Staff paper

Agenda reference: 11C

IASB® meeting

Date	**October 2022**
Project	**Disclosure Initiative: Targeted Standards-level Review of Disclosures**
Topic	**Decide project direction—Proposed amendments to IFRS 13 *Fair Value Measurements* and IAS 19 *Employee Benefits***
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Purpose of the paper

1. This paper analyses the courses of action available to the IASB and recommends a course of action to respond to the feedback on the proposed disclosure requirements in IFRS 13 *Fair Value Measurements* and IAS 19 *Employee Benefits* as set out in the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*.

Summary of recommendations

2. The staff recommend that the IASB not proceed with any further work on the disclosure requirements in IFRS 13 and IAS 19.

Structure of the paper

3. This paper is structured as follows:
   (a) background (paragraphs 4–8);
   (b) possible courses of action (paragraphs 9–29);
      (i) further develop disclosure proposals (14–25);
      (ii) not proceed with any further work on the disclosure requirements of the two Accounting Standards (paragraphs 26–29);
   (c) recommendation (paragraphs 30–36);
   (d) Appendix A—Summary of the proposals and the feedback on the proposals; and
   (e) Appendix B—Extract from the Project Report and Feedback Statement *Post-implementation Review of IFRS 13* Fair Value Measurement.

Background

4. 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).

5. The IASB used the proposed Guidance to develop and draft 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.

6. The IASB selected IFRS 13 and IAS 19 because its research demonstrated that the disclosure requirements in these two Accounting Standards contain issues stakeholders said contributed to the disclosure problem, and the two Accounting Standards would benefit from a review of the disclosure requirements. Furthermore, the Post-implementation Review (PIR) of IFRS 13 identified some potential improvements to the disclosure requirements, especially around Level 2 fair value measurements.

7. The IASB expects that:

   (a) the proposed disclosure requirements in IFRS 13 would help entities make more effective materiality judgements; and

   (b) the proposed disclosure requirements in IAS 19 would help entities disclose more relevant information.

8. Appendix A summarises the proposals and the feedback on the proposals. Appendix B summarises the feedback from the PIR of IFRS 13 on usefulness of disclosures about fair value measurements.

Possible courses of action

9. At its meeting in July 2022, the IASB discussed whether to:

   (a) finalise the proposed amendments to the two Accounting Standards with any changes to respond to the feedback; or

   (b) not proceed with any further work on the disclosure requirements in the two Accounting Standards.

10. The IASB noted that, if it were to decide to finalise the proposed amendments to the two Accounting Standards, it would need to:

    (a) analyse the feedback and redeliberate whether the disclosure proposals developed applying the proposed approach to developing disclosure requirements would indeed help entities:

        (i) make effective materiality judgements in disclosing information about fair value measurements; and

(ii) provide more relevant information about employee benefits.

(b) consider the implications of any changes to the proposed approach to drafting disclosure requirements on the disclosure proposals in the two Accounting Standards.

11. During that meeting, no IASB members expressed support for finalising the amendments as proposed or with limited changes to respond to the feedback on individual proposals. As explained in Agenda Paper 11A accompanying this paper, the feedback suggests little support for the approach to drafting disclosure requirements proposed in the Exposure Draft.

12. Therefore, this paper discusses whether the IASB should:

(a) further develop the proposed disclosure requirements with or without using the middle ground approach to drafting; or

(b) not proceed with any further work on the disclosure requirements in the two Accounting Standards.

13. The IASB could make separate decisions in relation to the two test Accounting Standards. For example, the IASB could decide that there is a need to respond to the findings of the PIR of IFRS 13 about potential improvements to the disclosure requirements, and therefore, work further only on the proposed amendments to IFRS 13.

Further develop disclosure proposals

14. As explained in paragraph 6, the IASB selected IFRS 13 and IAS 19 because its research demonstrated that the two Accounting Standards would benefit from a review of the disclosure requirements. Furthermore, the PIR of IFRS 13 identified some potential improvements to the disclosure requirements, especially around Level 2 fair value measurements.

