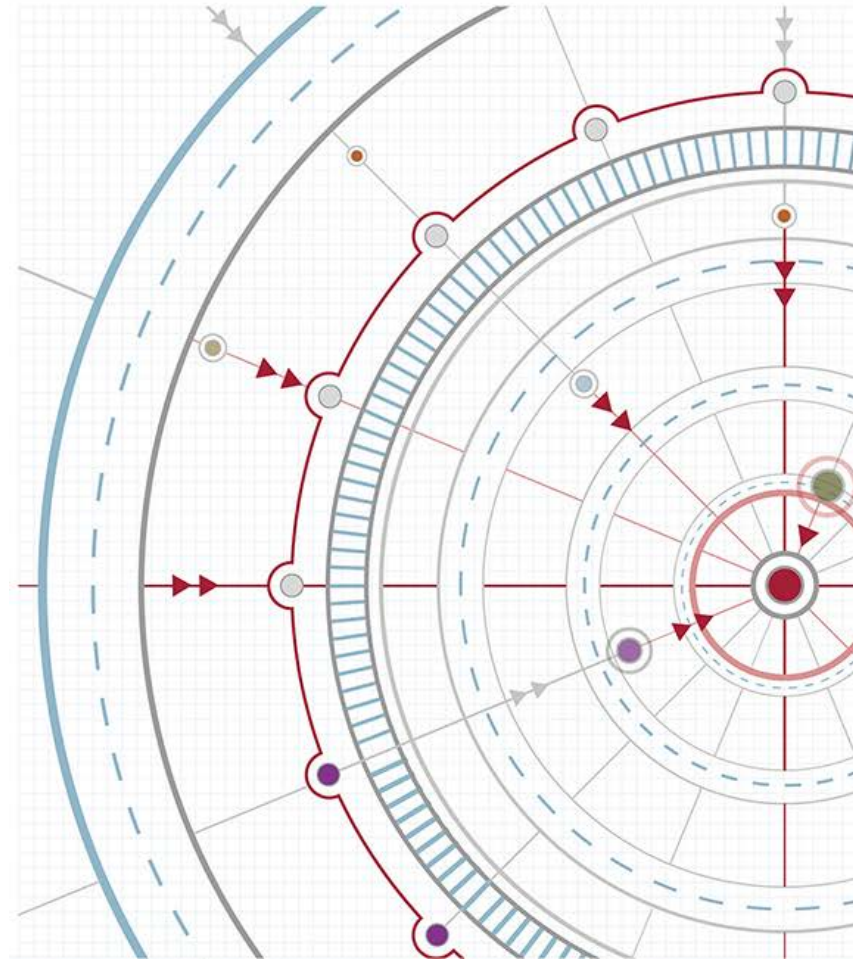


CMAC meeting, 21 March 2019  
Agenda Paper 4

# Targeted Standards-level Review of Disclosures



The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

# Purpose of this session

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- The purpose of this session is to seek the views of CMAC members on the feedback received from outreach with users of financial statements.
- In particular, we are seeking members' **views on**:
  - the primary objectives for users on IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement*; and
  - users' suggested items of information that could be used to meet those objectives.

# Before the session

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- Please review the summary of feedback received from users (see Agenda Paper 4A) and consider whether they are consistent with your experience.
- Agenda Paper 4A contains a lot of detailed information. During the meeting, we will ask you to comment on your highest priority areas—that is, seek your views on those potential items of disclosure that you think are most critical.
- Slides 15-20 include templates designed to help you summarise your feedback. It would be very helpful if you are able to share any detailed feedback you have in advance of the meeting by emailing Kathryn ([kdonkersley@ifrs.org](mailto:kdonkersley@ifrs.org)) and Aishat ([aakinwale@ifrs.org](mailto:aakinwale@ifrs.org)).

# Questions to CMAC members

- Please refer to the following tables in **Agenda Paper 4A**:

<b>Table 1</b>	Objectives of disclosures about employee benefits
<b>Table 2</b>	Specific items of information that could be used to meet objectives of disclosures about employee benefits
<b>Table 3</b>	Objectives of disclosures about fair value measurements
<b>Table 4</b>	Specific items of information that could be used to meet objectives of disclosures about fair value measurement

- We seek feedback on whether...

