12th January 2022

Mr. Andreas Barckow
Chairman
International Accounting Standards Board

Columbus Building
7 Westferry Circus - Canary Wharf
London E14 4HD - UNITED KINGDOM

Exposure Draft ED|2021|3—*Disclosure Requirements in IFRS Standards—A Pilot Approach*

Dear Andreas,

Societe Generale, one of the leading financial services groups in Europe, is pleased to express its views on the Exposure Draft related to Disclosure Requirements in IFRS Standards (the ED).

We support the use of financial statements, including the notes, as a primary tool for financial communication. Accordingly, we fully support the Board's overall initiative to improve the relevance, usefulness, and understandability of financial statements through its Better Communication project.

Disclosures are one of the key elements of this ambition, and the enhancement of their presentation has been a major objective for Societe Generale since 2015. At the end of 2015, we have reorganised the presentation of the notes to our consolidated financial to improve their readability and consistency, in line with the Public Statement issued in October 2015 by the European Securities and Markets Authority on improving the quality of disclosures in the financial statements. This significant step has been following by additional improvements in the following years.

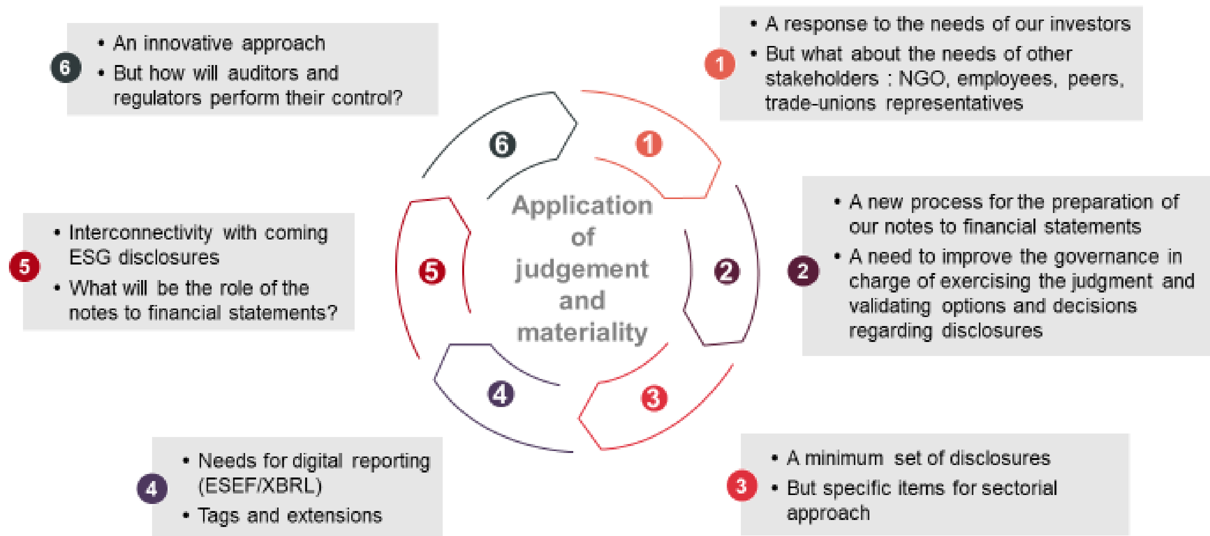
We welcome the Board's initiative to propose a new and innovative approach to improve the effectiveness of disclosure and to solve the "disclosure problem" described in paragraph BC1 of the ED. We also appreciate the opportunity to participate to the field-test organised by IASB. In this regard, we would like to sincerely thank Kathryn Donkersley and the technical staff for the quality of our exchanges throughout the process.

We perform the field-test for both IFRS 13 and IAS 19 with high expectations regarding the improvements that could have resulted from the proposed approach. Unfortunately, the outcomes have not always lived up to our initial expectations: if we put aside the new information required by the ED, our current disclosure on fair value and employee benefits would not be modified except some marginal simplifications.

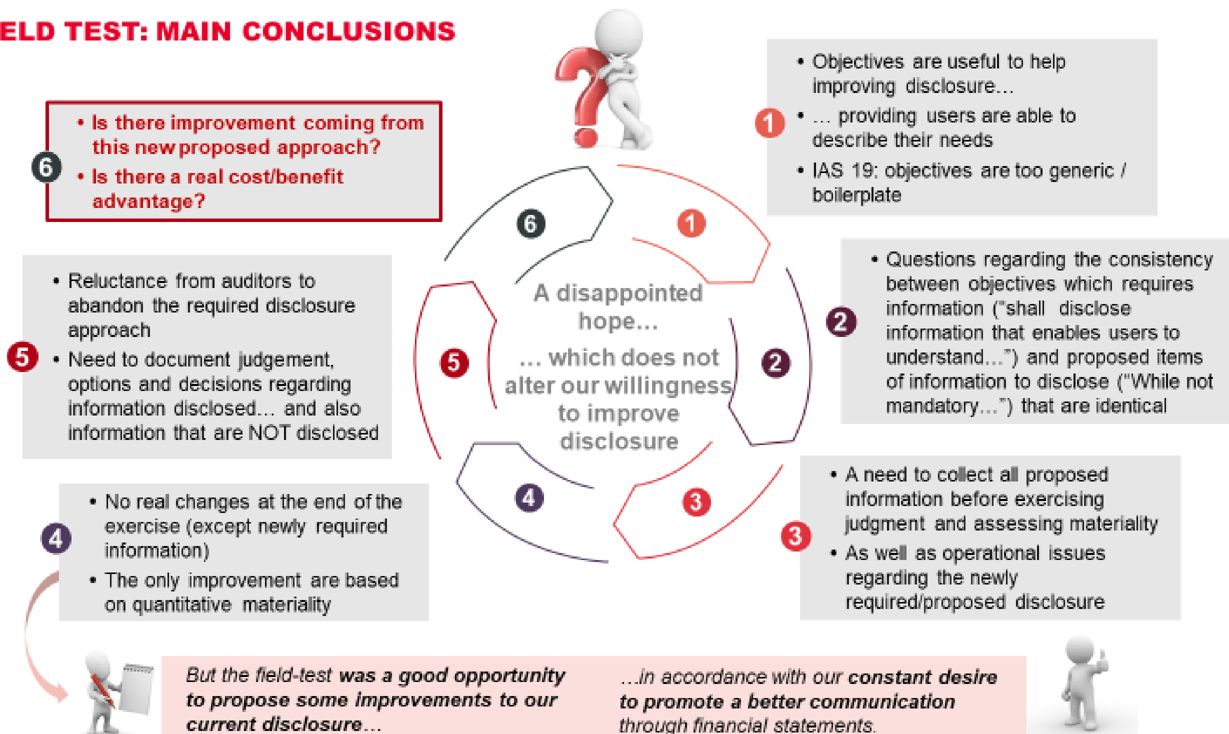
We also confirm the Board's assessment that a successful implementation of such a new approach will require all stakeholders involved in financial reporting to play their part.