15. The proposed amendments to the two Accounting Standards were developed using feedback from users of financial statements on the possible improvements to the disclosure requirements in the two Accounting Standards. Having taken the time of users of financial statements and other stakeholders in both identifying the Accounting Standards that should be tested and developing proposals that the IASB expected would improve information disclosed in the notes, the IASB could decide to work further on the proposed amendments.

Considerations for IFRS 13

16. Feedback on the proposed amendments to IFRS 13 suggests that the proposals would help entities make effective materiality judgements in disclosing information about fair value measurements, especially about Level 2 fair value measurements, although there have been concerns about the cost of collecting information. (See paragraphs A7–A14.)

17. If the IASB were to decide to further develop disclosure proposals for IFRS 13, to respond to the main concerns raised by the respondents, the IASB would need to decide whether:
    (a) to clarify, within the Accounting Standard itself, that specified disclosure requirements would apply only to Level 3 measurements and Level 2 measurements closer to Level 3;
    (b) to provide further explanation about which Level 2 measurements are closer to Level 3; and
    (c) to retain the requirement to disclose sensitivity analyses, instead of requiring entities to disclose reasonably possible alternative fair value measurements.

Considerations for IAS 19

18. Feedback on the proposed amendments to IAS 19 suggests that the proposals would result in entities:
    (a) disclosing more relevant information—for example, future cash flows associated with defined benefit plans; and
    (b) communicating information more effectively—for example, the proposed executive summary together with a reconciliation of net defined benefit liability would allow users to reconcile numbers in the notes with the numbers in the primary financial statements.
19. Having said that, feedback also suggests that disclosures resulting from applying the proposed amendments may not be significantly more useful than those resulting from applying the current requirements of IAS 19. (See paragraphs A25–A31.)
20. If the IASB were to decide to further develop disclosure proposals for IAS 19, to respond to the main concerns raised by the respondents, the IASB would need to decide whether:
    (a) to require entities to disclose expected return on plan assets;
    (b) to require entities to disclose information about future payments to members of defined benefit plans that are closed to new members;
    (c) to require entities to disclose information about defined contribution plans; and
    (d) to retain the requirement to disclose sensitivity analyses, instead of requiring entities to disclose reasonably possible alternative actuarial assumptions.

Common considerations

21. If the IASB were to decide to further develop disclosure proposals for the two Accounting Standards, it would need to:
    (a) perform outreach with stakeholders on the matters highlighted in paragraphs 16–20. The IASB may need to conduct joint meetings with users of financial statements and preparers to discuss any concerns about the further-developed disclosure proposals and identify potential solutions to address those concerns.

(b) perform a cost-benefit analysis of further developing disclosure proposals and amending the two Accounting Standards. In relation to IAS 19, for the reason explained in paragraph 19, the cost of making improvements may outweigh the potential benefits.

(c) consider the need to re-expose the further-developed disclosure proposals. Nearly half of the stakeholders who submitted comment letters on the Exposure Draft did not comment on the proposed amendments to the two Accounting Standards. A few respondents explicitly cited disagreement with the Guidance for the Board as a reason for not commenting. More stakeholders might have commented on the proposed amendments to the two Accounting Standards if those proposals had not been packaged with the Guidance for the Board.

Drafting the disclosure proposals

22. If the IASB were to decide to further develop disclosure proposals for the two Accounting Standards, it would need to decide how to draft the disclosure proposals. The IASB could either:

(a) make targeted improvements to the disclosure requirements without restructuring and redrafting the disclosure sections of the two Accounting Standards; or

(b) use the middle ground approach to drafting the further-developed disclosure proposals.

23. Making targeted improvements would:

(a) allow the IASB to focus on and finalise the disclosure proposals without distracting stakeholders with the middle ground approach to drafting disclosure requirements; and

(b) respond to feedback from stakeholders who suggested the IASB apply any new approach to drafting only in future standard-setting activities.

