# Disclosure Requirements in IFRS Standards – A Pilot Approach: Final Comment Letter

## Executive Summary

| | |
|---|---|
| Project Type | Influencing |
| Project Scope | Significant |
| **Purpose of the paper** | |
| This paper requests the Board's approval of the comment letter to the IASB and the related feedback statement. | |
| **Summary of the Issue** | |
| IASB's Exposure Draft (ED) *Disclosure Requirements in IFRS Standards – A Pilot Approach* ("the Disclosure Pilot") seeks to address the "the disclosure problem" in financial reporting. To do so it creates new Guidance for IASB to use when creating new standards, and applies this Guidance to propose changes to the disclosure requirements in IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*.<br><br>Our outreach with UK stakeholders provided a range of views on the proposals, which were presented to the Board at its November 2021 meeting. Based on direction provided at that meeting the comment letter to IASB:<br>1. Supports IASB's efforts to make disclosure more useful and effective.<br>2. Recommends a hybrid approach, combining certain ED proposals along with more extensive examples and some mandatory disclosure. This would deliver many of the benefits of the ED, but avoid some of the more challenging practical difficulties.<br>3. Should IASB decide to proceed with the proposals in the ED, expresses concern about supporting amendments to IFRS13 and IAS 19 without first understanding if the Guidance will be adopted for other standards. | |
| **Decisions for the Board** | |
| The Board is asked for its approval:<br>1. to issue the comment letter to IASB; and<br>2. publish the feedback statement on the UKEB website. | |
| **Recommendation** | |
| We recommend the Board approve the final comment letter and feedback statement for publication.. | |
| **Appendices** | |
| Appendix 1 Draft final comment letter<br>Appendix 2 Draft feedback statement<br>Appendix 3 Due Process Compliance Statement | |

# Background

1. The IASB Exposure Draft ED *Disclosure Requirements in IFRS Standards – A Pilot Approach* [1] ("the Disclosure Pilot") seeks to address the "the disclosure problem" of financial statements containing irrelevant information, insufficient relevant information, ineffective communication of the information provided and a checklist approach to disclosure used by some entities.

2. This IASB project forms part of IASB's Disclosure Initiative, a portfolio of projects exploring how to improve the effectiveness of disclosures in financial reporting. The IASB's ED was published on 25 March 2021 and the comment deadline, following extension, is 12 January 2022.

3. The ED proposes four actions.

   a) Creates Guidance for IASB to use when developing and drafting disclosure requirements. This proposes to largely replace mandatory disclosure items with an objectives-based regime where entities can provide disclosure that satisfies the disclosure objectives.

   b) Applies this Guidance to IFRS 13 *Fair Value Measurement* and proposes amendments to this standard developed using the new Guidance.

   c) Applies this Guidance to IAS 19 *Employee Benefits* and proposes amendments to this standard created using the new Guidance

   d) Proposes consequential amendments to IAS 34 *Interim Financial Reporting* and IFRIC 17 *Distribution of Non-cash Assets to Owners*.

4. The ED notes that in addition to the proposed amendments to IFRS 13 and IAS 19, the guidance may potentially be used in the future development of new standards and changes to existing IFRS standards.

5. Given the importance placed on disclosure by users of financial statements, the ED's proposals are expected to affect a large number of UK stakeholders, including IFRS preparers, users, auditors and relevant regulators. Ensuring the IASB has the opportunity to consider views of UK stakeholders during the standard's development is key to minimising new concerns being identified during the endorsement and adoption assessment process.

# Key themes identified in the UKEB draft comment letter

6. The UKEB's draft comment letter was open for public consultation from 26 August – 1 November 2021. It:

   a) supported the IASB's work to make financial statements more useful.

[1] The ED, Basis for Conclusions and Illustrative Examples can be accessed here: https://www.ifrs.org/projects/work-plan/standards-level-review-of-disclosures/exposure-draft-and-comment-letters/

b) expressed concern about a number of practical aspects of the proposals. These included issues of comparability, digital reporting, audit and enforceability, the application of judgement. Certain drafting issues in IFRS 13 were also highlighted.

c) noted that in the process of developing specific disclosures co-ordination with the proposed International Sustainability Standards Board (ISSB) should be considered, and the proposals should build in sufficient flexibility to accommodate this.

d) expressed reservations about supporting the amendments to IFRS 13 and IAS 19 without first understanding whether the Guidance described in the ED will be adopted and applied to other existing or future IASB standards. The letter suggests IFRS 13 and IAS 19 would benefit from re-exposure once this decision has been made.

