of users.

82 EFRAG however, noted that the extent of the effects of the changes will depend also on the behaviour of the preparers and their appetite for a reduction of the information they provide. EFRAG also considered that it will form a view on the proposed approach after collecting more evidence about the possible impacts of this approach and discussing with their auditors.

83 EFRAG also expressed support for three of the four proposed objectives mentioned in paragraph 80, above. EFRAG agreed that the specific disclosure objectives could help entities to understand the specific needs of primary users of financial statements and therefore reduce the complexity of the Standard.

84 However, EFRAG did not support the proposals to remove the requirement to provide sensitivity analyses and replace them with an objective to provide information about alternative fair value measurements.

85 Despite the criticism against the sensitivity disclosures of significant unobservable inputs in level 3, EFRAG considered that sensitivity disclosures are more pertinent than alternative fair values and suggests continuing to require such disclosures.

86 With respect to the specific disclosure objective of reasonably possible alternative fair value measurements, EFRAG expressed concerned about the trade-off between costs and benefits for this specific objective. This was due to the increased

burden on preparers, as the proposal refers to all items that are fair valued on a recurring basis.

Summary of constituents' comments

87 Most of the respondents shared the tentative views expressed in EFRAG's draft comment letter:

(a) Agreeing in general with the proposed overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition;

(b) Supporting the specific disclosure objectives except alternative fair value measurements using inputs that were reasonably possible at the reporting period end; and

(c) Recommending continuing the use of sensitivity analysis rather than alternative fair values.

88 In addition, all except two of the respondents (most) recommended like EFRAG that the IASB considers an alternative approach combining overall and specific objectives with a minimum list of mandated disclosures (subject to materiality).

89 One respondent suggested in general that the proposed mandatory disclosures under the specific objective for IFRS 13 could be enhanced by the following suggested minimum disclosure requirements:

(a) a description of the nature and risks of the instruments in each level of the fair value hierarchy;

(b) description of valuation techniques, inputs and changes; and

(c) sensitivity analysis of fair value measurements in Level 3 focused on reasonably possible range of unobservable inputs.

90 Four respondents (many) who agreed with the overall disclosure objectives and specific disclosure objectives except alternative fair value measurements had additional comments:

(a) One respondent did also not agree with the IASB's decision to avoid referring to levels of the fair value hierarchy.

(b) One respondent considered that it would be burdensome and costly to provide information about alternative fair value measurements for Level 2 assets and liabilities, as level two items constitutes the largest group of assets and liabilities for financial institutions.

(c) Another respondent strongly supported clearer and more concise specific disclosure objectives as the current proposals are too high-level and generic to be helpful.

(d) This respondent also noted that while reasons for changes in fair value measurements may be relevant in some cases, the information should be allowed to be aggregated or disaggregated per the principles provided in the PFS ED. This will reduce the number of disclosures, whilst still providing relevant and material information.

(e) One respondent suggested to encourage the IASB Board to provide more detailed and mandatory disclosure requirements.

91 One respondent would have a hard time to meet the objectives and give the relevant information as the user needs are not sufficiently explained and the disclosure objectives are definitely not specific enough to give a clear basis for the derivation of useful information. They would welcome a clear set of information to be disclosed which was derived from a detailed analysis of the users' needs.

92 This respondent also stated that, in the light of electronic reporting, a potential de-standardization of information has a negative cost benefits ratio.

93 Another respondent agreed that the proposed overall and specific objectives would result in the provision of useful information about assets and liabilities measured at fair value. However, they do not have a sufficient detailed knowledge of IFRS Standards to know if the proposed objective would resolve completely the disclosure problem of IFRS 13, in particular the proper application of materiality.

94 One respondent, while supporting the introduction of overall and specific objectives, considered that the proposed approach in the ED removing disclosure requirement should only be applied to new or substantially modified IFRS Standards and not to existing ones for which there are established practices in the provision of information. It would be difficult for preparers and auditors to ignore currently used checklist and start from a blank page. For this reason, this respondent did not support any of the proposed changes to IFRS 13.

Question 8 —Information to meet the specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition

Proposals in the ED

95 The ED includes:

(a) items of information that are always required to be disclosed to meet the stated objectives; and others

(b) other items of information that, while not mandatory, may be considered in assessing how to meet the objectives.

96 For assets and liability measured at fair value, paragraphs 105, 109, 111 and 116 describe the items of information that are required:

(a) the fair value measurement for each class of assets and liabilities by the level of the fair value hierarchy within which those measurements are categorised

(b) whether it uses the policy choice exception in paragraph 48 when measuring the fair value of a group of financial assets and financial liabilities

(c) information that enables users of financial statements to understand the 'alternative fair value measurements' using 'inputs that were reasonably possible' at the end of the reporting period.

(d) for recurring measurements categorised in Level 3, a tabular reconciliation from opening balances to closing balances of the significant reasons for changes in the fair value measurements.

97 Paragraphs 106, 110 and 113 and 117 describe various items of information that while not mandatory, could be considered in assessing whether the objective is met:

EFRAG's tentative position

98 In its DCL, EFRAG agreed that entities should be required to disclose information listed in paragraph 96 above.

99 However, as mentioned in its responses to the first questions on the overall approach proposed, EFRAG also questioned the likely effectiveness of non-mandatory information and recommended that the IASB further investigates the effective applicability of such non mandatory information.

100 EFRAG agreed that significant judgements and assumptions are useful as entities should have some flexibility to determine the form and level of disclosure that best meets users' needs. However, the level of judgement must not be so high that, if not properly exercised, it may impair the level of relevance, reliability and

comparability of the information. Therefore, EFRAG recommended to the IASB to investigate further the practical application of the disclosure requirements.

Summary of constituents' comments

101 Most constituents responded specifically to this question.

102 Few constituents agreed to EFRAG's overall position.

103 Most respondents agreed like EFRAG that entities should be required to disclose the proposed items of information in paragraphs 105, 109 and 116 of the ED.