24. Having said that, making targeted improvements would not be consistent with the objective of the project—improving how entities make materiality judgements when applying the disclosure requirements—and the IASB's decision, if made, to develop and use a middle ground approach to drafting disclosure requirements.

25. Whichever way the IASB decides to draft the disclosure proposals, the IASB, when deciding whether it needs to re-expose the proposals, would need to consider that the feedback on the proposals in the Exposure Draft could have been different had the IASB proposed to use:

(a) less prescriptive, instead of prescriptive, language in drafting disclosure objectives; and

(b) prescriptive, instead of less prescriptive, language when referring to items of information.

Not proceed with any further work on the disclosure requirements in the two Accounting Standards

26. The IASB could decide not to proceed with any further work on the disclosure requirements of the two Accounting Standards on the basis that the two Accounting Standards were selected only to test the

proposed Guidance and to help the IASB decide whether to use the proposed Guidance when developing and drafting disclosure requirements in future standard-setting activities.

27. Furthermore, some stakeholders suggested that the IASB apply the Guidance for the Board prospectively to future standard setting activities, should it be implemented, and consider amending the disclosure requirements of existing Accounting Standards only after assessing the effects of applying the Guidance for the Board on a future Accounting Standard.

Considerations for IFRS 13

28. The IASB could decide not to proceed with any further work on IFRS 13 disclosure requirements on the basis that:

(a) providing guidance on which Level 2 measurements are close to Level 3 may be impossible without affecting how entities currently assess the significance of unobservable inputs. IFRS 13 requires an entity to categorise a fair value measurement in its entirety in the level to which the lowest level of input that is significant to the entire measurement belongs. During the PIR, most respondents said they found the assessment of significance challenging and suggested the IASB provide further guidance. The IASB learnt about different ways in which entities are assessing significance and concluded it would not be able to develop useful and principles-based guidance. To respond to the feedback on the Exposure Draft, if the IASB were to decide to help entities identify which Level 2 measurements are close to Level 3, the IASB may have to first study how entities currently assess significance and explore potential solutions for reducing diversity in the current practices.

(b) making targeted improvements to IFRS 13, should the IASB decide on that approach (paragraphs 22–23), would increase the IASB's work when further developing disclosure proposals. IFRS 13 currently requires specified information about Level 3 fair value measurements. In developing the IFRS 13 proposals in the Exposure Draft, by avoiding reference to the levels of fair value hierarchy in the disclosure objectives the IASB expected entities to provide material information about all levels of the fair value hierarchy, and especially about Level 2 measurements closer to Level 3. If the IASB decides to make targeted improvements, it would need to develop specified disclosure requirements about Level 2 measurements that are closer to Level 3.

(c) feedback suggests that the cost of collecting information, especially for Level 2 measurements close to Level 3 may exceed the potential benefits.

(d) amending the disclosure requirements in IFRS 13 would result in a divergence from US GAAP. The fair value measurement project was a joint project with the US national standard-setter, the Financial Accounting Standards Board (FASB). Respondents were concerned that any changes could reduce the benefits of this collaboration.

Considerations for IAS 19

29. The IASB could decide not to proceed with any further work on IAS 19 disclosure requirements on the basis that:

    (a) feedback suggests that disclosures resulting from applying the proposed amendments may not be significantly more useful than those resulting from applying the current requirements of IAS 19. Therefore, the cost of further developing the disclosure proposals may outweigh the potential benefits.

    (b) making targeted improvements to IAS 19, should the IASB decide on that approach (paragraphs 22–23), would increase the IASB's work when further developing disclosure proposals. In developing the IAS 19 proposals in the Exposure Draft, the IASB expected entities to be able to provide more relevant information about short-term employee benefits, defined contribution plans, other long-term employee benefits and termination benefits by applying the proposed disclosure objectives. Those proposed disclosure objectives were not accompanied by items of information. If the IASB decides to make targeted improvements, it would consider the need to develop items of information that entities should disclose about those employee benefits in addition to the items of information that IAS 19 already requires.