We provide here-below an infographic summary of the issues and conclusions of our field-test:

FIELD TEST: MAIN ISSUES IDENTIFIED DURING OUR ASSESSMENT



FIELD TEST: MAIN CONCLUSIONS



Despite our disappointment regarding the outcomes of the field-test, this exercise helped us a lot in responding to the consultation and objectifying most of our remarks and concerns.

We still had the opportunity to provide our findings to Kathryn and to the staff last November and to also share them through the webinar jointly organised by IASB, EFRAG and Business Europe last December. We are now pleased to provide our detailed responses to the consultation.

The new disclosure requirement approach

Overall disclosure objectives

We welcome the proposal to introduce overall as well as specific disclosure objectives within IFRS Standards. A clear presentation of these objectives will help preparers to better identify information to provide beyond what would be otherwise specifically required by the standard and to better assess the materiality of information to disclose (from both a qualitative and a quantitative perspective). This approach would effectively be more effective than a single list of mandatory information which is currently used as a checklist.

Nevertheless, the development of disclosure objectives should be based on a clear understanding of the users' needs. For that purpose, the consultation of users by the Board will be a crucial task and will require a deep involvement of these users to express their needs in a clear and precise way that helps developing operationally applicable disclosure objectives. The representativeness of the users answering to the Board's consultation will also be a key success factor. Extension of the scope of these users beyond investors could also be envisaged giving the growing interest of sustainability stakeholders for financial statements for instance (including NGO, but also employees, customers, …).

Nevertheless, we regret that the Board has not taken the opportunity of this ED to provide as a starting point a definition of the general role of the notes to financial statements. Such overall perspective would have then helped to define the nature of information to be provided as part of the financial statements as compared to other information useful to users but that do not need to be provided in the financial statements.

We have also some comments regarding the potential links between the development of disclosure and the development of the digital financial reporting. If using electronic format for providing financial information may help to relativise the issue of the volume of information presented in the notes, we consider that relevance and usefulness shall remain the highest criteria for building disclosures that answer to users' need (subject to the materiality filter). Generic or "boilerplate" expectations that would lead to open-ended disclosure (like some of the overall disclosure objectives proposed in IAS 19) should be then avoided.

Due to the rapid development of sustainability reporting standards, we invite the Board to bear in mind the issue of the interconnectivity between financial information and sustainability reporting. We wonder whether a consistent approach to be used to determine disclosure requirements in these two parallel sets of standards could help such connectivity.

Specific disclosure objectives

Despite our support to providing specific disclosure objective, we have a significant concern about the exhaustivity of the information as it is required by paragraph DG8 when it states that specific disclosure objectives "require an entity to disclose all material information that enables the user understanding…". We fear that DG 8, as it is written, creates a formal obligation of completeness that is subjective, complex, and costly to apply and demonstrate: Preparers will then face a high degree of uncertainty as to whether they have complied with the standard even if all information required or proposed by the standard have been disclosed, and it is probable that auditors would face the same issue from their own controlling perspective. Alternatively, we suggest the Board to put the emphasis on the need to apply judgement from the preparer's perspective and to amend its proposal to specify that entities have to disclose all material information they consider as being useful and relevant for the user's understanding of their financial statements.

We also question the use of non-prescriptive language for some items of information presented as being "while not mandatory". Specifying "non-mandatory" items of information may create practical difficulties that could lead to very different outcomes depending on preparers' view and auditors and regulators' expectations: some preparers may choose to include all the "non-mandatory" items in their notes to prevent any debate with auditors resulting from the application of the disclosure requirements. But some others may be tempted to consider that they do not have to disclose those items and only focus on mandatory items.

Such outcomes could significantly reduce the expected benefits of the Board's proposed methodology and would lead to a situation very similar to the current one. It also confirms that one the biggest challenge will certainly be for the educational effort to encourage all stakeholders to change their habits and ways of thinking about disclosure. We regret that auditors have not been invited to also perform a field-test dedicated to their audit approach and their related due diligences.

Finally, on the basis of the mock disclosure that we have built when performing the field test for both IFRS 13 and IAS 19, and while we believe that the specific objectives may help to eliminate irrelevant information in the context of a new standard, we are not convinced that it would be easy for all stakeholders to give up all the disclosures that they currently provide and have done so for a while. If we put aside the new information required by the ED, our current disclosure on fair value and employee benefits would not be modified except some marginal simplification due to only materiality assessment that leads to some aggregation of individually insignificant figures.

Increased application of judgement

We share the Board's view that a checklist approach as it is currently applied by some preparers, auditors and regulators is part of the disclosure problem as it focuses the preparation of the notes to financial statements on a compliance exercise rather than on a relevance exercise. We then agree with the Board's intent to promote an increased use of judgement.

Nevertheless, we do not support the compliance shift proposed in the ED from applying disclosure requirements to answering disclosure objectives. This shift will leave preparers and auditors facing open-ended expectations about the extent of the information to be disclosed in the notes and it will also introduce additional complexity and incremental costs without ensuring of significant benefits.

We have also observed in the proposed amendments to IFRS 13 and IAS 19 specific disclosure objectives that require ("an entity shall disclose…") the disclosure of information that are presented as non-mandatory in the following paragraphs presenting the items of information that may enable to meet these specific disclosure objectives. Such a situation, seems to derive from the compliance shift, creating confusion and uncertainties on how to apply judgement and to comply with the standard.

An increased use of judgement will necessarily require a higher involvement of senior management and governing bodies, as well as additional documentation to support disclosure. The approach will be then more time-consuming for both preparers and auditors, and therefore more expensive. Operationally, we anticipate the need to that the collect from all our consolidated entities (more than 850 reporting entities in our group) a high volume of information and to maintain the process just "in case" this information should become relevant.

Accordingly, we do not expect the proposed approach will lead to a reduction of costs incurred to provide disclosure; even more, the implementation of some information newly required by the ED (such as reasonably possible alternative fair value measurements in IFRS 13, for instance) will generate additional costs.

Our alternative proposal

We recognise the merit to present disclosure objectives in each standard and to describe clearly users' needs and how users will use information disclosed in the notes to financial statements and we encourage the Board to develop such objectives in each standard.

And we would then propose to introduce for each objective a set of minimum mandatory items of information useful to answer the specific objectives and to focus the application of judgement on materiality (from both a qualitative and a quantitative perspective) in the specific context of each preparer (which also means that additional information should be provided as well if they are deemed to be useful for the understanding of the financial statements).

We would also suggest to the Board to extent the possibility (currently allowed in IFRS 7 only) to incorporate disclosure in financial statements by cross-references to other statements, such as management commentary, risk report, Pillar 3 report, climate report, provided such statements are available to users of the financial statements on the same terms and at the same time as financial statements.

Proposed amendments to IFRS 13 *Fair Value Measurement*

We agree with the content of the overall disclosure objective proposed for IFRS 13, but we think that the disclosure currently required already answer appropriately to this overall objective. We also support the specific disclosure objectives except the new requirement about reasonably possible alternative fair value measurements.