### Question 1

you agree with the objectives in Tables 1 and 3?

### Question 2

you agree with the specific items of information in Tables 2 and 4?

### Question 3

you have additional objectives and specific items of information?

# Contents of this slide pack

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Project background

2

User outreach undertaken

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Questions to CMAC members

Appendix—existing requirements



# Project background and overview

## Better Communication in Financial Reporting

Financial statements

Outside the financial statements

**Content**

Primary Financial Statements

Disclosure Initiative

Management Commentary

**Delivery**

IFRS Taxonomy

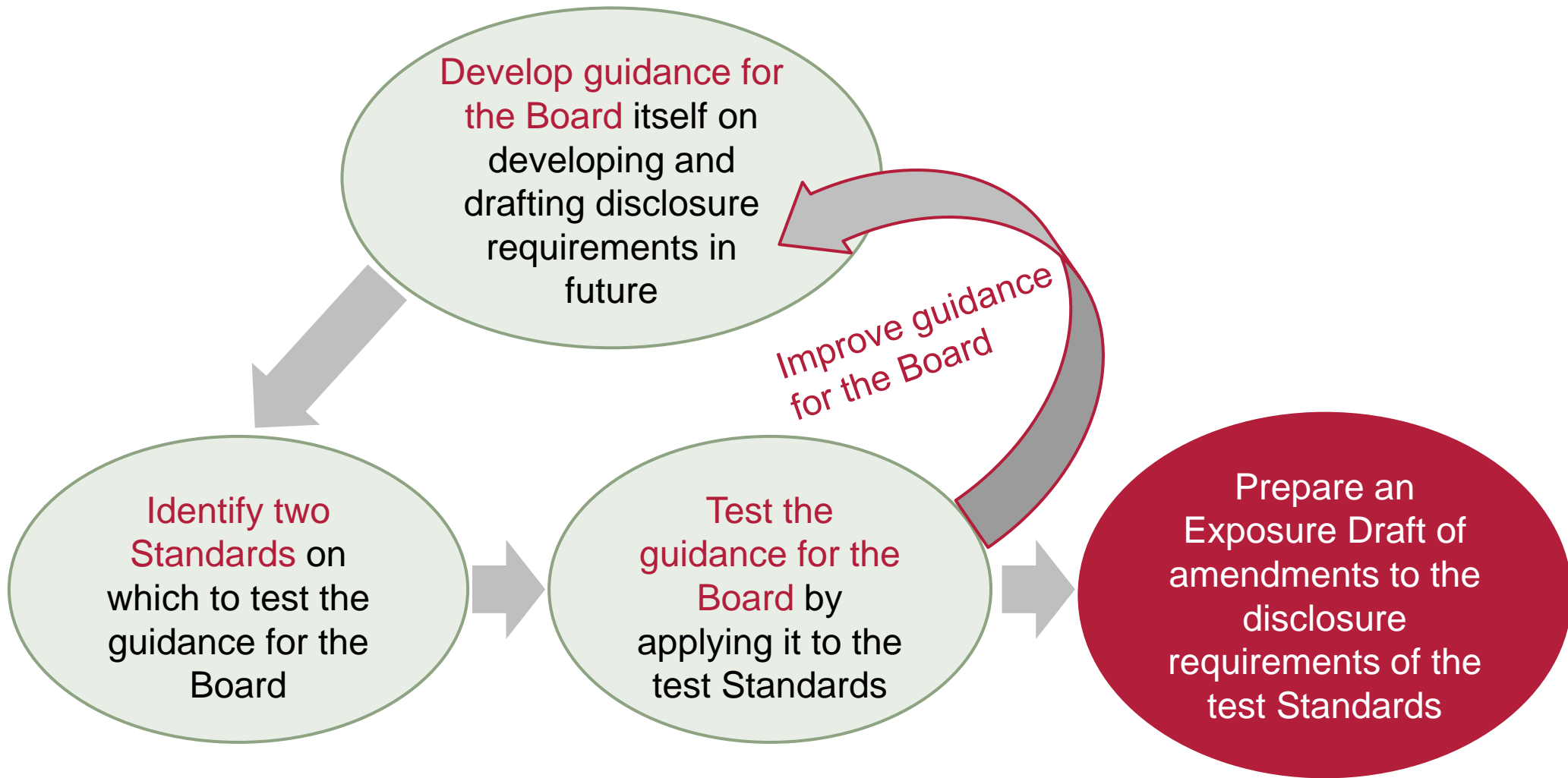
# The disclosure problem & project objective

- The Board has identified three main concerns about disclosures in financial statements:
  - not enough relevant information
  - too much irrelevant information
  - ineffective communication





# An iterative process...



# Project timeline

2018

March

...