    (c) applying the current disclosure requirements of IAS 19 already results in an entity indirectly providing information that helps users of financial statements assess future cash flows associated with defined benefit plans. For example, paragraph 141(f) of IAS 19 currently requires an entity to disclose contributions to the plan, showing separately those by the employer and by plan participants, as part of the reconciliation of the net defined benefit liability (asset). By assessing historical trend information of the contributions to the plan, users of financial statements should be able to make assessments of future cash flows associated with defined benefit plans.

Recommendation

30. The staff recommend that the IASB not proceed with any further work on the disclosure requirements in IFRS 13 and IAS 19 for the reasons explained in paragraphs 26–29.

31. The PIR of IFRS 13 did not identify possible improvements to the disclosure requirements as high priority. On completion of the PIR, the IASB concluded that the information required by IFRS 13 is useful to users of financial statements. The IASB fed the PIR findings to the Targeted Standards-level Review of Disclosures project and decided to conduct no other follow-up in response to findings from the PIR.

32. The PIR of IFRS 13 and the IASB's work leading to the Exposure Draft has highlighted that users of financial statements want information about material Level 2 measurements that are closer to Level 3. Paragraph 31 of IAS 1 *Presentation of Financial Statements* requires an entity to consider whether to disclose additional information when compliance with the specific requirements in Accounting

Standards 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. Therefore, if an entity concludes that information about its Level 2 measurements that are closer to Level 3 is material to its users of financial statements, the entity should be disclosing that information.

33. Making the disclosure requirements in IFRS 13 more explicit for Level 2 measurements close to Level 3 is unlikely to meet the prioritisation criteria the IASB set in its Third Agenda Consultation.

34. Improving the disclosure requirements in IAS 19 was not on the IASB's work plan prior to its decision in the Targeted Standards-level Review of Disclosures project to test the Guidance for the Board on IAS 19. The staff think it is unlikely that the IASB would have decided to explore amending the disclosure requirements of IAS 19 outside this project.

35. While it is possible for the IASB to make improvements to the disclosure requirements in IAS 19, feedback suggests that the benefits of amending the requirements may not outweigh the costs. Feedback from the comment letters suggests that the proposals may not result in information that is significantly more useful than that resulting from applying the current requirements of IAS 19. Feedback from the fieldwork suggests that entities should be able to communicate information effectively applying the current requirements. For example, the current requirements of IAS 19 would not stop an entity from improving the disclosure of the reconciliation of the components of net defined benefit liability to include aspects of the proposed executive summary.

36. To develop disclosure proposals for IAS 19 that stakeholders think would result in more useful information, the IASB would need to perform extensive outreach with stakeholders as explained in paragraph 21(a). However, improving the disclosure requirements in IAS 19 is unlikely to meet the criteria the IASB used in its Third Agenda Consultation for assessing the priority of potential projects.

Questions for the IASB
Does the IASB agree that it should not proceed with any further work on the disclosure requirements in IFRS 13 and IAS 19?

Appendix A
Summary of the proposals and the feedback on the proposals

Proposed amendments to IFRS 13

A1. The IASB developed the disclosure proposals in IFRS 13 to help entities make more effective materiality judgements. The disclosure proposals were developed following:

(a) extensive outreach with users of financial statements who informed the IASB that the current disclosure requirements do not always result in an entity providing information about fair value measurements that is material to the entity's financial statements.; and

(b) findings of the PIR of IFRS 13 that identified some potential improvements to the disclosure requirements, especially around Level 2 fair value measurements.

A2. The information needs identified through the outreach and the findings of the PIR shared a common theme: understanding an entity's exposure to uncertainties associated with fair value measurements. To address user's concerns and the findings of the PIR, the Exposure Draft proposes disclosure of information about an entity's exposure to uncertainties associated with fair value measurement.