We have observed that current disclosure requirements have not been so much modified in the ED. Except the replacement of sensitivity disclosure by reasonably possible alternative fair value measurements, and the extension of information about reasons for changes in the fair value measurements during the reporting period, the proposed items of information often align with the existing disclosure requirements in IFRS 13, and the ED only dispatches these items of information between mandatory information and non-mandatory information. Such alignment provides evidence that existing requirements already fit overall with users' needs.

From the perspective of a large financial institution like Societe Generale, due to this significant volume of financial instruments measured at fair value, we have considered, for performing the field-test, that it would be very difficult to avoid disclosing information that are presented by the ED as non-mandatory. At the end of the exercise, and if we put aside the newly required information about which we have some strong concerns, our notes on fair value would not be modified except some slight simplifications such as aggregations of non-significant detailed figures.

Considering the overall alignment of disclosure between the ED and the current IFRS 13, as well as the outcome of our field-test on the Board's proposals, we question the choice of IFRS 13 to test the approach and, as far as financial instruments are concerned, we think that IFRS 7 would have been a better candidate for this exercise.

Our strongest concern relates to the new requirement to disclose reasonably possible alternative fair value measurements.

Providing a relevant and useful information about alternative fair value measurements in order to assess the level of uncertainty that weighs on the net income and equity of the entity is very complex and challenging when high volume of instruments is managed on a portfolio basis involving both financial assets and financial liabilities. It raises a significant conceptual issue and provides misleading outputs when applied to symmetrical instruments.

Such disclosure also raises operational issues. Based on our experience, performing alternative valuations of complex instruments such as those classified in the Level 3 category of the fair value hierarchy will be time consuming for both preparers computing the valuations and auditors performing their controls and could even be incompatible with the current publication schedule of our financial statements. Should the Board confirm this specific objective, we strongly urge it to limit its scope to Level 3 instruments.

We have additional remarks on the proposed amendments to IFRS 13 that are presented in the detailed answers provided in the appendix.

Proposed amendments to IAS 19 Employee Benefits

We would have expected more important changes in IAS 19, however, when comparing the ED's proposals with the information that we currently disclose in the notes to our financial statements, the ED does not seem to introduce any significant changes to the disclosures currently required by IAS 19 with two exceptions related to future payments to members of defined benefit plans that are closed to new members and to the effects of deferred tax asset or liability. This observation is confirmed by the mock disclosure resulting from our field-test that do not provide more relevant information than with the current IAS 19.

We disagree with the distinction introduced by the ED between expected future cash flows relating to defined benefit plans (paragraph 147J) and future payments to members of defined benefit plans that are closed to new members (paragraph 147N). Information about the closing of defined benefit plans to new

members and about the capacity of the entity to pay pension benefits to all residual members would be more useful.

We have also some concerns about the requirement to disclose deferred tax asset or liability arising from defined benefit plans. We would suggest moving this information among non-mandatory items.

Additionally, we do not find useful at all the overall disclosure objectives proposed for the other types of employee benefit plans since their drafting is too boilerplate. Information that enables users to understand the effect of a transaction on the entity's performance and cash-flows could be required for any transactions.

You will find our detailed responses to the questions of the ED in the appendix.

We hope you will find them useful. Do not hesitate to contact us if you need further information.

Yours sincerely,

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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 welcome the proposal to introduce overall disclosure objectives within IFRS Standards. A clear presentation of the overall objective will help preparers to better identify information to provide beyond what would be otherwise specifically required by the standard. We hope that it will encourage preparers to increase their use of judgement to identify the information that will fit with the users' needs which will be summarised through the overall disclosure objective.

Nevertheless, we regret that the Board has not taken the opportunity of this ED to provide as a starting point a definition of the general role of the notes to financial statements. Such overall perspective would have then helped to define the nature of information to be provided as part of the financial statements as compared to other information useful to users but that do not need to be provided in the financial statements (such as the information provided in the management report, or in the climate report, or in the Pillar 3 report provided by banks). For instance, providing qualitative disclosures about the nature and extent of risks arising from financial instruments (IFRS 7.33) in the notes to financial statements could be challenged when there is no information about nuclear risk expected to be disclosed by entities operating nuclear power points.

To be effective, the development of overall objectives should be based on a clear understanding of the users' needs so that the objective will be defined in a sufficiently circumstanced manner. As mentioned in paragraph DG6, entities will have to consider whether information provided meets those overall user information needs. Should the overall objective be too "boilerplate", it would lead to an excessive demand of information which would be then counterproductive and inconsistent with the aim to enhance the usefulness of financial statements and related disclosure. For instance, we find that overall disclosure objectives proposed in paragraph 25A for short-term employee benefits, or in paragraph 54A for post-employment benefits with defined contributions plans, are far too broad as they only duplicate the general expectations of IAS 1 and do not provide useful guidance to preparers to help them identifying the relevant information to be disclosed.

Furthermore, based on our field-testing exercise and of the resulting mock disclosure on fair value (IFRS 13) and employee benefits (IAS 19), we wish to highlight some implementation issues that seems to limit the outcomes of the approach despite its potential merits:

- We question the use of non-prescriptive language for some items of information presented as being "while not mandatory". On one hand, all these non-mandatory items could be seen as being mandatory in order to ensure a full compliance with the overall and specific disclosure objectives, avoiding any risk of long debate about the usefulness of some of these items. On the other hand, there is also a risk that non-mandatory items of information might not be disclosed at all if entities consider that they do not have to present those items and shall only focus on mandatory items.
- Such opposite outcomes will depend on preparers and auditors' attitudes regarding compliance risk assessment. And we have noted a poor appetite of auditors for departing from the current approach based on a checklist moderated by the only materiality assessment. We regret that auditors have not been invited to perform a field-test dedicated to their audit approach and to the related due diligences.

- We have also noted the need to enhance the involvement of management in the identification of the information to be disclosed to comply with overall and specific objectives, as well as the level of the documentation to be produced to support the selection of disclosures and the extended application of judgement.
- Despite the exercise of judgement when assessing which item of information to disclose, it will not always reduce costs as far as most non-mandatory information proposed in the ED will need to be collected from all consolidated entities (more than 850 in our group) and then computed to obtain a consolidated contribution before assessing whether they are useful to comply with the disclosure objectives.
- Ultimately, we do not identify significant changes in the information presented in the mock disclosure resulting from the field-test as compared to our current notes to financial statements (except the addition of the newly required information presented in the ED, for some of which we have some strong reservations – see our answers to the following questions).

