

STAFF PAPER

May 2019

IASB[®] Meeting

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| Project | Disclosure Initiative: Targeted Standards-level Review of Disclosures | | |
| Paper topic | Summary of Outreach Activities | | |
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS[®] Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB[®] *Update*.

Overview

1. The objectives of this paper are to:
 - (a) inform the Board about outreach performed by Board Members and staff relating to the disclosure objectives and requirements of IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement*;
 - (b) provide context for the feedback summary presented in *Agenda Papers 11B and 11C*; and
 - (c) provide a preliminary summary of lessons learned from outreach that might affect how the Board develops and drafts disclosure objectives and requirements in future.
2. We will not ask the Board any questions in this paper.
3. This paper is structured as follows:
 - (a) Background (paragraphs 4-6);
 - (b) Tailored outreach with users of financial statements (paragraphs 7-16);
 - (c) Consultation with the Capital Markets Advisory Committee (paragraphs 17-19);
 - (d) Consultation with the Global Preparers Forum (paragraphs 20-23);

- (e) Consultation with the Accounting Standards Advisory Forum (paragraphs 24-27);
- (f) Further outreach planned (paragraph 28); and
- (g) Lessons learned (paragraphs 29-31).

Background

4. At the May-July 2018 Board meetings, the Board developed draft Guidance for the Board when developing and drafting disclosure objectives and requirements in future (draft Guidance). At the July 2018 Board meeting, the Board decided to test that draft Guidance by applying it to IAS 19 and IFRS 13.
5. A key element of the draft Guidance is the use of specific disclosure objectives based on the needs of users of financial statements. Including such objectives in the Standards is intended to help preparers exercise effective judgement about what to disclose. Applying the draft Guidance, the Board would:
 - (a) require an entity to comply with specific disclosure objectives; and
 - (b) supplement¹ those objectives with items of information that an entity could disclose in order to meet the objectives.
6. Detailed information from users and other stakeholders is critical to the development of effective disclosure objectives. Consequently, the draft Guidance requires the Board to develop and undertake a tailored outreach programme.

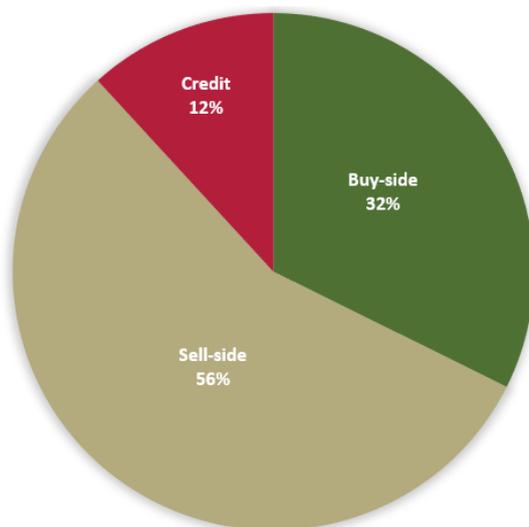
¹ Staff plan to discuss the exact drafting language we will use to describe these items of information in the Standards at a later meeting

Tailored outreach with users of financial statements

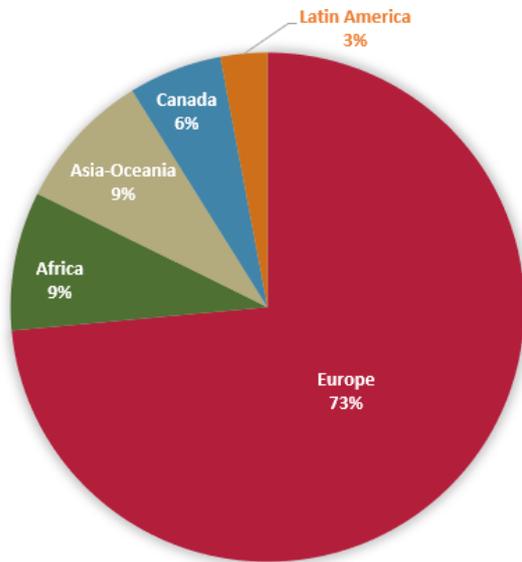
7. The draft Guidance states that users should be consulted to understand:
- (a) what information they want disclosed;
 - (b) why they are interested in that information;
 - (c) what analysis they will perform using the information;
 - (d) how precise and detailed information needs to be to adequately meet their needs; and
 - (e) the relative prioritisation of the requested information. For example, distinguishing between the information critical to their analysis and information that is ‘nice to have’.