A3. The proposed amendments were therefore intended to lead entities to:

(a) eliminate detailed disclosure about immaterial fair value measurements—for example, entities would no longer have a Level 3 'checklist' to apply and required to apply judgement to determine which fair value measurements are material to users of financial statements;

(b) include material information about fair value measurements that is not currently disclosed—for example, information about Level 2 fair value measurements that are close to the boundary between Level 2 and Level 3; and

(c) eliminate less decision-useful information about fair value measurements— for example, entities would no longer be required to disclose detailed information about valuation process.

Summary of the proposals

Assets and liabilities measured at fair value in the statement of financial position after initial recognition

A4. In paragraphs 100–101 of the proposed amendments to IFRS 13, the IASB proposed an overall disclosure objective that requires an entity to disclose information that enables users of financial statements to evaluate the entity's exposure to uncertainties associated with fair value measurements of classes of assets and liabilities measured at fair value in the statement of financial position after initial recognition.

A5. For assets and liabilities measured at fair value in the statement of financial position after initial recognition, the IASB proposed specific disclosure objectives and items of information to meet the specific disclosure objectives that require an entity to disclose information about:

Proposed disclosures	**User assessments**
assets and liabilities within each level of the fair value hierarchy (paragraphs 103–106 of the proposed amendments).	• relative subjectivity within fair value hierarchy. • effect of fair value measurements on entity's financial position.
measurement uncertainties associated with their fair value measurements (paragraphs 107–110 of the proposed amendments).	• sources of measurement uncertainty.
reasonably possible alternative fair value measurements (paragraphs 111–113 of the proposed amendments).	• possible outcomes of the fair value measurements at the reporting period end. • how these possible outcomes affect future cash flows.
reasons for changes in their fair value measurements (paragraphs 114–117 of the proposed amendments).	• how transactions and other events affected the entity's financial statements.
assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes.	• effect of fair value measurements into forecasting analyses.

Assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes

A6. In paragraph 118 of the proposed amendments to IFRS 13, the IASB proposed a specific disclosure objective and items of information to meet the specific disclosure objective that requires an entity to disclose information that enables users of financial statements to understand:

Proposed disclosures	**User assessments**
the amount, nature, and other characteristics of each class of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes; and	• relative subjectivity within fair value hierarchy. • effect of fair value measurements into forecasting analyses.
how the characteristics relate to the categorisation of those classes of assets and liabilities in the fair value hierarchy.	

Summary of feedback from respondents other than users of financial statements

A7. For assets and liabilities measured at fair value in the statement of financial position after initial recognition, many respondents agreed with the proposed overall disclosure objective. However, some respondents questioned whether the objective would result in the provision of more useful information than the current requirements because it is too generic and similar to the current disclosure objective in IFRS 13.

A8. The specific disclosure objectives and items of information for assets and liabilities measured at fair value in the statement of financial position after initial recognition received a mixed response. A few respondents explicitly said these disclosure objectives and items of information would result in more relevant information for users about movements and uncertainties in fair value measurements. However, many respondents who commented said these disclosures should be restricted to Level 3 measurements, or Level 2 measurements that are closer to Level 3, to avoid irrelevant disclosures. Respondents were also concerned that extending the scope to measurements outside of Level 3 would require significant process changes—and thus additional costs—to collate this additional information. Some respondents thus requested additional guidance from the IASB on what Level 2 fair value measurements would be closer to Level 3.

A9. Some respondents expressed concern about the clarity of the specific disclosure objective for assets and liabilities within each level of the fair value hierarchy.

A10. Some respondents disagreed with the proposal to replace sensitivity analyses for changes in significant unobservable inputs with reasonably possible alternative fair value measurements. These respondents said such a disclosure would be difficult and costly to prepare, provide less useful information than a sensitivity analysis, and undermine the credibility of an entity's fair value measurement.

A11. For assets and liabilities not measured at fair value but for which fair value is disclosed in the notes, many respondents agreed with the proposed disclosure objective and items of information, while other respondents questioned the usefulness of such a disclosure.