104 Nonetheless, one respondent also recommended further clarification for paragraph 106 and suggested to redefine the proposed items of information in paragraph 110 to not include those classified as Level 1 fair values.

105 In addition, one respondent received feedback from their constituents that it is unclear whether and to what extent disclosures about the fair value measurements of each class of assets and liabilities measured at fair value by the level of the fair value hierarchy should change in practice (ref. para. 105).

106 One respondent stated that the items of information included in paragraphs 106, 110, 113, 117 and 121 of the proposed amendments to IFRS 13 should be mandatory as well, if applicable, and material to the entity.

107 Another respondent noted that the proposed items of information in paragraphs 105, 109 and 116 are not of much relevance for a large number of users. Neither the background of selecting level 1, 2, 3 in the hierarchy, nor the details about the fair valuation and sensitivities will influence the users' basic assessments. But there is a possibility for exceptions.

Question 9 — Specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes

Proposals in the ED

108 Paragraphs 118-119 of the ED state as a specific objective, that an entity shall disclose information that enables users of financial statements to understand:

(a) the amount, nature and other characteristics of each class of assets and liabilities (see paragraphs B48-B50) not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes; and

(b) how the characteristics relate to the categorisation of those classes of assets and liabilities in the fair value hierarchy.

109 The information is intended to help users of financial statements assess the relative subjectivity in the entity's assessment of where the fair value measurements of the assets and liabilities are in the fair value hierarchy; and evaluate the effect of those measurements on the entity's financial position and financial performance.

EFRAG's tentative position

110 In the DCL, EFRAG supported the proposals in the ED. In particular, EFRAG agreed that the most useful information about items not measured at fair value but for which fair value is disclosed, is information that enables users to understand the nature and characteristics of such items. EFRAG also agreed with the development of a specific disclosure objective to focus on the amount, nature and other characteristics of items in the fair value hierarchy.

111 EFRAG considered that users need fair value information about some items that are not measured at fair value in the statement of financial position to perform forecasting calculations and analyses. For that reason, the most useful information

about items not measured at fair value but for which fair value is disclosed, is information that enables users to understand the nature and characteristics of such items.

112 Moreover, EFRAG also agreed that an entity does not need to explain the categorisation of each class of assets and liabilities as:

(a) users primarily want to assess the relative subjectivity in the classification of items in the fair value hierarchy. This can be more effectively achieved from good descriptions about the classes of items categorised within each level of the fair value hierarchy than a description of the entity's classification processes; and

(b) narrative information about how an entity determined the level of the fair value hierarchy to which an item belongs is likely to be boilerplate.

113 However, EFRAG raised concerns about the implied cost of the proposals for some entities and noted that those entities would incur incremental costs on initial application of disclosure requirements that is likely to persist for each reporting period. Such costs would relate primarily to the emphasis on applying judgement based on the needs of users of financial statements rather than applying disclosure requirements like a checklist. For example, financial institutions report quarterly and the cost to apply judgement each period could be excessive. Incremental costs may include the need for increased involvement by senior management and increased audit costs relating to the application of judgement.

Summary of constituents' comments

114 Most constituents responded specifically to this question.

115 Few constituents agreed to EFRAG's overall position.

116 Majority of respondents supported the specific disclosure objectives for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes aligned with EFRAG's view.

117 One respondent suggested that basic disclosure requirements could enhance the information usefulness (see paragraph 89 of this document).

118 Some respondents did not agree with the proposed disclosure objective. They stated that the disclosures will have a limited information/forecast value, and that the purpose of the information for users as noted in para. 119 and the specific disclosure objective would not be clear. Disclosing fair values for certain financial assets (e.g., categorised under "solely principals and payments") would not give more relevant information about the value of the instrument as:

(a) One of these respondents also perceived the disclosure objective to be burdensome.

(b) One respondent stated that fair values are disclosed in isolation and therefore compensating effects of the entity's market risk management would not be possible;

(c) Few respondents noted the risk of duplicating the information required by IFRS 7, while acknowledging that this is mitigated by the option to cross reference.

(d) One respondent stated that the specific disclosure objectives are not clear and explicit enough to be helpful for application. To have useful information a clear set of information should be requested.

(e) One of the three respondents suggested to significantly reduce or to eliminate the disclosure requirements for such assets and liabilities not measured at fair value.

119 Respondents also commented as follows:

(a) One respondent stated that disclosures should also help users assess the sources of measurement uncertainties in the determination of the fair values disclosed in the notes, to evaluate the effect of measurements on the entity's financial position and financial performance.

(b) One respondent noted that aggregating some of this information may result in material and relevant disclosures that meet users' needs and be less burdensome for preparers.

(c) One respondent stated that the objective should be clear about the need of users that it addresses and that it should be contained in the relevant standard that requires or permit such disclosures (such as IAS 40, IAS 41 or IFRS 9, not necessarily IFRS 13). The respondent is also concerned that some items captured in the objective (i.e., mandatory), for example, the nature and characteristics of each class of assets, has been listed as non-mandatory in paragraph 121. These kinds of contradictions could cause significant problems later in the discussions with auditors and regulators.

Question 10 — Information to meet the specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes

Proposals in the ED

120 As noted in question 9, the ED proposes one single specific disclosure objective for items not measured at fair value but for which fair value is disclosed which is similar to one of the four specific objectives described for asset and liability measured at fair value.

121 Entities are required to disclose the same information for that objective that is: the fair value measurement for each class of assets and liabilities by the level of the fair value hierarchy within which those measurements are categorised (Level 1, 2 or 3).

EFRAG's tentative position

122 EFRAG agreed with the proposed requirement to disclose the fair value measurements for each class of assets and liabilities at the end of the reporting period by level of the fair value hierarchy in which those measurements are categorised in their entirety.

123 EFRAG agreed that a description of the nature, risks and other characteristics of these classes of assets and liabilities can be provided by cross-reference to where that information is disclosed elsewhere in the financial statements.