## Emerging views on the exposure draft

7. At the time of publication the ED contained dissenting opinions from three IASB board members. The basis of the dissent was as follows:

   a) The proposals will **increase enforcement challenges**. One aspect of the disclosure problem is failure to provide enough relevant information. Enforceability is particularly important to address this, but concern was expressed that it would be difficult to assess and enforce objective based disclosure and that it would be difficult for regulators to assess during the exposure draft process how successful enforcement would be.

   b) The proposals will be **more burdensome for preparers** and **increase reliance on materiality** judgements. Good application will require the use of significant judgement by preparers. Poor application of materiality contributes to the disclosure problem and increasing reliance on materiality and judgement may exacerbate the problem.

   c) The proposals will **impair comparability** for users of financial statements.

8. In September 2021, the Australian Accounting Standards Board decided not to support the proposed disclosure approach. AASB acknowledged feedback from stakeholders that the proposed approach might not be operational in practice. It acknowledged IASB's efforts to solve the disclosure problem but concluded the suggested approach would not result in the desired outcome. During its meeting on 11 November, the AASB will consider the following three alternative approaches it may recommend to IASB:

   *a) Maintaining the current disclosure requirements and reaffirming the principle of materiality in each standard by referencing the relevant materiality guidance.* The staff paper notes that this approach is considered to address the objective of too much irrelevant information in financial statements, but it does not resolve the issues of insufficient relevant information, or the ineffective communication of information provided;

b) *Maintaining the current disclosure requirements and use the disclosure objectives as supporting guidance.* The staff paper notes that while this approach does not address the objective of too much irrelevant information in financial statements, it is expected to improve the issues of insufficient relevant information and the ineffective communication of information provided; and

c) *IASB using the proposed Guidance as a guide when developing future standards and reviewing detailed disclosure requirements, i.e. internal guidance only.* The staff paper notes that this approach would improve all three objectives, and this is the option recommended by AASB staff.

9. In addition, the AASB paper considers the potential impact of digital reporting, and questions whether this would make the three issues associated with the "disclosure problem" irrelevant, particularly the issue of too much irrelevant information. They imagine a future in which financial reporting consists of both a comprehensive digital financial data file to be read by robots, and a set of concise financial statements with reduced disclosures for human readers. They see benefit in a disclosure regime similar to today (mandatory disclosure) for such concise financial statements. This view is consistent with themes identified in the UKEB secretariat's work, including our discussion with a financial data provider.

## UK stakeholder views and UKEB proposals

10. We performed a significant amount of outreach with UK stakeholders, receiving feedback from 58 stakeholders representing 35 organisations. In addition to this we observed the discussions on this topic of three professional body committees with multiple stakeholders. Outreach events included roundtables, one to one meetings, a survey and field testing.

11. UK stakeholders expressed a range of views on the ED proposals. Some stakeholders supported the proposals overall, but many more expressed significant concerns about one or more of the consequences of removing mandatory disclosure. This feedback was presented to the November 2021 Board meeting (Board Paper 4.0), and is summarised in the UKEB comment letter at paragraphs A4-A5.

12. At the November meeting the board acknowledged it was unable to support the IASB proposals in full, as not all stakeholders would be able to transition to the purely objectives-based approach proposed in the ED without adverse consequences. The Board advised that the path to improved disclosure is considered as a journey, which may require multiple milestones. Based on this it was recommended that the UKEB propose a hybrid approach to the IASB, incorporating some elements of the IASB proposals and avoiding the more challenging practical difficulties.

