

STAFF PAPER

May 2022

IASB® meeting

Project	Disclosure Initiative: Targeted Standards-level Review of Disclosures		
Paper topic	Feedback summary—Cover paper		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

Purpose

1. The purpose of this meeting is for the IASB to discuss the feedback from comment letters on the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*. [Appendix A](#) to this paper provides an overview of the comment letters received.
2. This cover paper summarises the key messages from the feedback and accompanies:
 - (a) Agenda Paper 11A *Feedback summary—Guidance for the Board* that summarises feedback on the proposed new approach to developing and drafting disclosure requirements in IFRS Accounting Standards;
 - (b) Agenda Paper 11B *Feedback summary—IFRS 13 Fair Value Measurement* that summarises feedback on the proposed disclosure requirements in IFRS 13; and
 - (c) Agenda Paper 11C *Feedback summary—IAS 19 Employee Benefits* that summarises feedback on the proposed disclosure requirements in IAS 19.
3. The IASB is not being asked to make any decisions during the meeting. However, in each paper, the IASB members are asked to comment:
 - (a) on any feedback that was unclear;

- (b) if there are any points that the IASB did not consider in developing the Exposure Draft but should consider further; or
 - (c) if there are any points that need further research.
4. Furthermore, in Agenda Paper 11A the IASB members are asked to provide, in light of the feedback, initial comments or suggestions about next steps for this project.

Structure of the paper

5. This paper is structured as follows:
- (a) background (paragraphs 6–12);
 - (b) summary of key messages (paragraphs 13–20);
 - (c) next steps (paragraph 21);
 - (d) Appendix A—Overview of comment letters received (paragraphs A1–A2);
 - (e) Appendix B—Approach to quantifying the feedback (paragraphs B1–B4); and
 - (f) Appendix C—Summary of feedback discussed at February 2022 IASB meeting (paragraphs C1–C4).

Background

6. In March 2021, the IASB published the Exposure Draft which sets out a proposed new approach to developing and drafting disclosure requirements in IFRS Accounting Standards (the proposed Guidance or Guidance for the Board).
7. The IASB used the proposed Guidance to develop the amendments to IFRS 13 and IAS 19 proposed in the Exposure Draft. The purpose of testing the proposed Guidance on these Accounting Standards was to help the IASB decide whether to use the proposed Guidance when developing and drafting disclosure requirements in future standard-setting activities.
8. The comment period for the Exposure Draft closed on 12 January 2022. Stakeholders submitted 111 comment letters to the IASB. During the comment period, IASB members and staff participated in 60 events with stakeholders from various

jurisdictions that were global, national, and regional in scope. Feedback from these meetings, if applicable, was consistent with the feedback from the comment letters.

These meetings included:

- (a) 47 virtual meetings with individual stakeholders or stakeholder groups. Some were hosted by staff; others were hosted by stakeholders with IASB members and staff participating in the meeting. 14 of these meetings were with users or user groups, involving approximately 80 users.
 - (b) eleven webinars, panel discussions and roundtables organised in cooperation with other stakeholders, mostly accountancy bodies. These were typically attended live by 4–103 participants.
 - (c) two webinars in May 2021 and June 2021 aimed at a range of stakeholders who are interested in financial reporting and the topics addressed in the Exposure Draft. Approximately 221 participants attended the live webinars. The recorded webinars have subsequently been accessed by 4,348 individuals.
9. IASB members and staff also undertook fieldwork, including meetings with preparers. Fifty companies participated in fieldwork by applying the proposed disclosure requirements for one or both of IFRS 13 and IAS 19.
10. The IASB also met its consultative and advisory groups:
- (a) Capital Markets Advisory Forum (CMAC) in June 2021;
 - (b) Global Preparers Forum in June 2021;
 - (c) Accounting Standards Advisory Forum in June 2021 and December 2021; and
 - (d) IFRS Taxonomy Consultative Group in June 2021.
11. The IASB met on 21 February 2022 to discuss feedback from:
- (a) preparer fieldwork participants;
 - (b) outreach with users of financial statements; and
 - (c) comment letters from users of financial statements.
12. The feedback discussed by the IASB at the February 2022 meeting is summarised in [Appendix C](#). Included in this feedback were four comment letters received from

users, which have thus been excluded from the feedback summary discussed in Agenda Papers 11A–11C.

Summary of key messages

13. Almost all respondents who commented agreed that the IASB should:
 - (a) engage early with users of financial statements and other stakeholders when developing disclosure requirements in IFRS Accounting Standards;
 - (b) integrate development of disclosure requirements with the rest of the accounting model; and
 - (c) consider implications for digital reporting.