May - Sep

Nov - March

...

Q4

Project added to agenda in response to Discussion Paper



- Board developed draft guidance.
- IAS 19 and IFRS 13 selected to test the draft Guidance.

Meetings with users to understand their objectives and ideal information set(s)

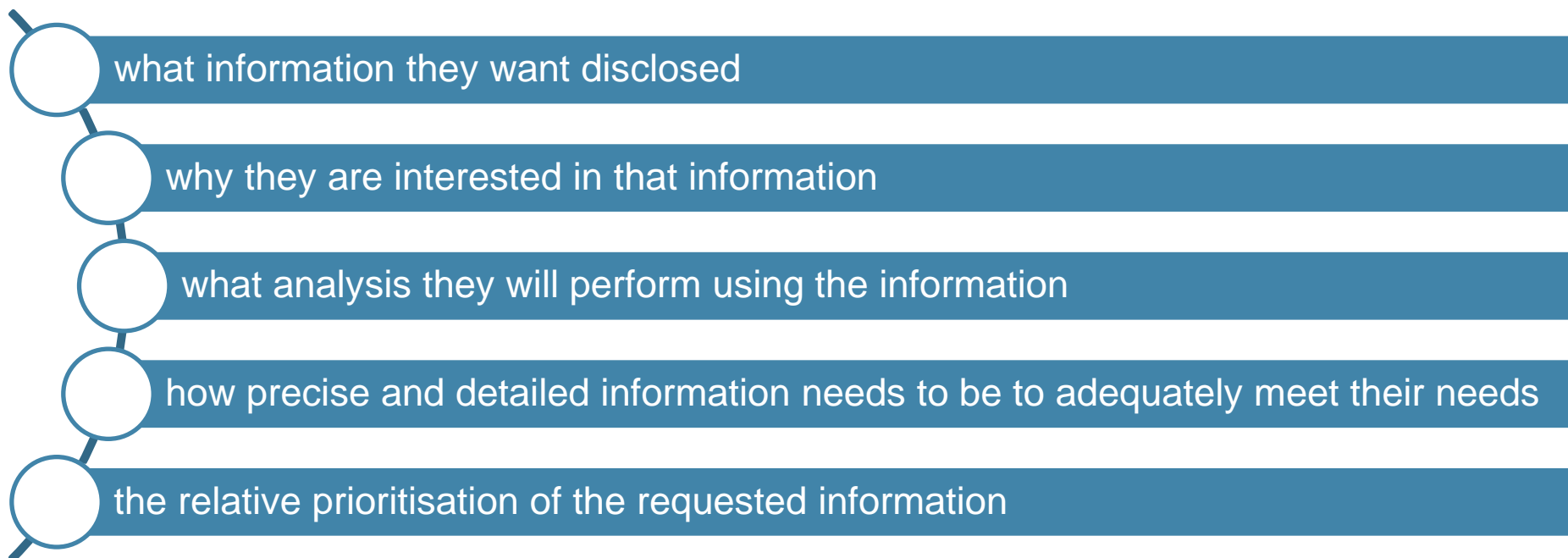
- Meetings with consultative groups and other stakeholders.
- Board discussion on feedback and disclosure proposals.