13. The recommended hybrid approach includes elements of the objectives-based regime described in the ED, but also incorporates a moderate amount of mandatory disclosure as follows:

a) As outlined in the ED proposals the IASB should spend additional time when setting standards to understand the needs of users, their objectives in financial statement disclosure, and how they are likely to use the information provided.

b) The IASB should use this information to create disclosure objectives for a standard, along with multiple examples illustrating how each objective could be met. Providing multiple examples would effectively discourage use of the examples as a checklist, and assist companies, regulators and auditors to gain a common understanding of what level of disclosure the IASB considers to be "good enough" to meet user needs in various circumstances. The additional information gathered on user needs should be published in the standard as outlined in the IASB proposals.

c) The above should be supplemented with a list of disclosures which are mandatory for the standard, if material. The mandatory disclosures should be sufficient to meet disclosure requirements in simple circumstances. We think these disclosures would be fewer in number than those included in standards today, but greater in number than the minimal mandatory Items of Information outlined in the IASB's proposals. Where possible the mandatory rules should focus on *what* should be disclosed, rather than *how* it should be disclosed to provide companies the freedom to use judgement when combining information disclosed under the mandatory rules with additional information they choose to provide to meet the objectives.

d) The drafting of a standard should emphasise the materiality rules of IAS 1 and the need to apply judgement.

14. We believe this approach allows principles of disclosure based on user needs to be established. Small companies with simple financial statements are likely to meet their disclosure requirements in many areas by complying with the mandatory disclosure requirements. Medium size preparers may find the mandatory disclosures adequate for simpler areas of the financial statements but provide additional information based on the disclosure objectives in key areas of the financial statements. Larger companies with very complex financial statements would likely need to supplement the mandatory disclosures with additional information to meet the objectives in many areas of the financial statements. While judgement needs to be used by all preparers, this spreads the preparer and audit burden in a way proportionate with the complexity of the financial statements, while introducing all preparers to the concept of an objectives based approach and allowing them to develop skills in this area. This may facilitate a change to a full objectives based approach, as envisioned in IASB's proposals, at a later date when skills have been developed and improvements to disclosure demonstrated.

| Questions for the Board |
|---|
| a) Do Board members have any suggested amendments to the comment letter included in Appendix 1, or to the feedback statement at Appendix 2?<br><br>b) Subject to any suggested amendments, does the Board approved the comment letter for issuance to the IASB?<br><br>c) Subject to any suggested amendments, does the Board approve the feedback statement for publication on the UKEB website? |

d) Do Board members have any suggested amendments to the draft compliance statement included at Appendix 3?

e) Subject to any suggested amendments, does the Board approve the compliance statement for publication on the UKEB website?

## Next Steps

15. The comment letter will be submitted to IASB prior to IASB's deadline of 12 January 2022.

16. Following submission of the letter to IASB the comment letter, feedback statement and compliance statement will be published on the UKEB website.

Dr. Andreas Barckow
Chairman
International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London
E14 4HD

[Date]

Dear Dr Barckow

## IASB Exposure Draft ED/2021/3 *Disclosure Requirements in IFRS Standards – A Pilot Approach (Proposed Amendments to IFRS13 and IAS 19).*

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS . The UKEB also leads the UK's engagement with the IFRS Foundation (Foundation) on the development of new standards, amendments and interpretations. This letter is intended to contribute to the Foundation's due process. The views expressed by the UKEB in this letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended International Accounting Standards undertaken by the UKEB.

There are currently approximately 1,500 entities with equity listed on the London Stock Exchange using IFRS Standards[1]. In addition, unlisted companies have the option to use IFRS and a significant number take up this option.

We welcome the opportunity to contribute to the debate on disclosure in financial statements. We support the International Accounting Standards Board (IASB) in its ongoing efforts to make financial statement disclosure more useful and effective. We see merit in the principles-based approach to disclosure described in the Exposure Draft (ED) that uses objectives to replace lists of mandatory disclosure. Developing guidance focussed on user needs to for IASB to use when developing and drafting disclosure requirements (the Guidance) creates a useful and important addition to IASB's toolbox for standard setting.

