

# Disclosure Requirements in IFRS Standards—A Pilot Approach

*Q&A with Board Members Tadeu  
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# Agenda

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The proposed new approach—recap

Application of judgement

Audit and enforcement

Comparability

Digital reporting

Q&A

# Before we start

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The Exposure Draft and supporting materials can be found on the Disclosure Initiative—Targeted Standards-level Review of Disclosures project webpage at <https://www.ifrs.org/projects/work-plan/standards-level-review-of-disclosures/>.

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# The proposed new approach—recap

# Overview of the proposed new approach

## What stakeholders say

## Board's main proposals



Companies may not always understand why information is useful, so they find it difficult to make effective judgements

**A**

**Engage investors even earlier** in the standard-setting process, and then develop specific disclosure objectives based on their information needs



The easiest way to achieve compliance is to apply disclosure requirements like a checklist

**B**

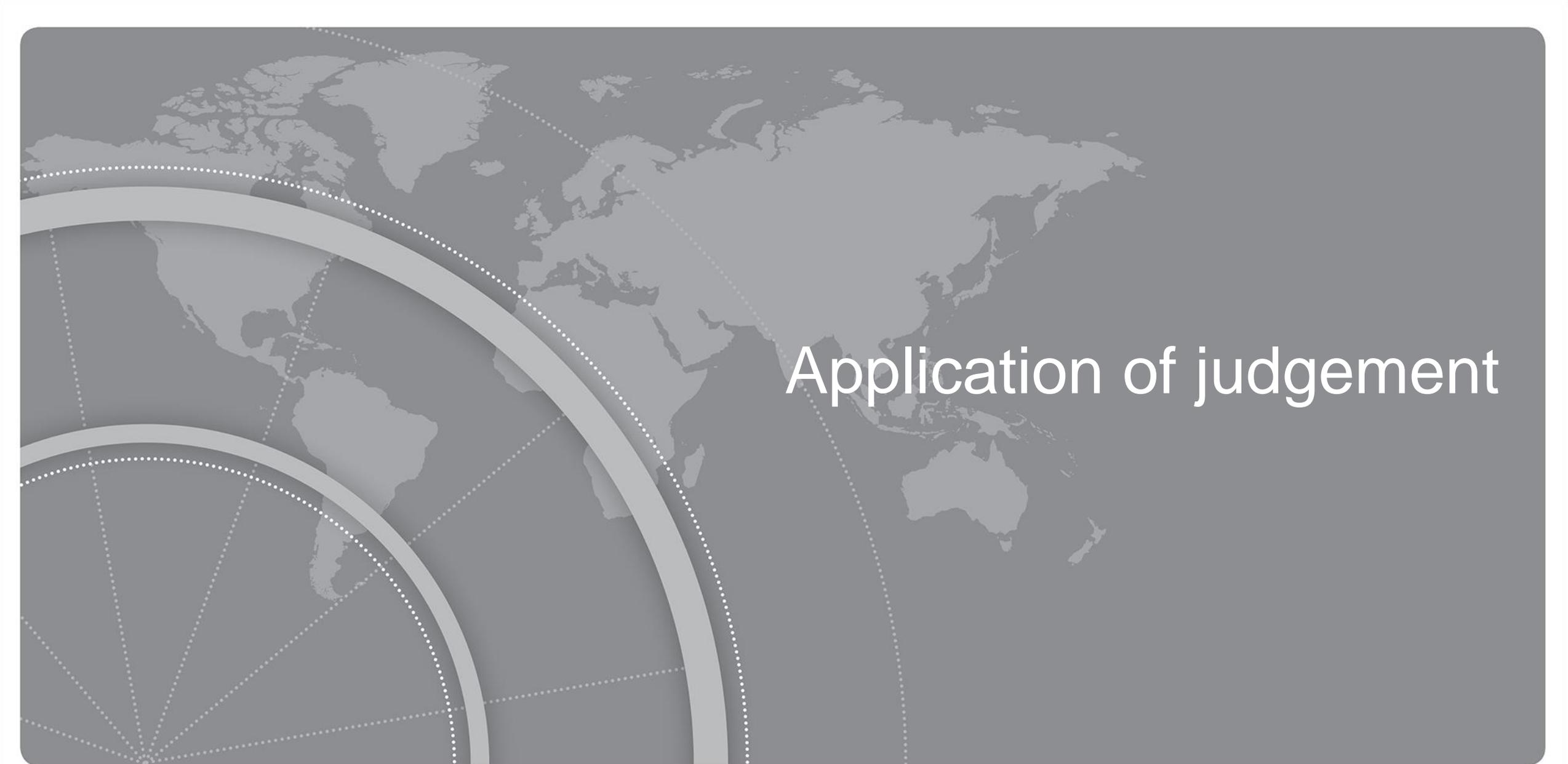
Require companies to comply with disclosure objectives that can only be met **by applying judgement**