Publish exposure draft

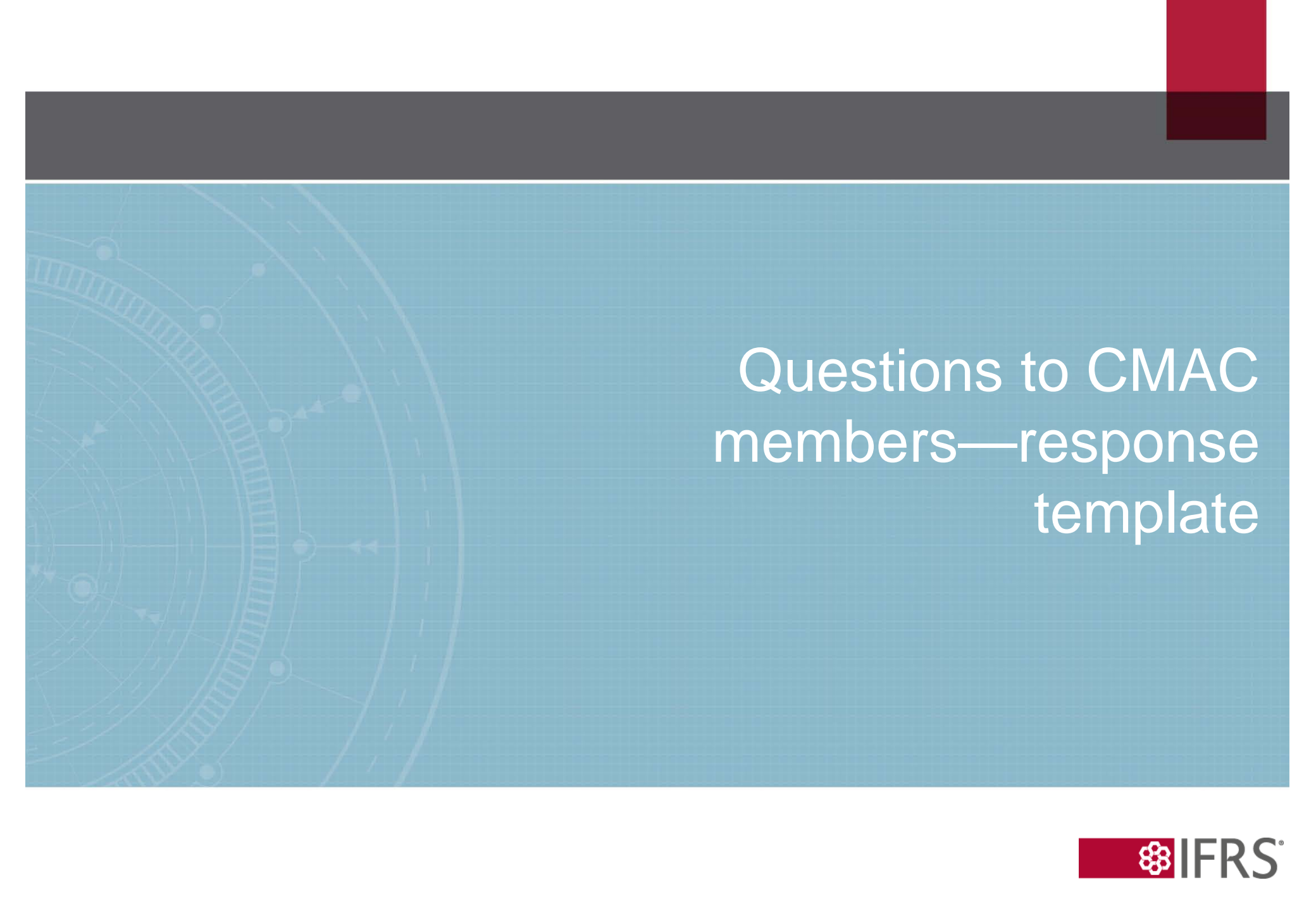


User outreach  
undertaken

- A key part of the draft Guidance is the development of detailed and specific disclosure objectives that are based on the information needs of users of financial statements.
- Specifically, the draft Guidance states that engagement with primary users should be sought to better understand:



- Board Members, project team and investor engagement team held 21 meetings with 34 users.
- We met with users from buy-side, sell-side and credit rating agencies.
- **Agenda Paper 4A** summarises users':
  - primary disclosure objectives on IAS 19 and IFRS 13; and
  - suggested items of information that could be used to meet those objectives.



