International Accounting Standards Board
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Cc: EFRAG

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ED/2021/3 Disclosure Requirements in IFRS Standards – A Pilot Approach

The Swedish Enterprise Accounting Group (SEAG) welcomes the opportunity to comment on the exposure draft. We appreciate the Board's initiative and the aim behind the proposals. However, we are not convinced that the proposed amendments would have the intended effect, at least not in the short run. As current disclosures fulfil the requirements in IAS 19 and IFRS 13, it is not evident that preparers would have the incentive to revise the information and make a new assessment of what information to provide. Thus, one possible outcome of the Board's proposed approach in practice, when applied to existing standards, is that it will be applied on top of existing requirements. However, as a general approach to developing disclosure requirements to new standards we believe that the proposed model may be more useful.

Generally, IFRS compliance have in practice become more complex over time. We think that this is to a large extent due to the aim to increase comparability on the one hand, and to create more company specific disclosures on the other. We believe that the shift to digital reporting as well as increasing responsibilities for and activity from the European supervisory authorities will be a driver for more standardization and thus more checklist type disclosures going forward. While this development is unfortunate, we do not see how it can be avoided by standard-setting.

We have provided some specific comments to the questions in the ED in an appendix below. As SEAG consist of primarily non-financial companies, we have refrained from answering the specific questions that concern the disclosure requirements in IFRS 13. However, as our comments are of a more general nature, they are partly applicable to the proposed amendments of IFRS 13 as well.

Yours sincerely,

CONFEDERATION OF SWEDISH ENTERPRISE

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Appendix

Question 1—Using overall disclosure objectives
Paragraphs DG5–DG7 of this Exposure Draft explain how the Board proposes to use overall disclosure objectives in future.
(a) Do you agree that the Board should use overall disclosure objectives within IFRS Standards in future? Why or why not?
(b) Do you agree that overall disclosure objectives would help entities, auditors and regulators determine whether information provided in the notes meets overall user information needs? Why or why not?

We believe that while overall disclosure objectives would be a helpful tool for the Board in order to develop relevant specific disclosure objectives, it is doubtful whether such objectives would be of much help for entities, auditors and regulators. As we pointed out in our comments to the Principles of Disclosure DP in 2017, we believe that disclosure overload and check the box type of information is not only a consequence of how standards are drafted, but is also caused by the institutional environment that surrounds financial reporting, i.e. auditors, audit processes, supervisory authorities, etc. 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 under each standard, as this would still require an extensive amount of judgement.

Question 2—Using specific disclosure objectives and the disclosure problem
Paragraphs DG8–DG10 of this Exposure Draft explain how the Board proposes to use specific disclosure objectives in future.
(a) Do you agree that specific disclosure objectives, and the explanation of what the information is intended to help users do, would help entities apply judgements effectively when preparing their financial statements to:
(i) provide relevant information;
(ii) eliminate irrelevant information; and
(iii) communicate information more effectively?
Why or why not? If not, what alternative approach would you suggest and why?
(b) Do you agree that specific disclosure objectives, and the explanation of what the information is intended to help users do, would provide a sufficient basis for auditors and regulators to determine whether an entity has applied judgements effectively when preparing their financial statements? Why or why not?

We don't see that there is a need for explanations regarding what the information is intended to help users do. In general, listed entities are aware of the purposes behind most disclosures. If there is a need for explanations regarding specific requirements, we believe it would be more natural to add that information as motives in the basis for conclusions.

Question 3—Increased application of judgement
Paragraphs DG2–DG3 and DG8–DG13 of this Exposure Draft explain why, in future, the Board proposes to:
(a) use prescriptive language to require an entity to comply with the disclosure objectives.
(b) typically use less prescriptive language when referring to items of information to meet specific disclosure objectives. An entity, therefore, would need to apply judgement to determine the information to disclose in its circumstances. This approach is intended to shift the focus from applying disclosure requirements like a checklist to determining whether disclosure objectives have been satisfied in the entity's own circumstances. Paragraphs BC188–BC191 of the Basis for Conclusions describe the likely effects of this approach on the behaviour of entities, auditors and regulators towards disclosures in financial statements. Paragraphs BC192–BC212 of the Basis for Conclusions describe the likely effects of this approach on the quality of financial reporting, including the cost consequences of the approach.
(a) Do you agree with this approach? Why or why not? If not, what alternative approach do you suggest and why?