Outreach performed

8. From November 2018 to April 2019, Board Members and staff undertook a tailored user outreach programme.
9. Board members and staff held 21 meetings with 35 users. These were a combination of in-person meetings, telephone calls and video conferences. The majority of outreach meetings were conducted either with one or two users. This approach enabled us to explore users’ objectives and information needs in detail.
10. We met with users from both the buy-side and sell-side, along with credit rating agency analysts. The graph below summarises the type of users we met with:



11. The graph below classifies the users that we spoke to based on the location of the companies they monitor:



12. Finally, the users we spoke to included both generalists and industry specialists covering banking, healthcare, insurance, pharma, retail and utilities.

Questions asked

13. We asked users questions designed to gather the information listed in paragraph 7 for each of IAS 19 and IFRS 13. The three questions we asked are shown below.

Question 1

How do you analyse information?

- a) What are the inputs to your analysis?
- b) How do you use the information?
- c) Is there any analysis that you would like to do, but cannot because you don't have the information?

Question 2

In the meeting materials are extracts from [XXX's]² annual report

- a) Can you highlight which disclosures are useful to you today, and why?
- b) Are there any disclosures for which an alternative piece of information would be more useful? Why? Are those alternative disclosures provided by other companies that you are aware of?
- c) What are your views on the level of granularity provided? Would you like more or less disaggregation on any information?
- d) Are there any disclosures that you do not use at all?

Question 3

If you had a blank page...

- a) What would be your ideal information set and why?
- b) If relevant, can you distinguish between critical and 'nice to have' information?
- c) How granular does the information need to be to meet your needs?

14. We did not ask each user to answer every specific question. Instead, we explained the objectives of the project and the outreach meeting and invited users to answer those questions that best enabled them to share their views with us.

Buy side vs sell side vs credit analysts

15. The feedback described in *Agenda Papers 11B and 11C* does not always distinguish between feedback from buy-side, sell-side and credit analysts. This is because our outreach demonstrated that the underlying objectives of these groups were consistent for the two topics being discussed. The primary difference in perspective across the three groups relates to the amount of time they are able to

² For each user, we included example disclosures from companies they monitor.

spend on individual company disclosures and, consequently, the level of detail they would like to see.

16. For example, buy-side investors generally analyse a high volume of companies over a short period of time and, consequently, are often able to spend less time examining detailed disclosures than other types of investors. Therefore, whilst the underlying objectives are similar across the three groups, the amount and content of specific information they would like varies across buy-side, sell-side and credit analysts. Buy-side investors are more likely to want concise and comparable information across all companies that they can understand quickly. Other types of investor are more likely to delve into entity specific details.

Consultation with the Capital Markets Advisory Committee

17. Having substantially completed the outreach described in paragraphs 7-16, we discussed a summary of the feedback received at the March 2019 meeting of the Capital Markets Advisory Committee (CMAC).
18. At that meeting, we asked CMAC members for feedback on whether they:
 - (a) agreed with the disclosure objectives identified during our tailored user outreach;
 - (b) agreed with the items of information that outreach indicated would effectively meet those objectives; and
 - (c) would add any additional objectives or items of information to those identified during outreach.
19. CMAC members provided detailed comments on IAS 19 and a few comments on IFRS 13. Those comments are reflected in *Agenda Papers 11B and 11C* respectively. In those papers, we have distinguished CMAC feedback from other user feedback.

Consultation with the Global Preparers Forum

20. We also discussed a user feedback summary with the Global Preparers Forum (GPF) at its March 2019 meeting.

21. Our primary objective when consulting preparers was to obtain feedback about potential costs and consequences. We thought it would be easier for preparers to comment on the costs of particular items of information that might satisfy objectives, rather than commenting on the objectives themselves.
22. Consequently, we asked GPF members to provide feedback on the items of information that users said would meet their objectives. Specifically, we asked GPF members to share their views on:
 - (a) cost consequences;
 - (b) consequences for auditors;
 - (c) whether there are any less costly alternatives that might meet the same objectives; and
 - (d) any expected benefits.
23. At the meeting, GPF members provided detailed comments on IAS 19 and a few comments on IFRS 13. In addition, some members provided further detailed information about the costs of potential disclosures either in writing or in separate individual meetings. All preparer feedback is reflected in *Agenda Papers 11B and 11C*.