# Questions to CMAC members—response template

# Discussion on IAS 19

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Objectives	Do you agree?
A. Forecast future pension obligations	
B. Determine the <i>real</i> value of the pension obligation to input into analyses for forecasting, such as enterprise value calculations.	
C. Evaluate the impact of the pension obligation on the entity's cash flows.	
D. Assess the appropriateness of the assumptions and amounts underlying the entity's valuation of its pension obligation.	
E. Understand the economics of the plan(s) held and specifically, the risks to which the plan(s) expose the entity. This also allows users to assess any potential future exposures.	
F. Understand the sensitivity of the pension obligation to different assumptions to determine appropriate risk adjustments	
G. Understand the risks, and expected future cash flows, associated with <i>closed</i> defined benefit plans. This includes understanding the time period over which any remaining obligations is expected to wind down.	
H. Understand the effect of an entity's plan(s) on the primary financial statements.	

Do you have any additional objectives of employee benefit disclosures?

# Discussion on IAS 19

Specific items of information	Do you agree?
1. Explanation, and disaggregation of amount recognised in the financial statements. Disaggregation by geography, segments, member type and/or plan type.	
2. Narrative information about the nature and characteristics of defined benefit plans.	
3-4. Identification of the significant financial and demographic assumptions used in deriving the pension obligation. Including an explanation as to why those are the most significant.	
5. <b>Wider</b> sensitivity analysis of the principal actuarial assumptions. The analysis also shows the effect of changing multiple assumptions simultaneously.	
6. Explanation of differences between various pension plan valuations (IAS 19 valuation, funding/triennial valuation, buyout value).	
7. Schedule of expected contributions into the plan(s), either as agreed with trustees/appropriate regulatory bodies or internally budgeted.	
8. Fair value of the plan assets disaggregated by asset types. Including information about associated risks, hedging activities and actual rate of return on specific asset types.	



Specific items of information	Do you agree?
9. Reconciliation between the opening and closing balances of the plan assets <u>and</u> pension obligation.	
10. Schedule of expected future benefit payments to members of closed plans. Including the maturity analysis and information about approach to managing remaining obligations.	

Do you have any additional specific items of information that could be used to meet objectives of disclosures about pension plans?

# Discussion on IFRS 13

Objectives	Do you agree?
A. Understand the sensitivities of the entity's instruments measured at fair value.	
B. Determine the appropriate fair value adjustments to input into analyses such as enterprise value calculations.	
C. Forecast future fair value movements in order to for example, determine expected returns on assets.	
D. Assess the appropriateness of the inputs, techniques and amounts underlying an entity's fair value measurements.	
E. Understand the nature and characteristics of the assets and liabilities measured at fair value, particularly for complex or hybrid instruments.	

Do you have any additional objectives of fair value measurement disclosures?


# Discussion on IFRS 13

Specific items of information	Do you agree?
1. Breakdown by the type of instruments within each level of the fair value hierarchy. Including additional explanation for complex instruments.	
2. Narrative information about how an entity has determined which level an instrument belongs in.	
3. Identification and explanation of the inputs used in deriving the fair value measurements.	
4. <b>Wider</b> sensitivity analysis of Level 3 fair value measurements. The analysis also shows the effect of changing multiple inputs simultaneously to reflect alternative assumptions. Provide effect(s) on profit or loss/OCI on a post-tax basis.	
5. Valuation techniques and processes applied to Level 3 fair value measurements.	
6. Reconciliation between opening and closing balances of Level 3 fair value measurement.	
7. Additional disclosures for Level 2 fair value measurement. Including those 4-6 above.	

# Discussion on IFRS 13

Specific items of information	Do you agree?
8. Fair value of financial investments not held at fair value.	
9. Quantitative sensitivity analysis for investment property measured at fair value.	
10. Explanation and disaggregation of total fair value of assets and liabilities recognised on the balance sheet. Disaggregation by geography and instrument type.	

Do you have any additional specific items of information that could be used to meet objectives of disclosures about fair value measurement?