Summary of constituents' comments

124 Majority of constituents responded specifically to this question. Some constituents agreed to EFRAG's overall position.

125 Many respondents supported EFRAG's view in the DCL. One of the respondents found that the disclosure in paragraph 121 should also be mandatory.

126 One respondent only specifically agreed to disclose the level in the fair value hierarchy.

127 One respondent also stated that if fair values are not disclosed because they are approximated by book value, disclosures under the proposed paragraphs 120 and 121 are not required. The respondent suggested to clarify that in such cases it may still be needed to provide additional information to help users assess the instruments position in the fair value hierarchy.

128 Respondents also commented as follows:

(a) One respondent noted that more fair value related information would only make sense when this would have a higher relevance than the amortized cost, but this would imply to use fair value accounting for subsequent measurement.

(b) One respondent questioned the usefulness for users, but also noted current disclosure requirements require the same information so required processes should already be implemented.

(c) One respondent believed that entities should provide a description of the significant valuation techniques, description of changes in significant valuation techniques and the reasons for those changes as well as information about the significant inputs used in the fair value measurements if such information is material and relevant to them. Additional mandatory items of information should be included in the Standard, and it would be acceptable for this information to be less detailed compared to the information provided to fulfil the disclosure objective of paragraph 107.

(d) One respondent (user organisation) raised a concern that where items are not measured at fair value and the fair value is not disclosed, the basis of such a decision would not be clear to users. Furthermore, it is likely that in such instances, that preparers would consider that paragraphs 118 and 120 of the ED are not applicable. Therefore, in such cases, for any material asset or liability, there should be an explanation on why no fair value measurement information is given.

Question 11 — Other comments on the proposed amendments to IFRS 13

EFRAG's tentative position

129 Although no questions were raised in the ED on the matter, EFRAG expressed concerns about the transition requirements that would apply if the proposed amendments were to be finalised.

130 EFRAG considered that the application of a brand-new approach for disclosure requirements will be more challenging for 'legacy' standards like IFRS 13 which have been applied for many reporting cycles by entities. Therefore, EFRAG suggested that the proposals on IFRS 13 be subjected to extensive field testing to assist to better identify the operational challenges for preparers, enforcers and auditors, identify potential implementation and application concerns and the need for additional guidance, and to assess the costs and benefits of the proposals as well as challenges for information systems.

131 EFRAG considered that transition requirements should be further investigated by the IASB. EFRAG is concerned about the potential burden of this new disclosure requirements arising from the ED. There should be an analysis whether the proposed changes are a complete re-write of the disclosure requirements with higher levels of judgement as well as significant implementation costs and time.

132 EFRAG also suggested that the IASB could clarify whether, where the assessment of the disclosure objectives leads to new disclosures being provided, whether comparative information should be provided in the financial statements.

Summary of constituents' comments

133 Majority of constituents provided 'other comments. A few constituents agreed to EFRAG's overall position.

134 Some respondents generally questioned the use of IFRS 13 as a good example for the pilot activity:

(a) As such a standard would be complex and relatively new. In today's practice relevant stakeholders (preparers of financial statements, auditors, regulators and users) have found a balance in interpretation and application of this Standard.

(b) Since the PIR concluded that IFRS 13 was fit for purpose. It was suggested that the IASB should decide on a case-by-case basis which Standard to amend based on the need to review the respective Standard and hold back on amending IFRS 13 as there may not be a need for it yet.

(c) As it would have been more helpful to apply the proposed drafting guidance to other IFRS Standards such as IFRS 7. This is due to the practical challenges around IFRS 7 in the context of the uncertainty as to whether all the required IFRS 7 information is useful.

135 Respondents also commented as follows:

(a) Few respondents sought clarification with regard to Illustrative Example 15, as it was not clear whether the explanations below the table are an example of a description of the nature, risks and other characteristics of the classes of assets and liabilities and whether (and to what extent) the illustrative example will lead to a change in current practice. One respondent also stated that the example would not support the entities in making its judgement regarding paragraph 105 of the ED. One respondent also suggested to require comparative information when new disclosures would be needed to satisfy the disclosure objective.

(b) One respondent disagreed with the proposed amendments to paragraph 16A(j) of IAS 34 as the respondent would have concern regarding the cost-benefit balance of this approach for non-financial entities.

(c) Few respondents agreed with retrospective application and also agreed with EFRAG's concerns, so they suggested a sufficient transition period to deal with potential new disclosure requirements.

Proposed amendments to IAS 19 *Employee Benefits* applying the proposed Guidance

136 Of the 20 comment letters received in time for inclusion in this comment letter analysis, four did not include comments on the amendments to IAS 19 Employee Benefits. In addition, two constituents did not explicitly support the IAS 19 amendments based on the proposed guidance. However, one of them provided their views on the Amendments only in the context of the project.

Question 12 — Overall disclosure objective for defined benefit plans

Question 13 — Specific disclosure objectives for defined benefit plans

Proposals in the ED

137 The ED introduces an overall disclosure objective for defined benefits plans to provide information that enables users of financial information to:

(a) assess the effect of defined benefit plans on the company's financial position, financial performance and cash flows; and

(b) evaluate the risks and uncertainties associated with the company's defined benefit plans.

138 The ED further explains that an entity shall aggregate or disaggregate information provided to meet the disclosure objectives about defined benefit plans set out in the Standard. In doing so, an entity shall:

(a) consider the nature, risks and other characteristics of its defined benefit obligation. For example, an entity might distinguish between amounts owed to active members, deferred members and pensioners; and

(b) assess whether disclosures should be disaggregated to distinguish plans or groups of plans with different risks.