(b) Do you agree that this approach would be effective in discouraging the use of disclosure requirements in IFRS Standards like a checklist? Why or why not?
(c) Do you agree that this approach would be effective in helping to address the disclosure problem? For example, would the approach help entities provide decision-useful information in financial statements? Why or why not?
(d) Do you agree that this approach would be operational and enforceable in practice? Why or why not?
(e) Do you have any comments on the cost of this approach, both in the first year of application and in subsequent years? Please explain the nature of any expected incremental costs, for example, changes to the systems that entities use to produce disclosures in financial statements, additional resources needed to support the increased application of judgement, additional audit costs, costs for users in analysing information, or changes for electronic reporting.

We believe it is reasonable to, through the means of language, clarify what disclosures that should be regarded as mandatory, and where to use judgement. However, as pointed out above, we don't see that the approach would be a significant discouragement from the checklist approach. Reporting entities, auditors and supervisory authorities may have different views regarding what information that is decision-useful. A possible, and unfortunate, outcome of this approach may be longer and more detailed checklists, to cover all possible situations.

Question 4—Describing items of information to promote the use of judgement
The Board proposes to use the following less prescriptive language when identifying items of information: 'While not mandatory, the following information may enable an entity to meet the disclosure objective'. Paragraph BC19–BC26 of the Basis for Conclusions describe the Board's reasons for this language and alternative options that the Board considered.
Do you agree that the proposed language is worded in a way that makes it clear that entities need to apply judgement to determine how to meet the specific disclosure objective? If not, what alternative language would you suggest and why?

Please see question 3.

Question 5—Other comments on the proposed Guidance
Paragraphs BC27–BC56 of the Basis for Conclusions describe other aspects of how the Board proposes to develop disclosure requirements in IFRS Standards in future applying the proposed Guidance. Paragraphs BC188–BC212 of the Basis for Conclusions explain the expected effects of any disclosure requirements developed using the proposed Guidance.
Do you have any other comments on these aspects? Please indicate the specific paragraphs or group of paragraphs to which your comments relate (if applicable).

No.

Question 12—Overall disclosure objective for defined benefit plans
Paragraphs BC107–BC109 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for defined benefit plans. Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about defined benefit plans? If not, what alternative objective do you suggest and why?

We agree with the proposed overall disclosure objective explaining the overall needs of primary users of financial statements in relation to defined benefit plans considering material risks and uncertainties within these kinds of plans. We further agree to the aggregation/disaggregation guidance including the statement "in doing so, an entity ensures that relevant information is not obscured by insignificant detail or the aggregation of items that have substantially different features or characteristics". By including the statement, this will clearly allow prepares to further apply judgment based on materiality for these specific disclosure requirements.

However, the disclosure objective and guidance on how to aggregate and disaggregate the disclosure (for example decreasing the number of countries which have defined benefit plans and only including material countries) is incorporated in IAS 19 in paragraph 135-137 already today and it seems that the Exposure Draft proposes a new form rather than a new purpose with the information. Prepares shall already as of today apply the disclosure requirements based on materiality which the Exposure Draft tries to incorporate even further by changing the wording slightly. We are not convinced that this will serve its purpose with the disclosure problem.

Question 13—Specific disclosure objectives for defined benefit plans
Paragraphs BC110–BC145 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objectives about defined benefit plans, and discuss approaches that the Board considered but rejected.

(a) Do you agree that the proposed specific disclosure objectives capture detailed user information needs about defined benefit plans? Why or why not? If not, what changes do you suggest?

(b) Do you agree that the proposed specific disclosure objectives would result in the provision of relevant information and the elimination of irrelevant information about defined benefit plans in financial statements? Why or why not?

(c) Do you agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them? Why or why not? If you disagree, how should the objectives be changed so that the benefits justify the costs? Please indicate the specific disclosure objective(s) to which your comments relate.

(d) Do you have any other comments on the proposed specific disclosure objectives? Please indicate the specific disclosure objective(s) to which your comments relate.

Our concern with the specific disclosure objective is that they are not as specific as would have wished for which creates an uncertainty on what information to disclose. The risk with this kind of general specific objectives might result in that prepares will disclose all information to ensure they are compliant with the overall disclosure objective. The information in for example paragraph 147I (even though it says "While not mandatory…") might be used as the new checklist which will lead to increased disclosure compared with today. This is particularly related to the specific disclosure objective in relation to cash flow effects in paragraph 147J. As preparer, we see an increase of discussions with auditors regarding what shall be disclosed or not which will lead to more time to be spent on disclosures which might not be of benefit for anyone.