Consultation with the Accounting Standards Advisory Forum

24. Finally, we discussed a detailed user feedback summary with the Accounting Standards Advisory Forum (ASAF) at its April 2019 meeting.
25. Similar to GPF, we asked ASAF members to provide feedback on the items of information that users said would meet their objectives. Specifically, we asked ASAF members to share their views on:
 - (a) cost consequences;
 - (b) consequences for auditors;
 - (c) consequences for regulators—including:
 - (i) whether potential disclosure objectives and requirements would be enforceable;

- (ii) any relationship between the items identified in outreach and existing regulatory requirements; and
 - (d) any expected benefits for stakeholders other than users.
- 26. At the meeting, ASAF members provided some comments on IAS 19 and a few comments IFRS 13. In addition, some members provided further detailed information in writing to supplement their comments in the meeting. All of this feedback is reflected in *Agenda Papers 11B and 11C*.
- 27. ASAF members also provided feedback on the staff's approach to outreach with stakeholders other than users. In particular, many ASAF members thought the information provided for the meeting was too detailed for them to be able to comment effectively at this early stage. Some members said they would be able to provide more effective comments when the Board has a set of proposals to discuss. ASAF members also encouraged the Board to:
 - (a) consider separately:
 - (i) objectives; and
 - (ii) items of information that would meet those objectives; and
 - (b) perform an assessment of the existing disclosure requirements of IAS 19 and IFRS 13.

Further outreach planned

- 28. We plan to further discuss the Targeted Standards-level Review of Disclosures at the June 2019 joint meeting of CMAC and GPF and the June 2019 meeting of the IFRS Taxonomy Consultative Group. We will factor feedback from those meetings into our staff analysis over the coming months.

Lessons learned

29. A key objective of testing the draft Guidance on IAS 19 and IFRS 13 is to improve the draft Guidance itself. Consequently, we think it is important for the Board to consider:
- (a) lessons learned from the testing process; and
 - (b) whether and how to amend the draft Guidance in light of those lessons.
30. As described in *Agenda Paper IID*, we think the Board should perform this review holistically at the end of the initial testing process (i.e. once the Board has developed proposed disclosure amendments to IAS 19 and IFRS 13). One reason for this is to enable the Board to undertake a comprehensive review of lessons learned. For example, a key test of the effectiveness of our outreach will be the Board's ability to develop and articulate specific disclosure objectives. Until the Board has developed those objectives, we cannot conclude as to whether our outreach has been effective.
31. However, we think it is beneficial to record our initial thoughts on the effectiveness of the outreach programme at this early stage. The staff think:
- (a) the approach to user outreach meetings was effective in achieving our objectives for that stage of the project. In particular, we think that:
 - (i) meetings with individual users, as opposed to large groups, enabled us to get a level of detailed understanding that will help the Board develop specific objectives over the coming months;
 - (ii) the meeting materials and questions asked (see paragraph 13) were effective in facilitating discussion; and
 - (iii) the mix of users by user type, geography and industry specialism were helpful in enabling us to get a complete picture of user views.
 - (b) nevertheless, the user outreach programme took around six months to plan and complete. This is longer than staff had originally anticipated. We also asked for a lot of time from individual users—although the users we spoke to were generally engaged with the process and supportive of the project. When the Board has completed the initial

testing process, it may want to consider the cost-benefit balance of our approach to user outreach: i.e. was the time spent by Board Members, staff and users justified by benefits to the disclosure sections of IAS 19 and IFRS 13?

- (c) consultation with CMAC and GPF at this early stage was effective. It enabled us to get early input about costs and benefits that we think will help the Board develop proposals over the coming months. We also think that asking GPF specific questions about potential items of information rather than the underlying objectives was effective (see paragraph 21). This is because it enabled members to clearly share their views about potential costs.
- (d) we think consultation with ASAF may have been more effective at a later stage of the project, or based on less detailed materials and questions. In light of feedback received from members, we think that consulting ASAF after the Board has developed proposals might work better. Nevertheless, ASAF did provide us with some useful comments that have been included in *Agenda Papers 11B and 11C*. We think the Board should consider its approach to consultation with ASAF when it has completed the initial testing process.