139 Regarding the proposed specific disclosure objectives, the ED requires to disclose information that enables users of financial statements to understand:

(a) The amounts in the primary financial statements relating to defined benefit plans;

(b) The nature of, and risks associated with, defined benefit plans the nature of the benefits provided by the defined benefit plans;

(c) The expected future cash flows relating to defined benefit plans;

(d) Future payments to members of defined benefit plans that are closed to new members;

(e) Measurement uncertainties associated with the defined benefit obligation the significant actuarial assumptions used in determining the defined benefit obligation; and

(f) Reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans the significant reasons for changes in the amounts recognised in the statement of financial position that relate to the defined benefit plans from the beginning of the reporting period to the end of that period.

EFRAG's tentative position

140 In the DCL, EFRAG generally agreed with the proposed overall disclosure objective for defined benefit plans and considered that it could help entities understand the overall information needs of users of financial statements in relation to defined benefit plans.

141 EFRAG also considered that the examples of features an entity could use to disaggregate information provide useful information to preparers. However, EFRAG observes that paragraph 147B of the ED essentially repeated guidance about aggregation of information and obscuring material information which is already contained in IAS 1 *Presentation of Financial Statements*. In this regard, it was noted that having guidance repeated in different places may affect consistent application across IFRS Standards.

142 Regarding the proposed specific disclosure objectives, the ED requires to disclose information that enables users of financial statements to understand:

(a) The amounts in the primary financial statements relating to defined benefit plans;

(b) The nature of, and risks associated with, defined benefit plans the nature of the benefits provided by the defined benefit plans;

(c) The expected future cash flows relating to defined benefit plans;

(d) Future payments to members of defined benefit plans that are closed to new members;

(e) Measurement uncertainties associated with the defined benefit obligation the significant actuarial assumptions used in determining the defined benefit obligation; and

(f) Reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans the significant reasons for changes in the amounts recognised in the statement of financial position that relate to the defined benefit plans from the beginning of the reporting period to the end of that period.

Summary of constituents' comments

Overall Disclosure Objective

143 Eight respondents (many) agreed that the overall disclosure objective for defined benefit plans would result in the provision of useful information.

144 Three (few) respondents noted that the examples of features an entity could use to disaggregate information included in the ED are in substance already included in IAS 19. Therefore, they questioned whether the revised guidance would enable entities to better aggregate and disaggregate defined benefit disclosures.

145 Another respondent suggested the IASB explained how paragraph 147B of the ED - which addresses aggregation and disaggregation - relates with the existing provisions in IAS 1 and in the primary financial statements ED. In their view, aggregation as per the principles provided in the PFS project will reduce the number of disclosures, whilst still providing relevant and material information.

146 One respondent - that was in favour of the overall objective - suggested that the IASB should clarify in paragraph 147A(b) of the ED that the risks and uncertainties associated with DBP have to be appreciated taking into account the strategies implemented to mitigate them.

147 Two respondents (few) noted that the proposed overall disclosure objective is very similar to the current requirement included in paragraph 135 of IAS 19. For one of them, this was surprising due to:

(a) Stakeholders told the IASB that IAS 19 disclosures often do not meet the information needs of users of financial statements (BC105).

(b) Many users told the IASB that information about the expected effects of DBP on an entity's future cash flows is the most relevant information they could receive (BC121). Thus, they would have expected that this information is reflected in the overall disclosure objective.

148 This respondent also noted that it remains unclear which additional disclosures are deemed to be necessary that are not captured by the specific disclosure objectives. Therefore, they recommended the IASB to clarify it.

Specific Disclosure Objective

149 Seven respondents (many), generally supported the specific disclosure objectives for DBP identified in the ED. Four respondents (some) did not support the specific disclosure objective relating to future payments to members of defined benefit plans that are closed to new members.

150 One respondent noted that the specific disclosure objectives were not as specific as they would have wished for which creates an uncertainty on what information to disclose. Therefore, they suggested that the IASB should make them more specific.

151 One respondent representing national associations of pension funds pointed out that pension-plan disclosures are very comprehensive and that entities already apply the materiality concept in their notes. Thus, no irrelevant disclosures are published. Moreover, most of the information disclosed in the notes covers the proposed specific disclosure objectives. Therefore, in their view, it is unclear, how the new concept would better meet the users' needs.

152 One respondent shared the concern that taking into consideration the motivations of the different parties involved in the financial reporting process (regulators, supervisors, investors, auditors...) they might end up in a situation in which sector-specific information will be kept in the financial statements in addition to the information added to meet the specific objectives contained in the ED.

153 Comments made on individual specific disclosure objectives are included below.

Nature of, and risks associated with, defined benefit plans

154 One respondent pointed out that this specific disclosure requirement combines very heterogeneous items of information, some of which are likely to lead to the provision of boilerplate information. Thus, they suggested the IASB revise it by:

(a) Strengthening the proposed specific disclosure objective, by focusing on the risks associated with DBP;

(b) Introducing a separate specific disclosure objective for significant changes to DBP. Information about plan amendments, curtailments and settlements is essential for users to understand the occurrence and effects of changes in benefits provided by DBP. This suggestion was also made by another respondent; and

(c) providing further application guidance to enable entities to provide more useful information about the nature of, and risks associated with, DBP.

Expected future cash flows relating to defined benefit plans

155 Two respondents (few) recommended the IASB clarify the notion of future "contributions to the plan" as it comprises both expected future contributions to the plan and expected future benefit payments, directly by the entity to plan participants. From the proposed paragraph (147L) it is unclear whether "contributions to the plan" include benefits payments that are paid directly by the entity. Therefore, they recommended that the IASB should clarify that to achieve the proposed specific disclosure objective, an entity shall disclose information about both.

156 Regarding the observation made by the IASB in BC105 whereby users often receive insufficient information about the cash flow effects of DBP, one respondent noted that items of information in paragraphs 147L and 147P of the ED are very similar to

the existing requirements in paragraphs 139(a)(ii) and 147 of IAS 19. Therefore, they were concerned on whether the two new proposed objectives would improve information on this matter. In their view, the application guidance and the illustrative examples included in the ED could be useful, but they did not identify any link between such improvements and the proposed guidance.