We have also some comments regarding the potential links between the development of disclosure and the development of the digital financial reporting. Some may consider that using electronic format for providing financial information (as well as non-financial information as far as the coming sustainability reporting are concerned) may help to relativise the issue of the volume of information presented in the notes as far as users may now be able to navigate through information using digital research tools (whether based on XBRL taxonomy or not). But on the other hand, we would like to underline that many stakeholders will continue to use financial statements through printed copies or on-screen versions. The volume issue will then remain actual and consequently we consider that relevance and usefulness shall remain the highest criteria for building disclosures that answer to users' need (subject to the materiality filter). The temptation to ask extensive disclosure just to avoid a judgmental approach about the relevance and usefulness shall be fought. And for the same reason, disclosure requirements should be determined on the basis of a precise description of users' needs justifying each of the information required or proposed by the standard and consequently all generic expectations (such as "information that enables users of financial statements to understand the effect of the transaction on the entity's financial performance and cash flows") should be then outlawed in order to avoid endless debates between preparers, auditors and other involved stakeholders about the exhaustiveness of disclosure.

Finally, we would draw the attention of the Board on the connectivity that will rise between financial information and sustainability reporting. We wonder whether a consistent approach to be used to determine disclosure requirements in these two parallel sets of standards could help such connectivity. At least, issues such as rationalising connections between these reporting and avoiding duplication of disclosure requirements will have to be considered as part of the future standardisation projects.

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 agree that specific disclosure objectives should be provided to decline the overall objective as it would help entities to assess which items of information to disclose. We also welcome the explanation of the users' needs that are expected to be satisfied by these specific objectives. It would help preparers to better assess the materiality of information to disclose (from both a qualitative and a quantitative perspective) and whether additional information would be needed even if not explicitly mentioned in the standard. This approach would effectively be more effective than a single list of mandatory information which is currently used as a checklist.

As still mentioned for overall objectives, specific disclosure objectives should also be designed, and users' needs should be described, in a sufficiently circumstanced and precise manner to avoid "boilerplate" expectations and excessive requests. For instance, expecting information that are intended to help users "identify amounts to include in their analyses" (paragraph 115 of ED IFRS 13) may be challenging for entities that would then have to provide information without precisely knowing which analysis will be performed users. For that purpose, consultation of users will be a crucial task to be performed by the Board when preparing a new standard or reviewing the current ones. Key success factors for this step will include a deep involvement of users to express their needs in a clear and precise way that helps developing operationally applicable disclosure objectives, and the representativeness of the users that will answer to the Board's consultation about their needs.

Despite our support to providing specific disclosure objective, we have a significant concern about the exhaustivity of the information as it is required by paragraph DG8. Paragraph DG8 indicates that specific disclosure objectives "require an entity to disclose all material information that enables the user understanding…". We agree that preparers shall provide all information they considered as being useful and relevant for the understanding of their financial statements; for this purpose, information required to answer each specific disclosure objective are useful. But we fear that DG 8, as it is written, requires a demonstration that goes far beyond: how can preparers be sure that all the information will have been provided so that users' understanding will be guaranteed in any case? How can preparers assess all users' understanding needs? (in other words, how can preparers answer to questions that have not been asked?) We think it could create a formal obligation of completeness that is subjective, complex, and costly to apply and demonstrate; preparers will then face a high degree of uncertainty as to whether they have complied with the standard even if all information required or proposed by the standard have been disclosed, and it is probable that auditors would face the same issue from their own controlling perspective.

Additionally, we remind that entities may be reluctant to disclose sensitive information when such disclosure could be detrimental to their activities or to their performance, so that not all information can be disclosed even if it could be useful to users of financial statements.

Alternatively, we suggest the Board to put the emphasis on the need to apply judgement from the preparer's perspective and to amend its proposal to specify that entities have to disclose all material

information they consider as being useful and relevant for the user's understanding of their financial statements.

Should the Board maintain its completeness requirement as it is drafted, preparers would have to enhance their internal governance process for preparing financial statements and selecting information to disclose in the notes in order to assess and ensure the exhaustivity of the disclosure from the users' point of view, which seems to go far beyond the current perspective used which is the preparer's one. We then question the cost benefit balance of such enhancement of internal processes (the cost of which will be increased by those of the related additional audit due diligence).

Finally, on the basis of the mock disclosure that we have built when performing the field test for both IFRS 13 and IAS 19, and while we believe that the specific objectives may help to eliminate irrelevant information in the context of a new standard, we are not convinced that it would be easy for all stakeholders to give up all the disclosures that they currently provide and have done so for a while. If we put aside the new information required by the ED, our current disclosure on fair value and employee benefits would not be modified except some marginal simplification due to only materiality assessment that leads to some aggregation of individually insignificant figures.

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 share the Board's view that a checklist approach as it is currently applied by some preparers, auditors and regulators is part of the disclosure problem as it focuses the preparation of the notes to financial statements on a compliance exercise rather than on a relevance exercise. We then agree with the Board's intent to promote an increased use of judgement.

Using of a less prescriptive language

The approach proposed by the Board is intended to shift the focus from applying disclosure requirements to answering disclosure objectives.

We do not support this compliance shift as it leaves preparers and auditors with an open-ended expectation about the extent of the information to be disclosed in the notes. We think that such a shift would introduce additional complexity and incremental costs without being sure of significant benefits.

Complying with disclosure objectives rather than with specific disclosure requirements (to which materiality assessment would be applied) will create uncertainties because preparers will never have the full assurance that they provide all the information expected to answer the disclosure objective. And the same uncertainties will also affect auditors when assessing the true and fair view of the financial statements before issuing their audit opinion. It will result in long and complex discussions between preparers and auditors (as well as with regulators). It will also require from preparers extensive work and documentation to explain how judgement has been applied to select information that answer to each disclosure objective.

When contemplating the proposals of the ED regarding IFRS 13 and IAS 19, we observed that focusing on the compliance with disclosure objectives and simultaneously introducing a less prescriptive language when identifying "while not mandatory" items of information is a source of confusion:

- In IFRS 13, paragraph 103 requires that "an entity shall disclose information that enables users of financial statements to understand the amount, nature and other characteristics of each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition." … and paragraph 106 proposes: "While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 103: a description of the nature, risks and other characteristics of the classes of assets and liabilities in each level of the fair value hierarchy"
- In IFRS 13, paragraph 107 requires that "For recurring and non-recurring fair value measurements, an entity shall disclose information that enables users of financial statements to understand the significant techniques and inputs used in determining the fair value measurements for each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition." … and paragraph 110 proposes: "While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 107: (a) description of the significant valuation techniques used in the fair value measurements. (b) a description of a change in the valuation techniques and the reason(s) for making the change. (c) quantitative or narrative information about the significant inputs used in the fair value measurements. […]"
- In IFRS 13, paragraph 118 requires that "an entity shall disclose information that enables users of financial statements to understand the amount, nature and other characteristics of each class of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes" … and paragraph 121 proposes: "While not mandatory, a description of the nature, risks and other characteristics of the classes of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes may enable an entity to meet the disclosure objective in paragraph 118 […]"
- In IAS 19, paragraph 147G requires that "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; […]" … and paragraph 147I proposes: "While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 147G: (a) a description of the nature of the benefits provided by the plans. […]"

These examples illustrate the confusion that can result from the shift to a predominant compliance with objectives and underline the challenge for preparers when determining which items of information to disclose and which ones will not be disclosed and when documenting their choices and the underlying judgements they have applied.

