

## STAFF PAPER

July 2021

IASB<sup>®</sup> Meeting

Project	Disclosure Initiative—Targeted Standards-level Review of Disclosures		
Paper topic	Comment period		
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### Purpose and structure of this paper

1. The Board published the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach* (Exposure Draft) on 25 March 2021 with a 210-day comment period ending on 21 October 2021.
2. The purpose of this paper is to ask the Board if it would like to extend the comment period for the Exposure Draft in light of feedback received from stakeholders.
3. This paper is structured as follows:
  - (a) background (paragraph 4);
  - (b) outreach and fieldwork to date (paragraphs 5–8);
  - (c) stakeholder feedback about the comment period (paragraphs 9–12);
  - (d) staff analysis and recommendation (paragraphs 13–17); and
  - (e) Appendix A—estimated timetable of consultation documents.

### Background

4. Paragraph 6.17 of the *Due Process Handbook* states that the Board normally allows a minimum period of 120 days for comment on an exposure draft. In March 2021, the Board decided on a 210-day comment period because:

- (a) the project proposes a new approach to developing and drafting disclosure requirements in IFRS Standards that would have significant consequences on how stakeholders prepare, review, audit and enforce disclosures in financial statements.
- (b) extensive and detailed consultation activities would be necessary to obtain sufficient feedback on the practical consequences of applying the proposed new approach. This would include fieldwork with preparers and specific outreach on the implementation of disclosure objectives in recently issued IFRS Standards.

### **Outreach and fieldwork to date**

5. Since March 2021, Board members and staff have conducted education and outreach activities relating to the Exposure Draft. These activities have included discussions with stakeholders in Africa, Asia-Oceania, Europe, North America and South America. We have found that, during this early stage of the comment period, it has been particularly helpful to hold educational events with stakeholders. The Exposure Draft contains significant new thinking and, consequently, providing stakeholders with an opportunity to ask questions and fully understand the Board's thinking helps them provide high-quality and constructive feedback.
6. Fieldwork with preparers to explore the likely practical application of the proposals forms an important part of the outreach activities. In some jurisdictions national standard-setters have helped us to identify fieldwork participants and, in some cases, participants will share the fieldwork results both with us and with their national standard-setter (see paragraph 10). We have asked participants to complete the fieldwork by the end of August 2021. This timing will enable the outcomes of fieldwork to be discussed with other stakeholders, such as investors and regulators. We think this will help these other stakeholders provide fully informed feedback about the proposals. Indeed, during our discussions with stakeholders other than preparers, many said extensive fieldwork with preparers was important and said they would like to understand the outcomes of the fieldwork before finalising their own responses to the Exposure Draft.

7. So far, we have held kick-off calls to begin the fieldwork process with potential participants in Australia, Brazil, Canada, the European Union, South Africa, the UK and the US. Participants are undertaking fieldwork for either or both of IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*. With respect to IFRS 13, participants include both financial institutions and other entities. We would like to increase the number of participants and, in particular, would like to get more jurisdictions and more small and medium-sized entities.
8. For some preparers, the request to complete fieldwork by the end of August has meant they have been unable to participate. This has been the case, for example, when preparers have June year ends, interim or quarterly reporting requirements or are affected by the summer break.

### **Stakeholder feedback about the comment period**

9. Some stakeholders have told us that they will be unable to meet the comment deadline of 21 October 2021 or have made a request for the comment period to be extended.
10. This feedback was provided directly to the Board during the June 2021 meeting of the Accounting Standards Advisory Forum. Members said the comment deadline of 21 October 2021 would be insufficient to obtain input from a wide range of stakeholders. In particular, they said it would be insufficient to gather adequate evidence from fieldwork with preparers in their jurisdictions and discuss that evidence with other stakeholders. Members said fieldwork is particularly important because the proposals could significantly change the way stakeholders approach disclosures in their financial statements—adding that this important project is a potential ‘game-changer’. Members said the proposals could positively affect the quality of disclosures but that stakeholders had a lot of concerns. These members added that support for the proposals would be conditional upon understanding how they would work in practice.
11. ASAF members also explained why they would be unable to finalise their outreach and fieldwork within the current comment letter deadline. These members said preparers are waiting until they have finished reviewing the Exposure Draft to decide about participating in the fieldwork. They also said

preparers are busy with interim reporting and responding to many consultation documents. One ASAF member added that preparers in their jurisdiction would only be ready to participate in fieldwork towards the end of September 2021.