157 One respondent noted that complex regulatory calculations and possible compensations between plan for the same employee may result in amounts recognised in the entity's statement of financial position substantially not aligning with the cash flows that will ultimately occur. This is the case when the cash flows are computed on the basis of regulatory rules. Those rules may result in uncertainties on the payments to be made. Such information could be captured in this specific disclosure objective. However, such material information, in itself, may warrant being captured in a dedicated disclosure objective.

Future payments to members of defined benefit plans that are closed to new members

158 As indicated in paragraph 149 above, four respondents (some) did not support this specific disclosure objective. They provided the following reasons:

(a) Users' information needs for these plans (duration and impact on entity's cash flows) are very similar to plans that remains open to new members;

(b) The general topic of how DBP are expected to affect an entity's future cash flows is split into two specific disclosures objectives (this objective and the more general objective on expected future cash flows). This split is not consistent with the structure of objectives;

(c) The two objectives overlap. The items of information included in 147P of the ED might be particularly relevant for closed plans, but this information will not be relevant if it is not complemented with other informational elements suggested in paragraph 147L of the ED;

(d) Specifications in paragraph 147C(b) of the ED already provide sufficient information for an entity to consider a disaggregation of defined benefit plans; and

(e) Do not agree with the IASB's reasoning in paragraph BC134 that the period over which an entity will continue to make payments is unlikely to change significantly if a plan is closed to new members. The DBO could increase significantly in future reporting period if the plan remains open to the accrual of further benefits to current members.

(f) This specific disclosure objective is too 'UK-specific'.

159 These respondents recommended that the IASB should combine this specific disclosure objective with the (more general) specific disclosure objective for "expected future cash flows relating to defined benefit plans". Alternatively, one of them recommended the IASB removing this objective.

160 One additional respondent who supported this objective encouraged the IASB to apply this objective to pension plans that apply to current members who are not accruing within that plan (frozen plans) as well.

Measurement uncertainties associated with the DBO

161 One respondent pointed out that the requirements related to this specific disclosure objective and included in paragraphs 147Q – 147S may not be sufficiently clear. In addition, they would have expected a separate requirement regarding the impact of uncertainties on future contributions.

Other comments on specific disclosure objective

162 One respondent highlighted that the ongoing developments around sustainability reporting could lead to consider the connectivity of the proposed disclosure objectives or items of information for employee benefits with sustainability reporting.

Question 14 — Information to meet the specific disclosure objectives for defined benefit plans

Proposals in the ED

163 For defined benefit plans, paragraphs 147F and 147V describe six items of information that are always required to meet the stated objectives:

(a) the amount of the defined benefit cost included in the statement of profit or loss, identifying its components, including current service cost, past service cost, gain or loss on settlement, and net interest on the net defined benefit liability;

(b) the amount of the defined benefit cost in the statement presenting comprehensive income, identifying its components, including actuarial gains and losses and return on plan assets excluding amounts included in (a);

(c) the amount of the net defined benefit liability (asset) in the statement of financial position, identifying its components, including fair value of the plan assets, present value of the defined benefit obligation, and the effect of the asset ceiling;

(d) the deferred tax asset or liability arising from the defined benefit plans (or a cross-reference to where that information is disclosed elsewhere in the financial statements);

(e) the amounts in the statement of cash flows, identifying their components, including contributions by the entity into the defined benefit plans; and

(f) a tabular reconciliation from opening balances to closing balances of the significant reasons for changes in the net defined benefit liability (asset).

164 The ED also describe proposed items of information that while not mandatory may enable entities to meet each of the stated specific disclosure objective (Paragraphs 147I, 147L, 147P, 147S and 147W).

EFRAG's tentative position

165 In its DCL, EFRAG agreed that the information included in paragraph 147F which requires to disclose the defined benefit plan amounts recognised in the primary financial statements would always be necessary to meet the specific disclosure objective.

166 EFRAG also agreed that information included in paragraph 147V should be required to be disclosed. Such a quantitative reconciliation that explains reasons for changes in the amounts recognised in the statement of financial position for these plans could be more understandable for users than a qualitative description.

167 EFRAG's view is that the relevance of the expected cash flow effects of defined benefit obligation recognised at the end of the reporting period depends on the specific situations and characteristics of the pension plans. For some types of obligation this information may be crucial, for others, it may not.

168 With respect to information about actuarial assumptions, EFRAG is concerned that entities either continue with their current disclosures or provide immaterial information about assumptions. This may affect the relevance of the information provided as well as the comparability across entities.

169 Lastly, EFRAG considered that the sensitivity analysis to significant actuarial assumptions should be regarded as mandatory.

Summary of constituents' comments

170 A majority of respondents have not included an explicit statement as to whether they agreed that the nonmandatory items of information would enable entities to meet each specific disclosure objective (question 14(B)). Instead, they have expressed their views on the changes that should be made to the IASB's proposals. Therefore, we provide a summary of these views under each specific disclosure objective.

171 One respondent noted that their suggestions relating to a change in provision for nonmandatory items of information to required information would only apply if the IASB retained a less prescriptive language when referring to items of information.

Amounts in the primary financial statements relating to defined benefit plans

172 Nine respondents (majority) explicitly agreed that the items of information listed in paragraph 147F should be regarded as mandatory. However, two of them (few) did not support the item in paragraph 147F(d) relating to the DTA/DTL arising from DBP. They explained that they had not identified in the Basis for Conclusions the reasons for requiring entities to disclose this item and did not see any obvious merits for such disclosure. They noted that if the IASB decided to retain it, the IASB should clarify whether the amount of DTA/DTL would be presented on a gross basis or if it would take into account possible offsetting with other DTA/DTL arising from other operations in accordance with paragraph 74 of IAS 12.