Proposed approach and disclosure problem

14. A few respondents agreed that the proposed approach would help solve the disclosure problem. Paragraph BC1 of the [Basis for Conclusions](#) on the Exposure Draft describes the disclosure problem as not enough relevant information, too much irrelevant information, and ineffective communication of the information in financial statements.
15. However, most respondents thought the proposed approach would not solve the disclosure problem and entities would continue to apply a checklist approach to disclosing items of information specified in an Accounting Standard, even if those items are not drafted as requirements. Some thought the proposed approach would, at best, help reduce disclosure of irrelevant information. Respondents generally felt that a change of behaviours across the entire financial reporting eco-system is required to resolve the disclosure problem.
16. Some respondents thought that the root cause of the disclosure problem is that entities do not make effective materiality judgments when applying the disclosure requirements in an Accounting Standard. Instead of using the proposed approach to draft disclosure requirements, a few respondents suggested the IASB simply reinforce the need to apply materiality by including at the beginning of the disclosure section in

every Accounting Standard a cross reference to paragraph 31 of IAS 1 *Presentation of Financial Statements*. Paragraph 31 of IAS 1 says that an entity:

- (a) need not provide a specific disclosure required by an Accounting Standard if the information resulting from that disclosure is not material; and
- (b) should also consider whether to provide additional disclosures when compliance with the specific requirements in an Accounting Standard is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Use of disclosure objectives

- 17. Respondents generally agreed with the use of disclosure objectives to describe user information needs. While they supported the use of prescriptive language in relation to specific disclosure objectives that describe precisely the detailed information needs of users, they were concerned about using prescriptive language in relation to the overall disclosure objectives. Some respondents suggested that overall disclosure objectives be drafted as context-setting paragraphs rather than as prescriptive requirements.
- 18. Respondents said that the overall disclosure objectives and some specific disclosure objectives in the proposed amendments to IFRS 13 and IAS 19 were generic and would not assist preparers in assessing user information needs. They requested more precise objectives, more precise explanations of what the information will help users do, application guidance and examples to help entities identify user information needs.

Items of information

- 19. Most respondents expressed the view that the IASB's proposal to use less prescriptive language when referring to items of information would likely make the disclosure requirements difficult to operationalise or enforce. They said that the language used in these proposals would create an undue burden for preparers in terms of the costs of implementing new processes and systems, involvement of senior staff, documentation

of judgements and audit costs. Also, respondents were concerned that the proposals would lead to decreased comparability of information. Respondents were also concerned about the implications for digital reporting, and compliance with prescriptive requirements in financial reporting laws and regulations in certain jurisdictions.

Recommendation from respondents

20. Many respondents suggested the IASB develop a ‘middle ground’ approach to disclosures, whereby disclosure objectives would be accompanied by a prescriptive list of items of information that an entity should disclose to meet the objectives. However, a few respondents said that a middle ground approach will not solve the disclosure problem unless entities make effective materiality judgements in applying the disclosure requirements.

Next steps

21. The IASB will meet with the Accounting Standards Advisory Forum to discuss next steps for this project.

Appendix A—Overview of comment letters received

A1. Figures 1 and 2 show the breakdown of the comment letters by stakeholder type and region. Feedback from users was discussed at the February 2022 IASB meeting.