Complying with high volumes of prescriptive requirements does not leave time to apply materiality judgements

**C**

**Minimise requirements to disclose particular items of information**, thus removing a perceived compliance burden



# Application of judgement

# Current requirements

Providing information in response to each prescriptive disclosure requirement in a Standard does not automatically achieve compliance. Entities are also required to apply materiality judgements across their disclosures.

## Standards-level requirements

- Prescriptive requirements in IFRS Standards require an entity to disclose particular items of information
- Some Standards also contain high-level disclosure objectives

## Overarching materiality requirements

IAS 1 says that an entity:

- is required to provide additional disclosures when compliance with IFRS Standards is insufficient to meet user needs
- need not provide a required disclosure if the information is not material

Companies often comply with these requirements without applying significant judgement

# How would the proposed approach help with the application of judgement?

## Reinforcing IAS 1 requirements at an individual Standards level

- Compliance with disclosure objectives can only be met by applying judgement
- Removes any perception that applying requirements like a checklist achieves compliance

## Providing a sound basis for applying judgement

Requirements and guidance included in the Standards

Detailed and specific disclosure objectives

Explanations of what investors may do with the information provided

Explicitly link disclosure objectives with items of information

Items of information, application guidance and illustrative examples

Robust process for developing requirements based on investor information needs



# Audit and enforcement

# Auditing judgement—what has changed?

## Current requirements

Prescriptive, Standards-level requirements to **disclose particular items of information**

+

Overarching **requirement in IAS 1** to apply judgement in complying with those requirements

## Proposals

Prescriptive, Standards-level requirements to apply judgement and **satisfy disclosure objectives**

+

**Additional guidance** included in the Standards help companies determine how to comply with those objectives



Under both scenarios:

- Companies are required to apply judgement and disclose all material information
- Audit and enforcement includes reviewing the application of judgement

# How would the proposed approach help with the audit and enforcement of judgement?

## Reinforcing IAS 1 requirements at an individual Standards level

- Compliance with disclosure objectives can only be met by applying judgement
- Removes any perception that applying requirements like a checklist achieves compliance

## Providing a sound basis for challenging judgement

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# Comparability

# Finding the right balance

## What's the challenge?

Entity-specific and relevant

Comparable



Focus on what is material to an entity

Enable comparability between entities for which similar information is material

### Today

Proper application of materiality should already result in companies providing different sets of information



### Applying the proposed approach...

Could companies with similar circumstances make different judgements about how to satisfy disclosure objectives, leading to reduced comparability?

# How might the proposed approach affect comparability?

## Board's view on comparability

Information between entities with similar circumstances should be comparable

### Uniform and comparable information are not the same

If each entity applies judgement to meet the same disclosure objective, the content of that information should be comparable in all material respects even if the information looks different.

This results in **meaningful comparability**.

### Proposals can result in similar information

The proposals:

- include specific and detailed disclosure objectives
- require companies to meet each objective
- explicitly link each objective to items of information

The proposals would result in comparable information between companies when that information is:

- material to both companies; and
- useful to investors.

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# Digital reporting

# What would be the effect of the proposals on digital reporting?

**Identify and extract all information relating the objectives**

**Overall disclosure objective:** IFRS Taxonomy element to tag all the disclosures provided on the topic

**Specific disclosure objectives:** IFRS Taxonomy element to tag the disclosures provided for each objective



**Identify and extract specific items of information disclosed to meet the objectives**

Entity discloses items of information identified in the Standard

- An IFRS Taxonomy element with the relevant element type would be created for each item of information, including those not explicitly required
- An entity would not need to create entity-specific elements (extensions)

Entity discloses unique or unusual items of information

- An entity would need to create its own extensions if the information disclosed is not captured by the examples in the Standards

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Questions?

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