Summary of feedback from users of financial statements

A12. Most users who commented on the proposals generally agreed that the disclosure objectives have accurately captured their information needs. They agreed that disclosures need to focus more on items in Level 2 of the fair value hierarchy that are subject to uncertainty and share similar characteristics with those in Level 3.

A13. Users had mixed views about the proposal to replace sensitivity analyses for changes in significant unobservable inputs with reasonably possible alternative fair value measurements. A few said sensitivity analyses are a critical piece of information and should be required, whereas a few others said their use can be limited. One user said that a range of reasonably possible alternative fair value measurements is important and helpful information.

A14. Some users agreed that a reconciliation from opening to closing fair value measurements is useful information and that—as proposed in the Exposure Draft—this should continue to be a mandatory requirement for Level 3 fair value measurements. A few also thought the IASB should require disclosure of a reconciliation for Level 2 fair value measurements.

Proposed amendments to IAS 19

A15. The IASB developed disclosure proposals in IAS 19 to help entities provide more relevant information and communicate information more effectively about their employee benefits. The disclosure proposals were developed following extensive outreach with users of financial statements who informed the IASB that employee benefit disclosures applying IAS 19 often do not meet the information needs of users of financial statements— users often receive insufficient information to assess future cash flows associated with employee benefits and struggle to reconcile the numbers disclosed in the notes with the numbers in the primary financial statements.

A16. To address user's concerns, the Exposure Draft proposed disclosure of information about the effect of employee benefits on the primary financial statements and the risks and uncertainties associated those employee benefits.

A17. The proposed amendments to IAS 19 disclosures were intended to facilitate the disclosure of information about employee benefits that is both more useful to users of financial statements and less costly to prepare than the current requirements. For example, a requirement to disclose an 'executive summary' that helps users of financial statements to understand the amounts in the primary financial statements arising from defined benefit plans would lead to simple and effective improvement in disclosures with minimal incremental costs.

Summary of proposals

Defined benefit plans

A18. In paragraphs 147A–147C of the proposed amendments to IAS 19, the IASB proposed an overall disclosure objective that requires an entity to disclose information that enables users of financial statements to:

(a) assess the effect of defined benefit plans on the entity's financial position, financial performance, and cash flows; and

(b) evaluate the risks and uncertainties associated with the entity's defined benefit plans.

A19. The IASB proposed specific disclosure objectives that require an entity to disclose information about:

Proposed disclosures	**User assessments**
amounts in the primary financial statements relating to defined benefit plans (paragraphs 147D–147F of the proposed amendments).	• navigate detailed disclosures about the plans and reconcile to the primary financial statements.

Proposed disclosures	User assessments
the nature of, and risks associated with, defined benefit plans (paragraphs 147G–147I of the proposed amendments).	• how the entity intends to deliver promised benefits. • how risks might affect the entity's ability to deliver benefits in future.
expected future cash flows relating to defined benefit plans (paragraphs 147J–147M and A2–A7 of the proposed amendments).	• effect of the obligation on future cash flows. • how the obligation may affect the entity's economic resources.
future payments to members of defined benefit plans that are closed to new members (paragraphs 147N–147P of the proposed amendments).	• how long closed defined benefit plans will continue to affect the entity's financial statements.
measurement uncertainties associated with the defined benefit obligation (paragraphs 147Q–147S of the proposed amendments).	• sources of measurement uncertainty in how the entity has determined the obligation.
reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans (paragraphs 147T–147W of the proposed amendments).	• how transactions and other events affected the entity's financial statements.

Defined contribution plans

A20. In paragraph 54A of the proposed amendments, the IASB proposed an overall disclosure objective that requires an entity to disclose information that enables users of financial statements to understand the effect of defined contribution plans on the entity's financial performance and cash flows.