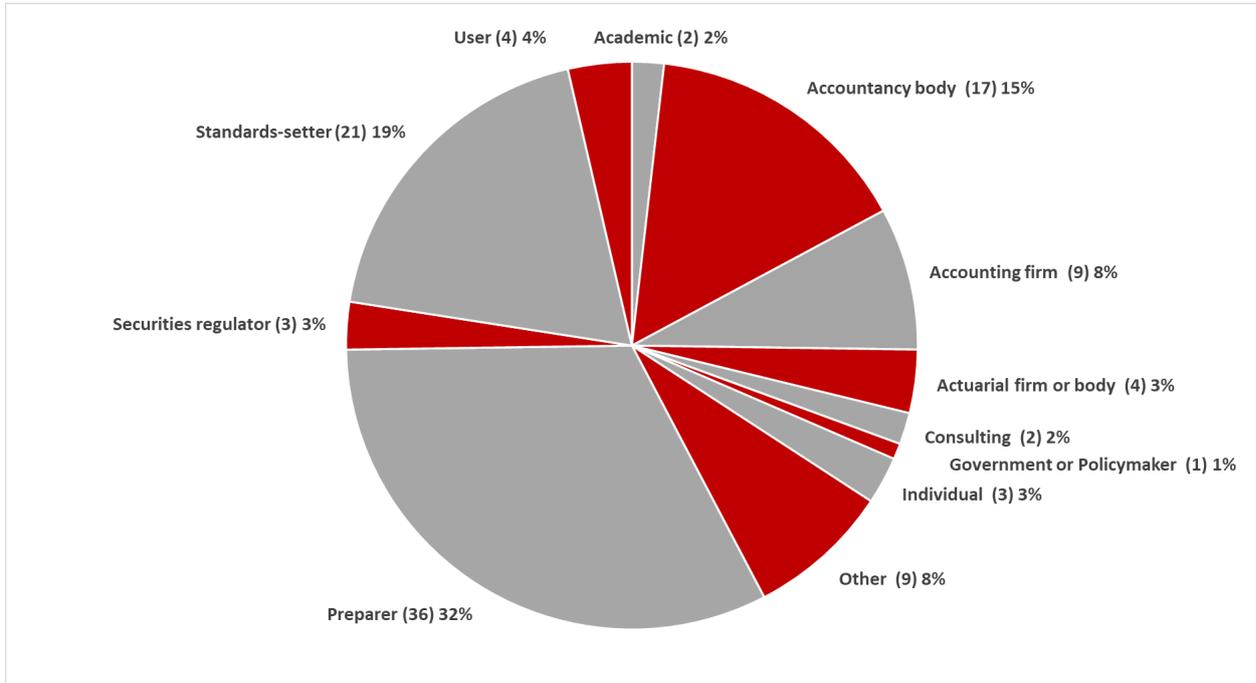


Figure 1

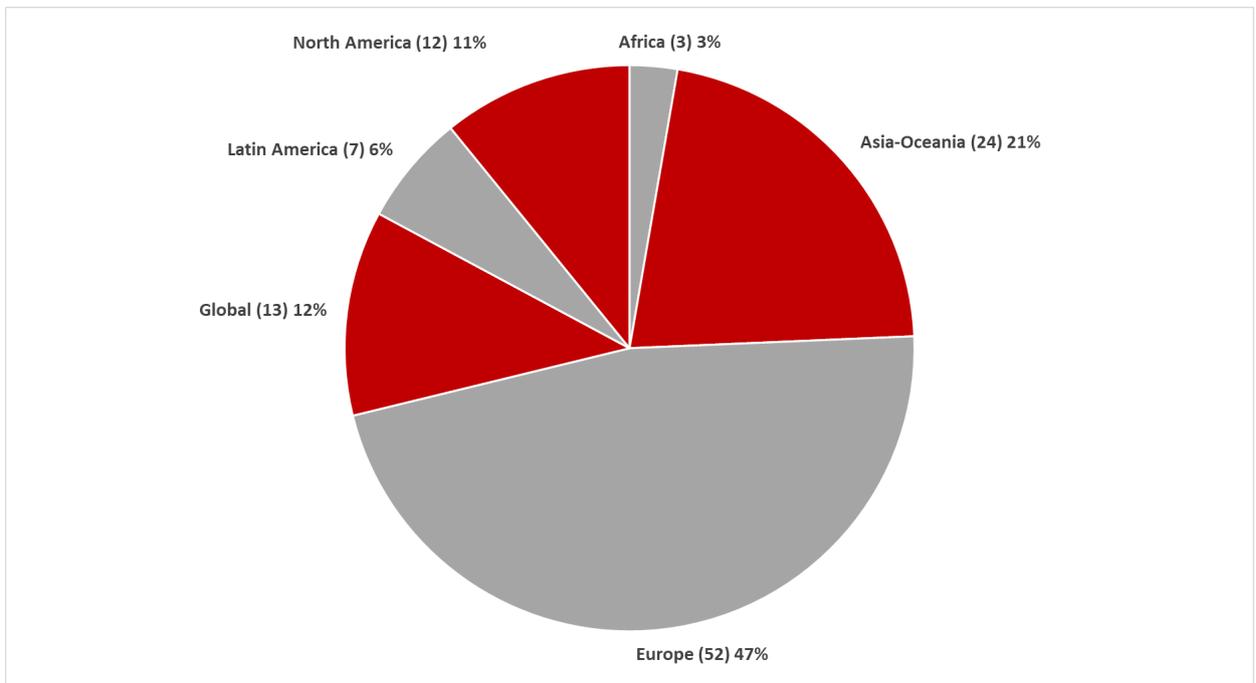


Figure 2

A2. Figure 3 shows the breakdown of preparers by industry:

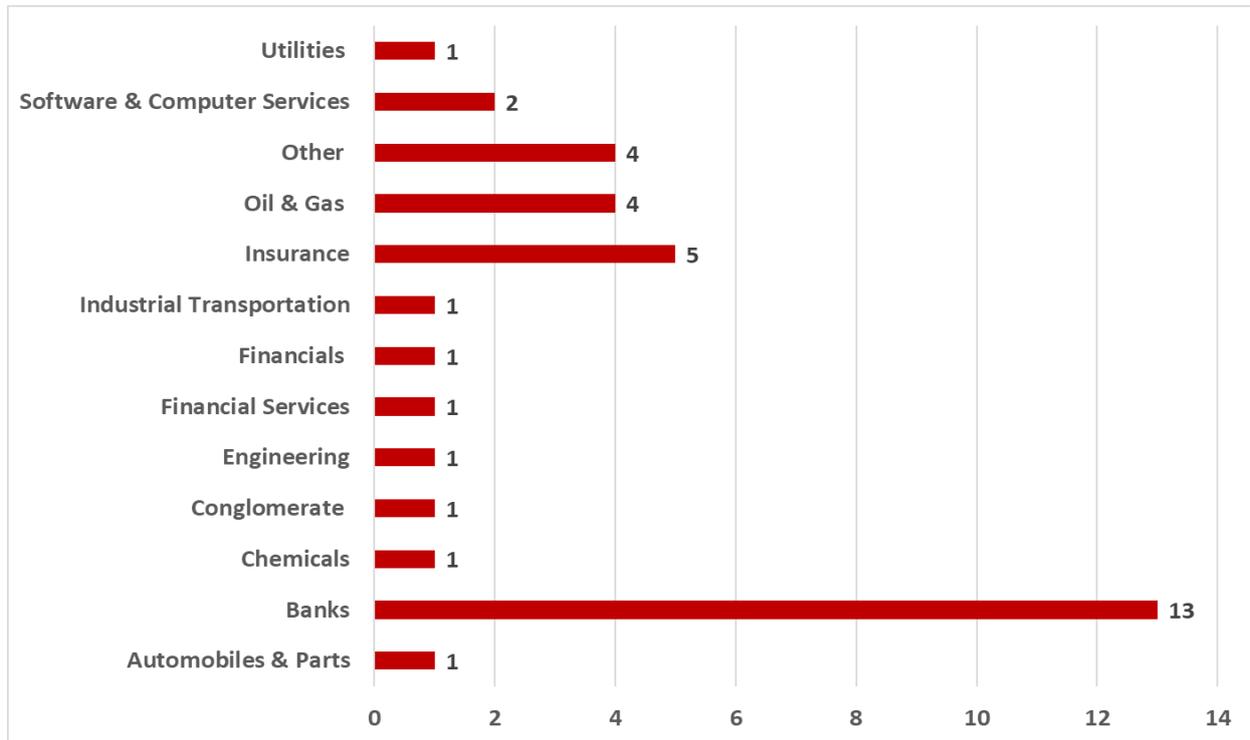


Figure 3

Appendix B—Approach to quantifying the feedback

B1. Agenda Papers 11A–11C use the following terms to describe the extent to which particular feedback was provided by respondents:

Term	Extent of response among respondents
Almost all	All except a very small minority
Most	A large majority, with more than a few exceptions
Many	A small majority or large minority
Some	A small minority, but more than a few exceptions
A few	A very small minority

B2. By respondents, we mean stakeholders who sent us comment letters.

B3. Respondents did not always comment on every area of the Exposure Draft. Consequently, we have used the terms listed in paragraph B1 to describe the proportion of the respondents that commented on a particular topic. This is not necessarily a proportion of all respondents. We have indicated in the papers when relatively few respondents commented on a particular topic.

B4. Throughout Agenda Papers 11A–11C, we have identified areas for which we received different messages from individual stakeholder groups or from specific geographies. Where we have not identified particular stakeholder groups or geographies, this means we received similar feedback from all respondents or there was no identifiable pattern to the responses.

Appendix C—Summary of feedback discussed at February 2022 IASB meeting

- C1. At its meeting on 21 February 2022, the IASB discussed feedback from:
- (a) 50 companies participating in fieldwork by applying the proposed disclosure requirements for one or both of IFRS 13 and IAS 19; and
 - (b) 80 users of the financial statements, either through meetings with IASB members and staff or through comment letters.
- C2. Similar feedback was received from both groups of stakeholders. Most fieldwork participants and users supported the proposals for the IASB to work closely with users to develop disclosure objectives. These stakeholders said the objectives would help them to perform better judgement about what information is material, remove unnecessary information and provide more entity-specific information.
- C3. However, stakeholders gave mixed feedback on the language used in the proposals—some liked the move away from prescriptive requirements, while others preferred having mandatory items of information. In particular, users who rely on standardised data sets or detailed technical disclosures expressed disagreement with the proposals. Furthermore, preparers and users were concerned about the proposals’ impact on the comparability, auditability, and enforceability of the resulting disclosures. Users were concerned that some entities might not be able to effectively apply the level of judgement required by the proposals.
- C4. Many preparers and users proposed alternative approaches, the most prevalent of which is that the IASB include a minimum list of required items of information to satisfy specific disclosure objectives. They said that this ‘middle ground approach’ will provide comparable, auditable, and enforceable disclosures in common scenarios, while providing entities with the flexibility to provide entity-specific disclosures in more complex scenarios.