Using disclosure requirements in IFRS Standards like a checklist

The above examples also illustrate how specifying "non-mandatory" items of information may create practical difficulties that could lead to very different outcomes depending on preparers' view and auditors and regulators' expectations: some preparers may choose to include all the "non-mandatory" items in their notes to prevent any debate with auditors resulting from the application of the disclosure requirements. But some others may be tempted to consider that they do not have to disclose those items and only focus on mandatory items.

The approach that will be adopted by preparers within the range of these two extreme positions may be influenced by the expectations of auditors which may find difficult to assess how to conduct their audit in accordance with their professional standards and how to rely on the preparers assessments of relevant information to disclose. For preparers, taking and applying the auditors' checklist established under professional auditing standards would then avoid potentially long and hard discussion with their auditors about the extent of their disclosure.

Such outcomes could significantly reduce the expected benefits of the Board's proposed methodology and would lead to a situation very similar to the current one. It also confirms that one the biggest challenge will certainly be for the educational effort to encourage all stakeholders to change their habits and ways of thinking about disclosure. Once again, we regret that auditors have not been invited to also perform a field-test dedicated to their audit approach and their related due diligences.

Expected incremental costs

An increased use of judgement will necessarily require a higher involvement of senior management for assessing at each reporting date the useful updates to be implemented in the notes to financial statements or at least to validate that no change is needed. For governing bodies (such as board of directors as it is the case in France) that are ultimately responsible for the issuance of financial statements, validating judgmental choices and decisions is mechanically more time consuming and costly than assessing a compliance exercise. The new approach will also increase the documentation of disclosure choices to provide external auditors and interested authorities with the adequate evidence. The approach will be then more time-consuming for both preparers and auditors, and therefore more expensive, and all the more so if the exhaustiveness of disclosure regarding their answer to users' understanding needs is required (see our answer to question 2).

Operationally, difficulties regarding our information system are not so much to adapt the internal reporting as for the implementation of any new standard but to secure the information required, especially if it is not the subject of a regular divulgation int the financial statements. To have the basis on which to exercise judgment about disclosure, we anticipate that we will need to collect from all our consolidated entities (more than 850 reporting entities in our group) a high volume of information and to maintain the process just "in case" this information should become relevant.

It means that we do not expect that the proposed approach will lead to a reduction of costs incurred to provide disclosure. Even more, the implementation of some information newly required by the ED (such as reasonably possible alternative fair value measurements in IFRS 13, for instance) will generate additional costs.

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?

We agree that the less prescriptive language proposed in the ED ("while not mandatory, the following information may enable an entity to meet the disclosure objective") makes clear that this information is not mandatory and that preparers will have to exercise judgment to identify which items they will disclose in their notes to financial statements.

But, as explained in our answer to question 3, the introduction of this less prescriptive language is part of the compliance shift from applying disclosure requirements to answering disclosure objectives. We do not support this shift and its consequences on the presentation of disclosure requirements for the reasons developed above. Accordingly, we do not think that introducing such non mandatory items of information will help preparers and auditors to enhance the usefulness and relevance of disclosure without significant operational concerns and additional costs.

We have still underlined the merit to present disclosure objectives in each standard and to describe clearly users' needs and how users will use information disclosed in the notes to financial statements. We would then propose to introduce for each objective a set of minimum mandatory items of information useful to answer the specific objectives and to focus the application of judgement on materiality (from both a qualitative and a quantitative perspective) in the specific context of each preparer (which also means that additional information should be provided as well if they are deemed to be useful for the understanding of the financial statements). In this regard, we suggest reiterating in the disclosure section of each standard the mention of the materiality assessment either through an explicit cross-reference with IAS 1 or a specific development; it would avoid any misunderstanding about the pre-eminence between the use of words like "shall" and the materiality assessment, and it would then make clear that the latest should always be performed.

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).

We agree with the Board's view according to which addressing the disclosure problem will require all those involved in financial reporting to play their part. The communication on the proposed approach should be then very clear about its primary intention and objective regarding the disclosure problem.

Clarification should be then provided to avoid confusion between the "disclosure problem" and the "disclosure overload": some had expected the new approach to reduce the quantity of information presented in the notes. Unfortunately, the outcome of our field-test (shared by other preparers involved in this exercise) does not demonstrate such a reduction, on the contrary, additional information would be provided in the notes related to fair value measurement and employee benefits. We encourage the Board to extend its communication by focusing on the primary intention of the proposed approach—

improve the relevance of information presented—that would only incidentally affect the volume of the latter (that could either increase or decrease).

We agree with the Board's expectations on the likely costs of the proposals as they are identified in paragraphs BC201–BC206. However, based on our experience and on the outcomes of our field-test, we do not share the Board's view expressed in paragraph BC204 regarding a fall of application costs in the subsequent years after the first application.

In our answer to question 3, we have highlighted the incremental costs that will be incurred on a yearly basis for preparing and supporting the financial statements and its related disclosure. Even if the initial implementation costs will not be reiterated, the recurring costs will be higher than the current ones.

An increase of recuring costs will also come from the application of newly required disclosure in IFRS 13, should the proposals of the ED be adopted by the Board (like the disclosure of reasonably possible alternative fair value measurements, for instance). In this regard, and to promote an efficient application of the new disclosure requirements, we ask the Board to provide an adequate implementation period.

We would also suggest to the Board to extent the possibility to incorporate disclosure in financial statements by cross-references to other statements, such as management commentary, risk report, Pillar 3 report, climate report, provided such statements are available to users of the financial statements on the same terms and at the same time as financial statements. Currently, such cross-references are authorised in IFRS 7 only, for information about the nature and extent of risks arising from financial instruments. Allowing the use of similar cross-references for other disclosure would help avoiding useless duplications and would limit the risk of providing inconsistent information though different statements.

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

Paragraphs BC62–BC73 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition.

Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition? If not, what alternative objective do you suggest and why?

We agree with the content of the overall disclosure objective proposed for IFRS 13, but we think that the disclosure currently required already answer appropriately to this overall objective.

We have observed that current disclosure requirements have not been so much modified in the ED. Except the replacement of sensitivity disclosure by reasonably possible alternative fair value measurements, and the extension of information about reasons for changes in the fair value measurements during the reporting period, the proposed items of information often align with the existing disclosure requirements in IFRS 13, and the ED only dispatches these items of information between mandatory information and non-mandatory information. Such alignment provides evidence that existing requirements already fit overall with users' needs.

From the perspective of a large financial institution like Societe Generale, this overall objective is essential to understand the measurement of quite a significant part of our assets and liabilities (around 45% of our assets and 29% of our liabilities are measured at fair value after initial recognition). Due to this significant volume of financial instruments measured at fair value, we have considered, for performing the field-test, that it would be very difficult to avoid disclosing information that are presented by the ED as non-mandatory. At the end of the exercise, and if we put aside the newly required information about which we have some strong concerns, our notes on fair value would not be modified except some slight simplifications such as aggregations of non-significant detailed figures.