12. Finally, members said that more time is needed to ensure adequate coverage of preparers of various sizes and from different industries in the fieldwork. The feedback received was consistent across ASAF members—no member disagreed with the request for an extended comment period. One member suggested that an extension of at least three months would be appropriate.

### **Staff analysis and recommendation**

13. We agree with ASAF members' comments about the potential positive outcomes of the proposals in the Exposure Draft, and that it could be a game-changer for financial statement disclosures. However, we think the potential benefits can only be realised if the Board receives high quality, constructive feedback on the proposals. We also note that giving stakeholders sufficient time to fully consider the significant new thinking in the proposals is necessary in order to receive such feedback.
14. In light of the feedback received from ASAF members and other stakeholders, and our own experience of the outreach programme so far (see paragraphs 5, 7 and 8), we think that extending the comment period would improve the quality of feedback the Board receives. This is because of the unique needs of the project. The proposals, if finalised, would represent a fundamental change to the way that the Board develops disclosure requirements—this proposed change in approach takes time to understand. The proposals would also lead to a significant change in the way that all stakeholders think about and approach disclosures. Therefore, it is important to test how the significant new thinking in the proposals would be applied in practice by a wide range of preparers and to subsequently discuss the outcomes of that fieldwork with other stakeholders such as regulators and auditors. Consequently, we recommend extending the comment period for the Exposure Draft.

**Length of extension**

15. An extension of at least three months, as requested during the ASAF meeting, would result in a 300-day comment letter period ending on 19 January 2022. In light of the comments from ASAF members, we recommend an extension to the comment period to around this length.
16. However, in considering the length of any potential extension, we think it is also important to consider other consultations ending around that time. Appendix A summarises existing—and anticipated—comment letter deadlines over the coming months. Of particular note, comment periods on the following two publications are expected to close at the end of January 2022:
  - (a) the Exposure Draft on the Disclosure Initiative—Subsidiaries that are SMEs project.
  - (b) the request for information (RFI) on the classification and measurement requirements in IFRS 9. As noted in Agenda Paper 3 of this meeting, the staff expect the RFI will be published around the end of September 2021. The Board will approve the publication of the RFI and set the comment period at a future meeting. The *Due Process Handbook* explains that the Board normally allows a minimum of 120 days for comment on a request for information that is part of a post-implementation review. If the Board decides to set a 120-day comment period for that consultation, the comment letter deadline is expected to be towards the end of January 2022.
17. We think it would be unhelpful to have three comment letter deadlines in very close succession. Consequently, we recommend that the Board extend the comment period to around 290 days, such that it finishes on 12 January 2022.

**Question for the Board**

Does the Board agree with the staff recommendation in paragraph 17 to extend the comment period for the Exposure Draft to around 290 days?

## Appendix A—Estimated timetable of consultation documents

A1. The table below sets forth the estimated timetable for all Board consultation documents, other than narrow-scope amendments and proposed IFRS Taxonomy updates, expected to be published in approximately the next six months. This table assumes:

- (a) unless otherwise already decided by the Board, a 120-day comment period, in line with the *Due Process Handbook*; these projects are highlighted in yellow.
- (b) publication of forthcoming documents at the end of the month.

Consultation Document	2021						2022		
	J	A	S	O	N	D	J	F	M
<b>Published</b>									
<b>Broad-based technical topics</b>									
Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i>						(30 Jul)			
Discussion Paper <i>Business Combinations under Common Control</i>						(1 Sep)			
Exposure Draft <i>Lack of Exchangeability</i>						(1 Sep)			
Request for Information <i>Third Agenda Consultation</i>						(27 Sep)			
Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach [Current]</i>						(21 Oct)			
Exposure Draft <i>Management Commentary</i>						(23 Nov)			
<b>Forthcoming</b>									
<b>Broad-based technical topics</b>									
Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach [Recommended]</i>									
Exposure draft on the Disclosure Initiative—Subsidiaries that are SMEs project									
Request for information on the classification and measurement requirements in IFRS 9									