

# Targeted Standard-Level Review of Disclosure Requirements

IASB's ED Disclosure Requirements in IFRS Standards

6 July 2022



# DISCLAIMER

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# Objectives

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The objective of the session is to:

- Present the feedback received by the IASB in response to its public consultation; and
- Inform EFRAG FR Board about the potential next steps to be discussed at the ASAF meeting and present the views gathered from EFRAG CFSS and EFRAG FR TEG on this matter at its 28 June 2022 meeting.



## Summary of the feedback received by the IASB and comparison with the views in EFRAG's Comment Letter

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## General approach

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### Views in EFRAG's comment Letter

- Supported the objective of the project and its focus on the provision of more relevant disclosures - not on changing the volume of disclosures.
- Welcomed the development of a rigorous methodology for disclosures considering the information needs of users.
- Welcomed the proposals for the IASB to include overall and specific disclosure objectives in disclosure requirements.
- However, based on the extensive outreach, field-testing and consultation conducted, EFRAG concluded that the proposed approach may not achieve its intended objective in addressing the disclosure problem; may result in impairing comparability; increasing enforcement and audit challenges; and be more costly for preparers and their auditors.
- Instead, EFRAG suggested an alternative approach and a less radical change to address the disclosure problem, whereby the IASB would combine overall and specific disclosure objectives as well as an application guidance describing users' needs (as proposed in the ED) and providing examples illustrating how to apply judgement to meet users' needs in various circumstances.

## General approach

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### Feedback received by the IASB

Input from 111 respondents. European stakeholders represent half of total respondents.

Feedback generally consistent with the views expressed in EFRAG's CL:

- Most considered that disclosure objectives that describe user information needs would help entities provide relevant information. They also welcomed the proposals for the IASB to work closely with users and other stakeholders.
- However, most respondents considered that the proposals would not help solve the disclosure problem. Most expressed the view that the IASB's proposal to use less prescriptive language when referring to items of information would likely make the disclosure requirements difficult to operationalise or enforce.
- Many suggested a 'middle ground' approach in which a disclosure objective will always be accompanied by a list of mandatory items of information that an entity should disclose, if material, to meet the objective.
- Some considered that overall disclosure objectives were too broad to be effective as requirements and should not be mandated but provided as 'non-prescriptive context setting information'.
- Need to consider implications of digital reporting.
- A comprehensive detail of the feedback received by the IASB can be found [here](#)

## Proposed Amendments to IAS 19 and IFRS 13

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### Views in EFRAG's comment Letter

#### IFRS 13

- Support the overall and specific disclosure objectives except the one relating to 'Alternative Fair Value measurements using reasonably possible assumptions'.
- Field test has provided evidence that introducing specific disclosure objectives is helpful (except AFV) and that the proposed objectives are understandable and could be made operational.
- The IASB should clarify for which instruments further information about Alternative FV should be provided if the requirement is maintained.

#### IAS 19

- Support for overall objectives and for the specific objectives for DB plans except the specific disclosure objective related to future payments to members of plans that are closed to new members.
- Sensitivity analysis should remain mandatory (discount rate, expected return..) – Providing Information about actuarial assumptions as proposed in the ED is useful but not enough.

**For both Standards:** clarify transition requirements (adequate implementation timeframe and clarify whether comparative information is always required).

## Proposed Amendments to IAS 19 and IFRS 13

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### Feedback received by the IASB

About half of the 111 respondents to the IASB provided comments on the proposed amendments.

**IFRS 13** - For assets and liabilities measured at fair value many respondents:

- Agreed with the proposed overall disclosure;
- Considered that disclosures about movements and uncertainties in fair value measurements should be restricted to L3 measurements, or L2 measurements that are closer to L3; and
- Agreed with the proposed specific disclosure objective and items of information.

Some were concerned that the overall disclosure objective is too generic, and that entities would have to rely on the specific disclosure objectives to determine how user needs should be met.

Some expressed concern about the clarity of the specific disclosure objective for assets and liabilities within each level of the fair value hierarchy.

Some respondents disagreed with the proposal to replace sensitivity analyses for changes in significant unobservable inputs with reasonably possible alternative fair value measurements.



## Proposed Amendments to IAS 19 and IFRS 13

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### Feedback received by the IASB (continued)

**IAS 19** - For DB plans respondents generally supported the specific disclosure objectives except for the objective that requires disclosure of future payments to members of defined benefit plans that are closed to new members. They also had some concerns about whether the specific disclosure objective that requires disclosure of the nature of, and risks associated with, defined benefit plans is precise enough to help an entity identify and disclose more relevant information.

Some respondents said the overall disclosure objective is too broad to identify user needs.

Respondents did not support the following items of information:

- (i) Deferred tax asset or liability arising from defined benefit plans;
- (ii) Expected return on the plan assets; and
- (iii) Alternative actuarial assumptions reasonably possible at the end of the reporting period that could have significantly changed the defined benefit obligation

In relation to DB plans some respondents agreed with the proposed overall disclosure objective. A few disagreed with the proposal and suggested retaining current IAS 19 disclosure requirements

## Approaches to move forward

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### ASAF meeting / EFRAG CFSS – FR TEG

ASAF members will meet in July to discuss the next steps of this project. The different alternatives included in the ASAF agenda paper are to finalise the initial IAS 19 and IFRS 13 proposals with limited changes, to terminate the project or to develop a middle ground approach.

The middle ground approach consists of disclosure objectives and a list of mandatory items of information that an entity should always disclose, if material, to meet the objective. Overall objectives are not mandated but considered as non-prescriptive context elements.

At its 28 June 2022 meeting, EFRAG CFSS and EFRAG FR TEG discussed the different alternatives to move forward. The key takeaway of the meeting are the following:

- Members generally had sympathy for the middle ground approach as suggested in the ASAF paper. This approach should only be applied to new standards.
- Members supported a non-prescriptive context element overall objective. They noted that wide catch-up all objectives are in practice difficult to enforce. IAS 1 already provide a basis to disclose material things not required by specific objectives.
- Members did not support the finalization of the Amendments to IFRS 13 and IAS 19.

Does EFRAG FR Board have comments or questions on this presentation?



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Thank you

EFRAG  
Aisbl - ivzw  
35 Square de Meeüs  
B-1000 Brussel  
Tel. +32 (0)2 207 93 00  
[www.efrag.org](http://www.efrag.org)