In its Project Report and Feedback Statement on the PIR of IFRS 13, the Board explained that it "acknowledged that, although disclosures relating to fair value measurements are useful to users of financial statements (particularly for Level 3 measurements), there might be scope for improvement". We welcome the fact that the Board drew some lessons from the IFRS 13 PIR and we agree that there is a headroom for some improvement. But considering the overall alignment of disclosure between the ED and the current IFRS 13, as well as the outcome of our field-test on the Board's proposals, we question the choice of IFRS 13 to test the approach and, as far as financial instruments are concerned, we think that IFRS 7 would have been a better candidate for this exercise.

Of course, we understand that entities with lower assets and liabilities measured at fair value, such as some of the entities outside the financial industry, often struggle to understand the usefulness of very detailed disclosure required by IFRS 13 when such requirements relate to information that is not material. We are therefore supportive of requiring entities to apply their judgement with regard to the level of detail necessary to satisfy the disclosure objectives to "ensure that material information about the entity's fair value measurements is not obscured by the inclusion of insignificant detail" (BC64).

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

Paragraphs BC74–BC97 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objectives about assets and liabilities measured at fair value in the statement of financial position after initial recognition, 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 assets and liabilities measured at fair value in the statement of financial position after initial recognition? 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 information about material fair value measurements and the elimination of information about immaterial fair value measurements 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.

Drafting considerations and consistency with other standards

As previously mentioned in our answer to question 3, we have identified inconsistencies between requirements of the specific disclosure objectives. The variations in the level of prescription between objectives descriptions (requiring entities to disclose information) and non-mandatory items of information, may be confusing for preparers, obfuscating the overall understanding of the requirements. These inconsistencies mainly concern:

- paragraph 103 which requires that "an entity shall disclose information that enables users of financial statements to understand the amount, nature and other characteristics of each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition." … when paragraph 106 proposes: "While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 103: a description of the nature, risks and other characteristics of the classes of assets and liabilities in each level of the fair value hierarchy"
- paragraph 107 which requires that "For recurring and non-recurring fair value measurements, an entity shall disclose information that enables users of financial statements to understand the significant techniques and inputs used in determining the fair value measurements for each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition." … when paragraph 110 proposes: "While not mandatory, the following information

may enable an entity to meet the disclosure objective in paragraph 107: (a) description of the significant valuation techniques used in the fair value measurements. (b) a description of a change in the valuation techniques and the reason(s) for making the change. (c) quantitative or narrative information about the significant inputs used in the fair value measurements. […]"

- paragraph 118 which requires that "an entity shall disclose information that enables users of financial statements to understand the amount, nature and other characteristics of each class of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes" … when paragraph 121 proposes: "While not mandatory, a description of the nature, risks and other characteristics of the classes of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes may enable an entity to meet the disclosure objective in paragraph 118 […]"

Regarding paragraph 106 mentioned above, we also note that information about the risks arising from financial instruments are still required by IFRS 7 (paragraphs 31 and following). We then question the articulation between the mandatory information required in IFRS 7 and the non-mandatory status of this same information in paragraph 106 of the ED. Is there a difference in the scope of the information? If not, why the information would be mandatory in one case and optional in another?

Concerns about newly required information

Except the new requirement about reasonably possible alternative fair value measurements, we support the three other specific disclosure objectives proposed in the ED as consider that they help entities meet the overall disclosure objective.

We have the strongest concerns regarding the objective that requires entities to disclose information on reasonably possible alternative fair value measurements.

The concept of alternative fair value measurement is not clear as the information mentioned in paragraph 113 a uses an accumulation of qualitative assessment "a description of the uncertainty caused by the significant inputs used in determining the fair value, if those inputs could have reasonably been different at the end of the reporting period and would have resulted in a significantly higher or lower fair value measurement." It is unclear whether each assessment should be exclusive or cumulative to imply the disclosure of the alternative fair value measurements.

Furthermore, disclosing a range of alternative fair value measurements of a single instrument could provide information about the potential effect on the net income and ultimately on the total equity of the uncertainty that is inherent to the unobservable inputs used to value the instrument. But the issue becomes more complex when the disclosure is applied to portfolios of instruments and even provides misleading outputs when applied to symmetrical instruments. For instance, when derivatives becoming to the Level 3 category of the fair value hierarchy are symmetrically held by the entity in the asset side and in the liability side of the balance sheet, the same reasonable increase or decrease of a common unobservable input used to value these instruments will mathematically generates a symmetrical increase or decrease of the value of each instrument: the entity would then gains 10 on the derivative financial asset and loses 10 on the derivative financial liability (or the opposite), but it will never gain 10 + 10 and never lose 20. Providing a relevant and useful information about alternative fair value measurements in order to assess the level of uncertainty that weighs on the net income and equity of the entity is then very complex and challenging when high volume of instruments is managed on a portfolio basis involving both financial assets and financial liabilities. It raises a significant conceptual issue.

Such disclosure also raises operational issues. Based on our experience, performing alternative valuations of complex instruments such as those classified in the Level 3 category of the fair value hierarchy is time consuming for both preparers computing the valuations and auditors performing their controls. In the course of our field-test, it has been assessed that the time required for providing these alternative fair value measurements, even limited to the scope of the only Level 3 instruments, would not be compatible with the publication schedule of our financial statements. We have noted that the information about alternative fair value measurements is not limited to Level 3 instruments and could

be then also be applied to some Level 2 instruments, increasing dramatically the scope and the number of instruments for which additional computation should be then performed, increasing the operational burden and the related costs. Should the Board confirm this specific objective, we strongly urge it to limit its scope to Level 3 instruments. It would also avoid imposing such significant hard disclosure to non-financial entities that only hold Level 1 and Level 2 instruments (such as plain-vanilla hedging derivatives) and which have never been required to disclose sensitivity analyses so far because they do not have Level 3 instruments.

We note that users told the Board that information about the overall possible range of fair value measurements is more useful to their analysis than sensitivity analysis. Unfortunately, there is no explanation supporting this assessment from users. We have expressed above our reservations about the relevance, the usefulness and the cost of disclosing such alternative fair value measurements when significant portfolios of financial instruments are held and managed by the entity as it is the case in the banking and insurance industries, we also wish to underline that the for some stakeholders (among which financial analysts as well as supervisors) have expressed their confidence on the sensitivity information as far as they are based on internal analysis still carried out by financial institutions for risk management purposes. Sensitivity information better reflects the potential impact on net income and equity of the uncertainties arising from the use of unobservable inputs to value some of the instruments held by the entity, as it is computed on a net position basis. Alternatively, disclosure of ranges of alternative fair value measurements raises issues about its presentation (on a gross basis, or on a net basis for similar instruments recognised both among assets and among labilities?) and may also create confusion about the "right" fair value at the reporting date, mining the confidence of users about the measurement of these instruments and the related impact on the performance of the entity during the reporting period.