A suggestion for the specific disclosure objectives would be to make them more specific and mandatory but exclude some of the points in for example paragraph 147I. To clarify the issue is to look at the specific disclosure objective in 147G.

147G
Nature of, and risks associated with, defined benefit plans
An entity shall disclose information that enables users of financial statements to understand the:
(a) nature of the benefits provided by the defined benefit plans;
(b) nature and extent of the risks, in particular the investment risks, to which the defined benefit plans expose the entity; and
(c) strategies that the entity has in place to manage the defined benefit plans and the identified risks.

Then further on in paragraph 147I it says that a)-i) is "not mandatory but may enable the entity to meet the disclosure objective". However, to be able to fulfill the specific *disclosure requirements in 147G, h) is a must meaning that a breakdown of the fair value of plan assets by classes of assets that distinguish the risks and characteristics of those assets needs to be disclosed.*

Question 14—Information to meet the specific disclosure objectives for defined benefit plans
Paragraphs BC110–BC145 of the Basis for Conclusions describe the Board's reasons for proposing the items of information to meet the specific disclosure objectives about defined benefit plans, and discuss information that the Board considered but decided
not to include.

(a) Do you agree that entities should be required to disclose the proposed items of information in paragraphs 147F, 147M and 147V of the [Draft] amendments to IAS 19? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objectives?
(b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet each specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?

We agree to those disclosure being required in 147F and 147V. However, we are questioning the proposed requirements in 147M Expected future cash flows relating to defined benefit plans. When comparing the current requirement in IAS 19, 147b stating, "the expected contributions to the plan for the next annual reporting period" with the proposed requirement in 147M with reference to 147J and 147L (while not mandatory) it states "information about the expected pattern or rate of expected future contribution". In the current requirement there is a limit on when in time since it states next annual period while the proposed requirement has no clear limit on when in time. The new proposal will be more burdensome to produce and will also be highly influenced by management predictions and forecasts.

Regarding b, we refer to question 13.

Question 15—Overall disclosure objective for defined contribution plans
Paragraphs BC156–BC158 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for defined contribution plans.

Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about defined contribution plans? If not, what alternative objective do you suggest and why?

The overall disclosure objective is in this sense very specific and perceived as mandatory. When comparing the disclosure requirements as of today, it is just expenses that are required but this overall disclosure objective also includes cash flows which will increase the magnitude of disclosure.

Question 16—Disclosures for multi-employer plans and defined benefit plans that share risks between entities under common control
Paragraphs BC159–BC166 of the Basis for Conclusions describe the Board's reasons for proposing which disclosure objectives should apply for multi-employer plans and defined benefit plans that share risks between entities under common control.

Do you agree that these proposals would result in the provision of useful information that meets the overall user information needs about these plans? If not, what alternative approach do you suggest and why?

No major differences as of today and the same comments as in Answer 13 meaning the even if it is stated "While not mandatory, the following information, in addition…. may *enable the entity…" there is a risk for paragraph 148D to be the new checklist. The proposal would be to decrease the number of disclosures and have a few mandatory disclosures.*

Question 17—Disclosures for other types of employee benefit plans
Paragraphs BC167–BC170 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objectives for other types of employee benefit plans.

Do you agree that these proposals would result in the provision of useful information that meets the overall user information needs about these plans? If not, what alternative approach do you suggest and why?

For many companies in Sweden, other types of employee benefit plans are not material, hence less focus on disclosures are done based on materiality.

Question 18—Other comments on the proposed amendments to IAS 19
Do you have any other comments on the proposed amendments to IAS 19 in this Exposure Draft, including the analysis of the effects (paragraph BC216 of the Basis for Conclusions) and the Illustrative Examples accompanying the Exposure Draft?

We support the overall purpose with the Exposure Draft addressing the disclosure problem, but we are not convinced that this is the solution in practice. The Exposure Draft introduces new wordings and new sections but the information to be disclosed are basically the same. To be able to make a difference in this it boils down to a change in behavior for all stakeholders with a high degree of making judgements which is perceived differently by preparers, auditors, investors, and regulators.