# Appendix—existing disclosure requirements

# Appendix A:

## Existing IAS 19 disclosure requirements

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Disclosure requirements	Defined Benefit Plans (DBP)	Defined Contribution Plans (DCP)	Multi-employer plans (accounted for as a DBP)	Multi-employer plans (accounted for as a DCP)	DBP that share risks between entities under common control (accounted for as a DBP)	DBP that share risks between entities under common control (accounted for as a DCP)
Amount recognised as an expense		✓				
Characteristics of the plan and associated risks	✓		✓		✓	✓
Reconciliation from the opening balance to the closing balance of the net defined benefit liability (asset)	✓		✓		✓	
Reconciliation from the opening balance to the closing balance of any reimbursement rights	✓		✓		✓	
Description of the relationship between any reimbursement right and the related obligation	✓		✓		✓	
Disaggregation of the fair value of the plan assets into classes that distinguish the nature and risks of those asset	✓		✓		✓	✓
Fair value of the entity's own transferable financial instruments held as plan assets	✓		✓		✓	✓
Fair value of plan assets that are property occupied by, or other assets used by, the entity	✓		✓		✓	✓
Significant actuarial assumptions used to determine the present value of the defined benefit obligation	✓		✓		✓	✓
Sensitivity analysis to each significant actuarial assumption	✓		✓		✓	
Description of any asset-matching strategies used by the plan or the entity to manage risk	✓		✓		✓	
Description of any funding arrangements	✓		✓	✓	✓	✓
Expected contributions to the plan for the next annual reporting period	✓		✓	✓	✓	✓
Maturity profile of the defined benefit obligation, including the weighted average duration of the defined benefit obligation	✓		✓		✓	

# Appendix A:

## Existing IAS 19 disclosure requirements

23

Disclosure requirements	Defined Benefit Plans (DBP)	Defined Contribution Plans (DCP)	Multi-employer plans (accounted for as a DBP)	Multi-employer plans (accounted for as a DCP)	DBP that share risks between entities under common control (accounted for as a DBP)	DBP that share risks between entities under common control (accounted for as a DCP)
Description of the extent to which the entity can be held liable to the plan for other entities' obligation			✓	✓		
Description of any agreed allocation of a deficit or surplus on wind-up of the plan or the entity's withdrawal from the plan			✓	✓		
Reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan				✓		
Information about any deficit or surplus in the plan that may affect the amount of future contributions				✓		
Indication of the level of participation of the entity in the plan compared with other participating entities				✓		
Contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy					✓	✓
Policy for determining the contribution to be paid by the entity					✓	✓

There are no specific disclosure requirements in IAS 19 for short-term employee benefits, other long-term employee benefits and termination benefits. Where necessary, disclosure requirements in other Standards (for example IAS 1 *Presentation of Financial Statements* and IAS 24 *Related Party Disclosures*) are to be disclosed.

# Appendix B:

## Existing IFRS 13 disclosure requirements

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Disclosure requirements	Item measured at fair value						Item measured at cost, fair value disclosed		
	Recurring			Non-recurring					
	L1	L2	L3	L1	L2	L3	L1	L2	L3
Fair value at end of reporting period	✓	✓	✓	✓	✓	✓	✓	✓	✓
Reasons for the measurement				✓	✓	✓			
Level within fair value hierarchy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Transfers between the levels in the hierarchy	✓	✓	✓						
Policy for determining when transfers between hierarchy have occurred	✓	✓	✓						
Description of valuation technique and inputs used		✓	✓		✓	✓		✓	✓
Changes to valuation technique and reasons		✓	✓		✓	✓		✓	✓
Quantitative information about significant unobservable inputs			✓			✓			
Reconciliation of opening and closing balance (including information on transfers in or out)			✓						
Unrealised gains/losses recognised in profit or loss			✓						
Description of valuation processes and policies			✓			✓			
Sensitivity to changes in unobservable inputs (narrative)			✓						
Sensitivity to reasonably possible change in assumptions (quantitative, for financial instruments only)			✓						
If highest and best use differs from current use, reasons why (non-financial assets only)	✓	✓	✓	✓	✓	✓	✓	✓	✓
If portfolio exception in paragraph 48 of the standard is applied (financial instruments only)	✓	✓	✓						

### Recurring fair value measurement

IFRS Standards require or permit FVM at the end of each reporting period. Applies to FVM for property, plant and equipment, financial instruments, intangible assets, investment property, and agricultural assets carried at fair value.

### Non-recurring fair value measurement

IFRS Standards require or permit in particular circumstances. Applies to FVM for assets held for sale and impaired assets.



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