For all these reasons we do not share the view expressed in BC 86 when it states that "this approach should provide users with the information that is the most useful to them, while avoiding undue costs to entities" and we also express serious doubt about the coast/benefit balance of this new disclosure objective.

Then we suggest to the Board better explain why reasonably possible alternative fair value measurements would provide more useful information to users than sensitivity analyses and to also explore, as an alternative to these new questionable disclosure, possible improvements in sensitivity disclosures requirements in IFRS 13 and in IFRS 7. The Board may also consider whether financial institutions could leverage on information still provided for regulatory purpose such as the Prudent Valuation used for measuring regulatory capital requirements.

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

a. Paragraphs BC74–BC97 of the Basis for Conclusions describe the Board's reasons for proposing the items of information to meet the specific disclosure objectives about assets and liabilities measured at fair value in the statement of financial position after initial recognition, and discuss information that the Board considered but decided not to include.
b. Do you agree that entities should be required to disclose the proposed items of information in paragraphs 105, 109 and 116 of the [Draft] amendments to IFRS 13? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?
c. 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?

Assets and liabilities within each level of the FV hierarchy

We agree with the proposed disclosure requirement in paragraph 105 of the ED. This item is consistent with the existing requirements in IFRS 13 and provide useful information to answer the specific disclosure objective.

We would also agree with the proposal of paragraph 106 of the ED, subject to the following remarks:

- description of the nature, risks and other characteristics of the classes of assets and liabilities would be more useful for Level 2 and Level 3 instruments than for Level 1 instruments since the measurements of the latest are not affected by uncertainties. We think it would be appropriate provide information that are commensurate to the level of uncertainties which is correlated to the level of the fair value hierarchy. However, the reference to "each level of the FV hierarchy" in paragraph 106(a) of the ED could be read in a manner that results in entities providing unnecessary detailed information for Level 1 FV and, ultimately, in the disclosure of information that is not relevant. Then we propose to focus the wording of paragraph 106(a) on information about Level 2 and Level 3.
- information about the risks arising from financial instruments are still required by IFRS 7 (paragraphs 31 and following). We then question the articulation between the mandatory information required in IFRS 7 and the non-mandatory status of this same information in paragraph 106(a) of the ED. Is there a difference in the scope of the information? If not, why the information would be mandatory in one case and optional in another?

It should be noted that for financial institutions that hold significant volume of financial instruments measured at fair value in their statements of financial position, it will be quite difficult to avoid disclosing the non-mandatory information proposed in paragraph 106. This is one of the reasons that explain why our mock disclosure resulting from the field-test remained the same as today regarding this specific disclosure objective.

Measurement uncertainties associated with fair value measurements

We agree with the proposed disclosure requirement in paragraph 109 of the ED. This item is consistent with the existing requirements in IFRS 13 and provide useful information to answer the specific disclosure objective

We would also agree with the proposal of paragraph 110 of the ED, subject to the following remark: while consistent with the current paragraphs 93(d) and 93(i) of IFRS 13, provisions of paragraph 110 of the ED extends the scope of this information to Level 1 instruments. Given the definition of Level 1 instruments, we think that information mentioned in paragraph 110 are inconsistent with the valuation measurements of these instruments, and we suggest limiting the scope of this paragraph to the only Level 2 and Level 3 instruments.

It should be noted that for financial institutions that hold significant volume of financial instruments measured at fair value in their statements of financial position, it will be quite difficult to avoid disclosing the non-mandatory information proposed in paragraph 110. This is one of the reasons that explain why our mock disclosure resulting from the field-test remained the same as today regarding this specific disclosure objective.

Reasonably possible alternative FV measurement

See our comments and strong concerns about this information in our answer to question 7.

Reasons for changes in FV measurements

We agree with the proposed items of information required in paragraph 116 of the ED for Level 3 instruments. They are consistent with the disclosure requirements provided in the current IFRS 13 and are appropriate to answer to the specific disclosure objective.

But we have some concerns about the information proposed in paragraph 117. As this paragraph extends the disclosure requirements of paragraph 116 to Level 1 and Level 2 instruments, its raises significant operational issues for financial institutions and other entities that hold significant volume of financial instruments measured at fair value in their statements of financial position.

Disclosing information mentioned in paragraph 117 would imply a significant increase in the number of information to be collected, particularly if the granularity of the reasons for changes in fair value measurements depending on fair value hierarchy is high, which is the case for Level 1 and Level 2 instruments when they are held for trading purpose for instance. Thus, we question the usefulness for users of financial statements of a tabular reconciliation from opening and closing balances of the reasons of changes for Level 1 and Level 2 instruments and thus we question the cost/benefit balance of this new disclosure.

We also question the usefulness of providing a distinction between unrealised and realised profit or loss for Level 1 instruments and even for plain vanilla Level 2 instruments (such as standardised interest rate swaps).

While we agree that it might be relevant to provide reasons for changes in fair value measurements including Level 1 and Level 2 instruments, we would suggest that the paragraph 117 places more emphasis on the importance of qualitative information to be disclosed for Levels 1 and 2 and does not refer to paragraph 116 in order to avoid applying a same or equivalent quantitative reconciliation for Level 1 and Level 2 as it is required for level 3.

Additionally, we have noted that the ED makes a focus on Level 2 instruments that are said to be close to Level 3 (the “grey area”). Should there be significant uncertainties about the fair value of such instruments belonging to the “grey area”, it would be useful to disclose additional information similar to those required for Level 3 instruments. But as far as the nature of Level 2 instruments would not allow more than an insignificant impact of unobservable inputs, we question the relevance of this information. Another way to address the “grey area” issue could be to enhance the differentiation between Level 2 and Level 3 instruments.

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

Paragraphs BC98–BC99 of the Basis for Conclusions describe the Board's reasons for proposing 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.

a. Do you agree that the proposed specific disclosure objective captures detailed user information needs about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes? Why or why not? If not, what changes do you suggest?
b. Do you agree that this proposed specific disclosure objective would result in the provision of useful information about assets and liabilities not measured at fair value but for which fair value is disclosed in the notes? Why or why not?
c. Do you agree that the benefits of the specific disclosure objective would justify the costs of satisfying it? Why or why not? If you disagree, how should the objective be changed so that the benefits justify the costs?
d. Do you have any other comments about the proposed specific disclosure objective?

We have some concerns about the disclosure proposals related to assets and liabilities not measured at fair value in the statement of financial position.

As previously mentioned in our answer to question 3, we have identified an inconsistency between requirements of the specific disclosure objective in paragraph 118, that requires disclosure of the nature and other characteristics of the financial instruments not measured at fair value in the statement of financial position, and the paragraph 121 which proposes the disclosure of the nature, risks and other characteristics of these instruments as "while not mandatory" items of information.