173 Two respondents (few) noted that DBP disclosures would benefit from an upfront "executive summary". In their view, this is a simple and effective improvement in disclosures with minimal incremental costs. In this regard, in relation to the Example one of the Illustrative examples accompanying IAS 19, two respondents (few) made the following observations:

(a) The total of surpluses and deficits from DBP cannot be reconciled to the amounts recognised in the statement of financial position, as plans that are in a surplus are netted with plans that are in a deficit.

(b) An aggregation by the type of funding (multi-employer plans, pension direct commitments, funded plans...) instead of geographically would generally lead to more useful information for users.

(c) Comparative information is not necessary in order to obtain an understanding of the effects of DBP on the primary financial statements, though, they understand that the IAS 1 overarching principles prevails.

(d) The experience adjustments on the liability side are missing.

Nature of, and risks associated with, defined benefit plans

174 One respondent recommended that the IASB should turn the non-mandatory items of information included in paragraph 147I into mandatory information, if applicable and material to the entity. Another respondent considered that the IASB should mandate the items of information in paragraphs 147I(a) and 147I(g) as they are necessary to meet the specific disclosure objective.

175 Three respondents (few) considered that the expected return on the plan assets contained in 147V (h) should not be disclosed due to the difficulty of predicting it, the uncertainty involved in its estimation and that it would tend to be a boilerplate disclosure. One of them noted that the reintroduction of the EROA concept after abolishing it a few years ago is not consistent with IAS 19. Another of the respondents considered that a non-mandatory item that includes the disclosure of the actual return on plan assets as a percentage over a past period together with the explanation of any material difference between the expected asset return and the actual, could be useful information.

176 One respondent that generally agreed with the nonmandatory items of information as described in 147I, provided the following suggestions:

(a) To include in the proposals an item of information on the funding status under the regulations of the plan itself. The proposals are currently lacking disclosures on how the benefits are financed in general and on the funding status. Such information can help users of financial statements better understand how a deficit in the plan will affect the amount of any subsequent funding arrangements. This suggestion was also made by another respondent.

(b) To mandate the item of information included in paragraph 147I(c), If the IASB did not include a separate disclosure objective on information about significant changes to the benefits provided by DBP as indicated in paragraph 154(b) above.

(c) To reconsider whether current required information on the liquidity of plan assets (paragraph 142 of IAS 19) should be retained as in their view information about how easily plan assets can be converted into cash is important for users.

177 Another respondent considered that the list of non-mandatory items included in paragraph 147I should include information about the discount rate used in determining the defined benefit obligation.

178 Another respondent shared the concern that some requirements could lead to boilerplate statements (for example, the description of how a company manages investment risk). They noted that, to the extent possible, narratives should be replaced by quantitative data as in their view many of today's disclosures are too long due to boilerplate narratives.

Expected future cash flows relating to defined benefit plans

179 Three respondents (few) questioned the IASB's tentative decision to allow entities to disclose the expected future cash flow for the defined benefit plan as a whole (full cash flows). One of them noted that the wording is misleading as entities would generally believe that providing "full cash flows" is more useful to users than those that meet the DBO recognised at the end of the period.

180 Conversely, two respondents (few) considered that the information included in paragraph 147M is useful. One of them noted that "full cash flows" could be provided without differentiating between those that meet the DBO recognised at the end of the reporting period and other expected future cash flows as a practical expedient if and only if the information required under paragraph 147J is not readily available, but not otherwise.

181 Three respondents (few) considered that the IASB should reconsider its tentative decision not to specify a (minimum) period over which an entity should provide information about the expected future cash flow effects of a DBP. Otherwise, it would be more burdensome for entities, and highly influenced by management predictions.

182 One respondent recommended that the IASB should turn the non-mandatory items of information included in paragraph 147L into mandatory information, if applicable and material to the entity. This would especially apply to 147L (a) and 147L (b) if future contributions have been agreed upon or are required by regulatory or other agreements. Another respondent considered that the IASB should mandate the items of information in paragraphs 147L (a) and 147L (c) because are necessary to meet the specific disclosure objective. A different respondent agreed that the item of information in paragraphs 147L (a) should be considered as mandatory.

183 One respondent considered that the non-mandatory item expected future contributions, contained in 147L(b) should not be disclosed as the cost to obtain the information is higher than the usefulness for users.

Future payments to members of defined benefit plans that are closed to new members

184 Three respondents (few) shared the view that the weighted average duration of DBO (147P(a)) should be required to disclose regardless of whether or not a defined benefit plan is closed to new members or remains open to new members. Two of them (few) recommended that the IASB should turn the non-mandatory items of information included in paragraph 147P into mandatory information, if applicable and material to the entity.

Measurement uncertainties associated with the DBO

185 Eight respondents (many) considered that the IASB should require a sensitivity analysis disclosure for each significant actuarial assumption. Conversely, one respondent noted that this requirement could be part of the non-mandatory items of information included in paragraph 147S as could be costly to prepare and may not always provide useful information.

186 Four respondents (some) shared the following concerns on the proposed (non-mandatory) disclosures of reasonably possible alternative actuarial assumptions:

(a) Actuarial assumptions are an entity's best estimate of the variables at the end of the reporting period to determine the DBO. From a conceptual point of view, it is counterintuitive to disclose a range of alternative values that would have been reasonably possible at the end of the reporting period (it would undermine the fair value concept);

(b) From a practical perspective, it is unclear which alternative assumptions are considered to be "reasonably possible" at the end of the reporting period; and

(c) The cost to obtain the information is higher than the usefulness for users

187 Two respondents (few) noted that entities should be required to disclose the information in paragraph 147S(a) (significant actuarial assumptions). One of them pointed out that a minimal set of actuarial assumptions should be defined.

188 One respondent noted that to comply with the proposed objective entities can either provide narrative explanations about measurement uncertainty or disclose quantitative information. However, it is unclear from the proposal how an entity can comply with the proposed specific disclosure objective by qualitative information only. Therefore, they suggested the IASB include examples to demonstrate how an entity might comply with the specific disclosure objective in the notes.