Multi-employer plans and defined benefit plans that share risks between entities under common control

A21. The IASB proposed that an entity comply with the overall disclosure objective for defined contribution plans if the entity classifies its multi-employer plan as a defined contribution plan (paragraph 54A of the proposed amendments).

A22. The IASB proposed that an entity comply with the overall disclosure objective for defined contribution plans and the specific disclosure objective about the nature of, and risks associated with, defined benefit plans if the entity:

(a) accounts for a multi-employer defined benefit plan as if it were a defined contribution plan (paragraph 148A of the proposed amendments); or

(b) participates in a defined benefit plan that shares risks between entities under common control and accounts for the contribution payable for the period in accordance with paragraph 41 of IAS 19 (paragraph 149A of the proposed amendments).

A23. The IASB proposed that an entity comply with the overall disclosure objective and specific disclosure objectives for defined benefit plans if the entity:

(a) accounts for a multi-employer defined benefit plan as a defined benefit plan (paragraph 148C of the proposed amendments); or

(b) participates in a defined benefit plan that shares risks between entities under common control and accounts for an allocation of the net defined benefit cost in accordance with paragraph 41 of IAS 19 (paragraph 149C of the proposed amendments).

Other types of employee benefit plans

A24. The IASB proposed overall disclosure objectives that require an entity to disclose information that enables users of financial statements to understand:

(a) the effect of short-term employee benefits on the entity's financial performance and cash flows (paragraph 25A of the proposed amendments);

(b) the nature of other long-term employee benefits and the effect of those benefits on the entity's financial position, financial performance, and cash flows (paragraph 158A of the proposed amendments); and

(c) the nature of termination benefits and the effect of those benefits on the entity's financial position, financial performance, and cash flows (paragraph 171A of the proposed amendments).

Summary of feedback from respondents other than users of financial statements

A25. A few respondents supported the objective-based approach in the IAS 19 proposals rather than prescriptive disclosure requirements and said that the IAS 19 proposals would enable entities to identify information that users need.

A26. In relation to defined benefit plans:

(a) a few respondents agreed with the proposed overall disclosure objective. However, some respondents said the overall disclosure objective is too broad to identify user information needs and help an entity precisely determine what information would satisfy those needs.

(b) some respondents said the disclosures resulting from applying the proposed overall disclosure objective together with the proposed specific disclosure objectives would not be significantly more useful than those resulting from applying the current requirements of IAS 19.

(c) respondents generally supported the specific disclosure objectives with some concerns about whether the specific disclosure objective that requires disclosure of the nature of, and risks associated with, defined benefit plans is precise enough to help an entity identify and disclose more relevant information.

(d) a few respondents suggested the IASB combine the specific disclosure objective that requires disclosure of amounts in the primary financial statements and the specific disclosure objective that requires disclosure of reasons for changes in the amounts recognised in the statements of financial position.

(e) most respondents did not agree with the specific disclosure objective that requires disclosure of future payments to members of defined benefit plans that are closed to new members.

(f) in relation to the items of information, respondents did not support the proposed disclosure of:

   (i) deferred tax assets or liabilities arising from defined benefit plans;

   (ii) the expected return on the plan assets; and

   (iii) alternative actuarial assumptions reasonably possible at the end of the reporting period that could have significantly changed the defined benefit obligation.

A27. In relation to defined contribution plans, some respondents agreed with the proposed overall disclosure objective. A few respondents disagreed with the proposal and suggested retaining current IAS 19 disclosure requirements.

A28. In relation to multi-employer plans and defined benefit plans that share risks between entities under common control, a few respondents agreed with the proposals. Some respondents expressed concerns about combining the overall disclosure objective for defined contribution plans with the specific disclosure objective for defined benefit plans. They suggested the IASB either develop guidance to help an entity satisfy the proposed objectives or develop separate disclosure objectives for multi-employer plans and defined benefit plans that share risks between entities under common control.

A29. In relation to other types of employee benefit plans, some respondents agreed with the proposed overall disclosure objective. A few respondents said the proposed objective is generic and suggested the IASB develop items of information to meet the proposed objective.