Moreover, information about the risks arising from financial instruments are still required by IFRS 7 (paragraphs 31 and following). We then question the articulation between the mandatory information required in IFRS 7 and the non-mandatory status of this same information in paragraph 121 of the ED. Is there a difference in the scope of the information? If not, why the information would be mandatory in one case and optional in another?

We consider that answering to the disclosure objective regarding the nature and other characteristics of each class of assets and liabilities is not possible without a minimal description that should be then mandatory.

We have other concerns about this specific objective regarding the purpose of the related disclosure. There is no indication supporting disclosure of the fair value of financial instruments that are measured at amortised cost in the statement of financial position. The specific objective only focuses on the amount, nature and other characteristics of these assets and liabilities without providing any reason for providing their fair value in the notes.

Furthermore, the justification of the objective provided in paragraph 119 is far from being convincing. As far as the financial instruments are measured at amortised cost there are expected to be hold under a hold-to-collect business model and the probability of realisation of their fair value is very low. We then question how users may evaluate the effect of fair value measurements of these assets and liabilities on the entity's financial position and financial performance since such fair value are never expected to be realised. We then wonder which useful information about the entity's performance can provide disclosure about the fair value of instruments measured at amortised cost and this point illustrates the need for the Board to provide more explanation about the translation of users' needs into disclosure objectives and items of information.

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

Paragraph BC100 of the Basis for Conclusions describes the Board's reasons for proposing the items of information to meet the specific disclosure objective about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes.

a. Do you agree that entities should be required to disclose the proposed items of information in paragraph 120 of the [Draft] amendments to IFRS 13? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?
b. Do you agree with the proposed items of information that are not mandatory but may enable entities to meet the 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?

Please refer to our answer to question 9.

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

Do you have any other comments on the proposed amendments to IFRS 13 in this Exposure Draft, including the analysis of the effects (paragraphs BC214–BC215 of the Basis for Conclusions) and the Illustrative Examples accompanying the Exposure Draft?

We do not have any other comment.

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?

As mentioned in paragraphs BC107-109, the overall disclosure objective would focus on the key investor needs regarding defined benefit plans. We agree that the proposed objective would result in the provision of useful information. But we also note that the related information required by the ED are already required in current IAS 19.

We would have expected more important changes in IAS 19, however, when comparing the ED's proposals with the information that we currently disclose in the notes to our financial statements, the ED does not seem to introduce any significant changes to the disclosures currently required by IAS 19 with two exceptions related to future payments to members of defined benefit plans that are closed to new members and to the effects of deferred tax asset or liability. This observation is confirmed by the mock disclosure resulting from our field-test.

Nevertheless, the field-test exercise has confirmed that disclosing an executive summary of amounts in the primary financial statements for defined benefit plans as well as disclosing a tabular reconciliation from opening balances to closing balances of the significant reasons for changes in the net defined benefit liability provide useful insight into users' needs.

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.

We answer both to questions 13 and 14.

We support all the specific disclosure objectives, except the objective related to future payments to members of defined benefit plans that are closed to new members.

We disagree with the distinction introduced by the ED between expected future cash flows relating to defined benefit plans (paragraph 147J) and future payments to members of defined benefit plans that are closed to new members (paragraph 147N). This will imply additional implementation costs for preparers, and we do see significant additional benefits for users.

Alternatively, we consider as more useful to provide information on the closing of defined benefit plans to new members when it occurs and to subsequently disclose a recurrent information about the capacity of the entity to pay pension benefits to all residual members.

Additionally, we have the following remarks on the other objectives.

Amounts in the basic financial statements relating to defined benefit plans

We note repetitions of similar notions in the overall disclosure objective and this first specific disclosure objective. Paragraph 147A(a) states that "An entity shall disclose information that enables users of financial statements to assess the effect of defined benefit plans on the entity's financial position, financial performance and cash flows, […]" and paragraph 147D requires that "An entity shall disclose information that enables users of financial statements to understand the amounts, and components of those amounts, arising from defined benefit plans during the reporting period in the statements of financial position, financial performance and cash flows." We then wonder whether there is any genuine difference between the two requirements (apart from the reporting period considered).

While we agree with most of the information required in paragraph 147F, we have concerns about the new obligation defined in paragraph 147F-d) to disclose deferred tax asset or liability arising from defined benefit plans. We do not see the rationale of requesting this information as mandatory and would suggest moving it among non-mandatory items. But should the information be maintained mandatory; we ask the Board to clarify whether deferred tax asset or liability arising from defined benefit plans should be presented on a gross basis or whether offsetting with other deferred tax assets or liabilities arising from other operations is possible.

Nature of defined benefit plans and associated risks

As previously mentioned in our answer to question 3, we have identified an inconsistency between requirements of the specific disclosure objective in paragraph 147G and the information presented as non-mandatory in paragraph 147I. Paragraph 147G requires that "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; […]" and paragraph 147I proposes: "While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 147G: (a) a description of the nature of the benefits provided by the plans. […]". This variation in the level of prescription between objectives descriptions (requiring entities to disclose information) and non-mandatory items of information may be confusing for preparers, obfuscating the overall understanding of the requirements.

To properly answer to the objective in paragraph 147 G, it would be more relevant to require mandatorily the disclosure of some of the information proposed in paragraph 147I, at least those mentioned in captions (a) and (g).

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?

See 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?

We do not see the rationale to include an overall disclosure objective for defined contribution plans and not to maintain the current IAS 19 provisions (paragraph 53 – 54). When reading paragraph BC156, we do not understand which specific information is need by users. And our question is confirmed when looking at the overall disclosure objective in paragraph 54A of the ED which brings no information to preparers about users' needs. Additionally, IAS 1 already provides general expectations about the purpose of the notes (paragraphs 112 and following).

In recent years, our Group has actively implemented a moving away from defined benefit plans to defined contribution plans. That's why we disclose a brief description of our defined contribution plans and the amounts of their related expenses, as we find such information useful for the understanding of what is a material part of our personnel expenses.

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?

We do not have any comment on theses 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?

Despite the explanations provided in paragraphs BC167-BC170, we do not find useful at all the overall disclosure objectives mentioned in paragraphs 25A, 54A, 158A and 171A. As they are drafted, these objectives are too boilerplate. Information that enables users to understand the effect of a transaction on the entity's performance and cash-flows could be required for any transactions. IAS 1 already provides general expectations about the purpose of the notes (paragraphs 112 and following).

We do not oppose the principle of requiring entities to disclose information that enables users to understand the nature and the effects of employee benefits on an entity's financial position, financial performance and cash flows. However, we do not see the added value of the overall disclosure objectives as they are drafted in the ED, these objectives bring no information to preparers about users' needs, and we could wonder whether users have real needs about these other type of employee benefits.

We would also suggest maintaining the current reference made in IAS 19 to IAS 24 Related Parties Disclosures about employee benefits for key management personnel. Even if we could apply judgement and materiality, this information has been highlighted from our stakeholders as far as it is a socially sensitive topic.

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 do not have any other comment.