189 One respondent considered that there should be more information about how precisely the discount rate has been calculated. This could include the disclosure of the fact whether the preparers use their own discount rate model or whether they use the model of an external provider. In the latter case a reference or link etc. to this external provider where detailed information about the discount rate model is publicly available could be added to the list of not mandatory examples in 147S.

Reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans

190 Eight respondents (many) explicitly agreed that the items of information listed in paragraph 147V should be regarded as mandatory.

191 Three respondents (few) noted that, unlike current IAS 19 that requires entities to disclose a gross reconciliation, paragraph 147V only requires entities to disclose a reconciliation for the net defined benefit liability. Two of them (few) suggested that the IASB should require a separate reconciliation for the plan assets, the defined

benefit obligation and the asset ceiling. The other respondent wondered about the IASB's intention on omitting this requirement.

192 One respondent pointed out that users would also benefit from a narrative explanation on the main reasons for changes when the disaggregation is not self-explanatory. Consequently, they suggested the IASB include this as possible item of information that may satisfy the objective.

Question 15 — Overall disclosure objective for defined contribution plans

Proposals in the ED

193 The ED proposes to introduce an overall disclosure objective for defined contribution plans which requires disclosing information that enables users to understand the effects of these plans on the entity's financial performance and cash flows.

194 The ED does not propose to introduce specific disclosure objectives.

EFRAG's tentative position

195 EFRAG agrees that the proposed overall disclosure objective that 'an entity shall disclose information that enables users of financial statements to understand the effect of defined contribution plans on the entity's financial performance and cash flows would result in the provision of useful information. This is because IFRS Standards do not specify how entities should present amounts relating to employee benefits in the primary financial statements. Consequently, amounts relating to defined contribution plans may not be separately identified in those primary statements.

196 EFRAG noted that the proposals in the ED would not significantly change information about defined contribution plans and observed that much of the information needed to satisfy the objective will be already available internally and therefore is not expected to be costly to prepare or impose an excessive burden on companies.

197 EFRAG welcomes that the ED equally emphasises information on the statement of income and on the statement of cash flows as there could be differences between the effect on the statement of financial performance and the effect on the cash flows.

198 However, EFRAG observed that as there are more and more defined contributions plans, different characteristics may emerge. EFRAG would have expected additional requirements for these plans. For example, there might be regulatory or internal agreements that exist at the reporting date and affect future contributions by an entity under a defined contribution plan scheme. EFRAG is concerned that with the overall objective included in the ED, the potential risks of defined contribution plans might not be captured or sufficiently disclosed.

Summary of constituents' comments

199 Nine respondents (majority) agreed that the proposed overall disclosure objective would result in useful information that meets the overall user information needs about defined contribution plans. One of them recommended the IASB extend this objective to also include the effects on future cash flows

200 Two respondents (few) noted that the overall disclosure objective for DCP is too generic. They recommended the IASB include some specific items to further specify users' information needs that an entity must disclose to meet the disclosure objective. The latter recommendation was also supported by another respondent.

201 Alternatively, one of them, noted that, instead of an overall disclosure objective, the IASB could include a requirement in IAS 19 to disclose the amount recognised in the statements of financial performance and cash flows. This may be sufficient as according to paragraph BC156 users seem satisfied with the information they currently receive on DCP. Another respondent, which agreed with the proposed

overall objective, considered that the IASB should require entities to disclose the amount recognise as an expense in the reporting period.

202 Two respondents (few) suggested the IASB include a reference to the disclosure requirements in IAS 24 about employee benefits for key management personnel. This was also suggested for question 17 with regard to other employee benefits.

203 One respondent suggested that the IASB should include the following disclosure requirements:

(a) any material changes to the contribution formula and resulting benefits during the reporting period. This includes the amount of contributions as well as the employees covered by the defined contribution plan. This should be a mandatory disclosure.

(b) an indication whether the amount of future contributions to a defined contribution plan can be expected to be greater than, similar to or less than the amount of contributions made in the current reporting period. This should be at least mentioned as an example of not mandatory information.

Question 16 — Disclosures for multi-employer plans and defined benefit plans that share risks between entities under common control

Question 17 — Disclosures for other types of employee benefit plans

Proposals in the ED

204 The ED proposes that an entity that accounts for its participation in a multi-employer defined benefit plan as if it were a defined contribution plan or that participates in a defined benefit plan that shares risks between entities under common control and accounts for the contribution payable for the period in accordance with paragraph 41 of IAS 19 shall

(a) comply with the overall disclosure objective for defined contribution plans.

(b) comply with the specific disclosure objective on the nature of, and risks associated with, defined benefit plans.

205 An entity that accounts for multi-employer plans as a defined benefit plan or that participates in a defined benefit plan that shares risks between entities under common control and accounts for an allocation of the net defined benefit costs in accordance with paragraph 41 of IAS 19 shall

(a) comply with the overall disclosure objective for defined benefit plans; and

(b) all the specific disclosure objective for defined benefit plans.

206 For other types of employee benefit plans (which include short-term employee benefits, other long-term employee benefits and termination benefits), the ED introduces an overall disclosure objective to disclose information that '*enables users to understand the effect of short-term employee benefits on the entity's primary financial statements. It should also provide information about the nature of other long-term employee benefits and termination benefits as well as their effect on the entity's financial position, financial performance and cash flows'.*

EFRAG's tentative position

207 EFRAG agreed that compliance with only the overall disclosure objective for defined contribution plans would not sufficiently communicate the risks to users of the following types of plans for:

(a) multi-employer defined benefit plans accounted for as if it were a defined contribution; or

(b) defined benefit plans that share risks between entities under common control where the contribution payable for the period is recognised in accordance with paragraph 41 of IAS 19.

208 However, EFRAG considered that mixing the overall objectives of defined contribution plans with one of the specific objectives of defined benefit plans may create complexity in understanding and applying the requirements. We therefore suggest that the IASB considers including a specific disclosure requirement reiterating the applicable guidance.