Summary of feedback from users of financial statements

A30. Most users who commented on the IAS 19 proposals generally agreed that the disclosure objectives have captured their information needs. These users appreciated the increased focus on future cash flows associated with defined benefit plans.

A31. Many users who commented disagreed with the removal of sensitivity analysis as a mandatory item of information. They viewed the analysis as key to understanding the risk exposures associated with defined benefit pension plans and comparing them between entities.

Appendix B

Extract from the Project Report and Feedback Statement *Post-implementation Review of IFRS 13* Fair Value Measurement

Topic Area	Messages received	Assessment
Usefulness of disclosures about fair value measurements	Almost all respondents to the RFI commented on the usefulness of disclosures about fair value measurements. Most respondents considered the information provided about Level 3 measurements to be useful although some disclosures were seen as more useful than others and various views were expressed on the usefulness of quantitative sensitivity analysis and on the reconciliation from the opening balance to the closing balance. In general, users found the disclosures useful, whereas preparers doubted whether the benefits of some disclosures exceed the cost of their preparation. Most respondents indicated that the most useful disclosures about Level 3 measurements were disclosures about valuation techniques and inputs, quantitative disclosures about significant unobservable inputs for financial instruments, and disclosures about the levels of the fair value hierarchy into which measurements were classified. Most respondents to the question on the effect of aggregation and generic information said information is less useful if it is too aggregated or if it is only generic and not entity specific. Almost all those respondents discussed aggregation; some provided comments on generic information as well. Users said generic information is sometimes useful too, to confirm their expectations. Some respondents mentioned other factors affecting the usefulness of information disclosed. Most of those respondents discussed what is sometimes called a 'tick-box' approach to providing disclosures, meaning that all required disclosures are provided, even if the information is not material—and hence is not useful. Some stated that they expect the Board's Practice Statement 2 *Making Materiality Judgements*, issued in 2017, to help resolve this problem.	The Board acknowledged that, although disclosures relating to fair value measurements are useful to users of financial statements (particularly for Level 3 measurements), there might be scope for improvement. The Board will use the findings from the PIR in the following parts of its work on Better Communication in Financial Reporting: • the project on Primary Financial Statements; and • the project on Targeted Standards-level Review of Disclosures. The project on Primary Financial Statements will consider issues on disaggregation identified by the PIR. The standards-level review of disclosures will review disclosure requirements in two IFRS Standards, including IFRS 13.

Topic Area	Messages received	Assessment
	Many respondents provided suggestions on how to make information disclosed about fair value measurements more useful. Suggestions came from both those who thought disclosures were already useful and those who did not and came from all stakeholder types, including users of financial statements. The suggestions included: • provide more guidance and examples to promote more appropriate aggregation, discourage disclosure of immaterial information, and help with some individual disclosures relating to Level 3 assets and liabilities; • use the work that will be done on the standards-level review of disclosures; and • remove some of the requirements relating to disclosures about sensitivity analysis and reconciliation that some regard as onerous. Most respondents with experience of preparing the disclosures for assets and liabilities measured within Level 3 of the fair value hierarchy said these disclosures were costly to prepare. Many of those identified disclosures that were particularly costly to prepare (such as the reconciliation). A few said the main cost driver was additional fees incurred for valuation and audit. Respondents expressed mixed views on whether additional disclosures would be useful. Many respondents stated that the current disclosure requirements were comprehensive and resulted in disclosure of useful information. Many other respondents however, in particular users of financial statements, said that additional disclosures would be useful. Their suggestions for additional disclosures included: • explanation of assumptions; • improvements to disclosures about inputs and sensitivity analysis; • more information about Level 2 measurements; • information about use of valuation specialists and valuation standards;	

Topic Area	Messages received	Assessment
	• expanding the scope of disclosures to include non-recurring measurements; • an entity’s policy for determining whether a market is active; and • and the primary valuation technique used.	