209 For other types of employee benefits EFRAG agreed that the proposed overall disclosure objective communicated sufficiently to users

(a) For short-term employee benefits - information about the impact on an entity's financial performance and cash flows; whereas

(b) For other longer-term employee benefits and termination benefits - information about the impact on the three primary financial statements.

210 EFRAG agreed that adding specific disclosure objectives is not necessary or would require covering too many possibilities as there is a wide variety of long-term employee benefits and termination benefits which may vary in nature.

Summary of constituents' comments

Multi-employer plans and defined benefit plans that share risks between entities under common control

211 Seven respondents (many) generally or partially supported the IASB's proposal regarding multi-employer plans and defined benefit plans that share risks between entities under common control. Another respondent encouraged the IASB to include specific disclosure objectives for defined contribution plans and defined benefit plans that share risks between entities under common control. An additional respondent suggested the IASB decrease the number of disclosures and have a few of them as mandatory.

212 One respondent recommended that the IASB should turn the non-mandatory items of information included in paragraph 148B, 148D, 149B and 149D into mandatory information. Another respondent considered that the item of information included in 148B(a) is essential for users and should be regarded as mandatory. Similarly, another respondent considered that the item of information included in 148B(b) should be regarded as mandatory.

213 Several constituents suggested the IASB the following recommendations:

(a) To investigate further which information users of financial statements need regarding multi-employer plans to better explain to entities which information should be disclosed and which information should be omitted (BC159-BC166 does not clarify this);

(b) To improve the proposed guidance by including items of information that would require entities to disclose quantitative information on multi-employer plans that are accounted for as if they were a defined contribution plan. For instance, how much the entity's contributions have increased over the past few years;

(c) To reconsider whether mixing the overall objectives of defined contribution plans with one of the specific disclosure objectives of defined benefit plans does not create excessive complexity in understanding and applying the requirements; and

(d) To add the expected patter of future contributions as a required disclosure for all types of multi-employer plans regardless of their respective accounting treatment.

Other employee benefits

214 Six respondents (many) generally agreed with the IASB's proposal regarding other types of employee benefit plans. However, one of them would have appreciated more focus on longer-term employee benefits. In their view, these plans in practice have become equally or more complex than DBP.

215 One respondent recommended the IASB, on the basis of the observations provided by users and included in the BC, introduce an overall objective embracing defined contributions plans, short-term employee benefits, other long-term employee benefits and termination benefits. Some specific objectives would be developed, if need be, to further specify users' information needs for some specific plan types (for example DCP).

216 Another respondent also based on the information included in the BC questioned whether the introduction of an overall disclosure objective is justified for other types of employee benefit. They were concerned that entities would disclose lengthy descriptions about the nature of termination benefits and other long-term employee benefits. In their view, information about the nature of other employee benefits is justified only for termination benefits and only when significant changes to termination benefit plans occur. They suggested the IASB the following alternatives:

(a) Instead of an overall disclosure objective, to include direct requirements in IAS 19 to disclose particular items of information about other types of employee benefit plans;

(b) To provide more specific guidance; or

(c) To increase an entity's leeway by not requiring specific disclosures at all (as currently set out by paragraphs 158 and 171 of IAS 19).

217 Another respondent emphasized that information on changes to termination benefits plans should be required if relevant and material.

Question 18 — Other comments on the proposed amendments to IAS 19

EFRAG's tentative position

218 EFRAG reiterated the view (also in its response to Question 5) that transition requirements and the need for comparative information should be further investigated by the IASB.

219 EFRAG noted that, in recent years, defined benefit plans have lost prominence while other plans such as defined contribution plans or other types of plans such as hybrid plans, in which a minimum return is guaranteed, are becoming more and more common.

220 As defined contribution plans might bear certain risks, specific disclosure requirements on such type of plans could be useful and would avoid that certain hybrid plans are not properly disclosed. However, it was noted that the development of specific disclosures for such plans would not entirely solve the limits of the current IAS 19 requirements for the recognition and measurement of such new types of plans.

Summary of constituents' comments

221 Two respondents (few) pointed out that employee plans have evolved and share characteristics beyond the types classified in IAS 19. It is necessary a fundamental review of IAS 19. This is also an area of interconnectivity between financial and sustainability reporting.

222 One respondent noted that an adequate medium-term implementation timeframe should be defined, should the IASB decided to move forward with the proposals.

223 One respondent pointed out that for hybrid plans there should be no special disclosure objectives at this stage. In their opinion, prior to the drafting of any disclosure objectives the issue about how such plans could be more appropriately measured should first be addressed.

Appendix 1 – List of respondents

1 The following stakeholders provided comment letters in response of EFRAG's consultation.

	Name	Type	Geography
1	**Accountancy Europe**	Accounting Organisation	Europe
2	**DASB**	Standard Setter	The Netherlands
3	**SFRB**	Standard Setter	Sweden
4	**Swedish Enterprise Accounting Group (SEAG)**	Preparer/ Preparer Organisation	Sweden
5	**Infineon**	Preparer/ Preparer Organisation	Germany
6	**FAR (Swedish institute of Accountancy)**	Accounting Organisation	Sweden
7	**EDF**	Preparer/ Preparer Organisation	France
8	**DASC**	Standard Setter	Denmark
9	**GDV (German Insurance association)**	Preparer/ Preparer Organisation	Germany
10	**ERSTE GROUP**	Preparer/ Preparer Organisation	Austria
11	**ESMA**	Regulator	Europe
12	**ESBG**	Preparer/ Preparer Organisation	Europe
13	**German Institute of Pension Act (IVS)**	Professional Organisation	Germany
14	**BusinessEurope**	Preparer/ Preparer Organisation	Europe
15	**NASB**	Standard Setter	Norway
16	**PensionsEurope**	Professional Organisation	Europe
17	**ASCG**	Standard Setter	Germany
18	**ANC**	Standard Setter	France
19	**OIC**	Standard Setter	Italy
20	**CRUF**	User Organisation	Global