We performed a significant amount of outreach with UK stakeholders by way of roundtables, one to one meetings, a survey and field-testing, and a balance of their views are reflected in this comment letter. Stakeholders found the objectives based approach to be conceptually appealing, and welcomed the additional information provided on user needs and objectives, which they thought was helpful in making judgements about disclosure. However they also highlighted a number of practical concerns related to the consequences of removing mandatory disclosure, which we summarise below. Having considered this feedback we recommend moving forward with a hybrid approach, which combines the use of the objectives and user

[1] UKEB calculations based on LSEG and Eikon data.

information proposed in the ED, with additional elements to avoid the more challenging practical difficulties. More details on our recommended approach and IASB's detailed questions are included in Appendices 1 and 2 to this letter:

## Challenges with ED proposals

1. Stakeholders are concerned about the practical application of the ED's proposals, in particular the possible consequences of removing the mandatory disclosure regime altogether. This would create challenges for smaller preparers, and for auditors and regulators. Mandatory disclosure provides a shared understanding of expectations between all stakeholders. It creates a single reference point for disclosure requirements, avoiding inconsistent disclosure requirements being set "via the back door" based on the preferences of local audit firms and regulators.

2. It is also clear that some elements of the disclosure problem described by IASB are behavioural in nature, rather than based on IFRS requirements. As this behaviour is not driven by IFRS requirements, changing the disclosure requirements is unlikely to lead to a different outcome. More information on the challenges with the ED proposals can be found in appendix 1 to this letter.

3. UK stakeholder feedback suggests that, not all stakeholders are currently in a position to successfully transition to the ED's purely objectives-based approach without adverse consequences. We therefore suggest that the IASB consider the path to improved disclosure as a journey, with multiple milestones. We acknowledge that this would lead to a slower transition to the new approach than that envisaged by the IASB but it may help ensure more consistent application of it over the longer term.

## Proposed solution – Hybrid approach

4. Accordingly, as an interim step, we recommend a hybrid approach, incorporating some elements of the IASB proposals, whilst avoiding the more challenging practical difficulties. This approach is described in detail in appendix 1. But, at a high level, a hybrid solution would require that during the standard setting process IASB:

    a. obtain a thorough understanding of user needs,

    b. consider and incorporate disclosure objectives and user information relevant to the standard under development, as suggested in the ED, and supplement this by multiple examples of how to meet the objectives in different circumstances,

    c. provide a greater emphasis on materiality judgements required by IAS 1 *Presentation of Financial Statements*, and

    d. include mandatory disclosure items sufficient to meet disclosure requirements in simple circumstances.

5. We believe this approach will ensure that the principle, that disclosures should be based on user needs, can be established whilst also achieving many of the benefits of the IASB's

proposals. While this approach would require additional judgement to be applied by all preparers, it spreads the preparer and auditor burden in a way proportionate to the complexity of the financial statements and allows them to develop skills in this area. This may facilitate a smoother transition to a solely objectives-based approach when skills have been developed and improvements to disclosure are evident.

### ED proposals on IFRS 13 and IAS 19

6. We have the following comments in relation to the ED proposals relating to IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*:

   a. We have reservations about supporting amendments to IFRS 13 and IAS 19 without first understanding whether the Guidance described in the ED will be adopted and applied to other existing or future IASB standards. If the methodology is not used elsewhere, it will lead to inconsistent application of the principles for disclosures within IFRS, exacerbating the risk of confusing preparers and users and resulting in inconsistent application.

   b. In addition, bundling the proposed Guidance (future impact) and proposed changes to IFRS 13 and IAS 19 (immediate impact) into a single exposure draft has meant that stakeholders may not give enough focus to these proposed changes. Given the significance of the changes we think these merit exposure as standalone exposure drafts.

   c. Should IASB decide to proceed with the ED proposals we recommend that the IASB first considers all feedback relating to the proposed approach to disclosure principles to determine how and when this will be used for existing and future standards. Once that decision has been reached, the IASB should re-expose the amendments to IFRS 13 or IAS 19.

If you have any questions about this response please contact the project team at Contact@endorsement-board.uk

Yours sincerely

Pauline Wallace
Chair
UK Endorsement Board

Appendix 1 UK feedback and proposed hybrid solution

Appendix 2 Questions on ED/2021/3 *Disclosure Requirements in IFRS Standards – A Pilot Approach (Proposed Amendments to IFRS 13 and IAS 19).*

# Appendix 1: UK feedback and proposed hybrid solution

A1 UK stakeholders expressed a range of views on the proposals in the ED. Some stakeholders supported the proposals overall, but many more expressed significant concerns about one or more of the consequences of removing mandatory disclosure. At paragraphs A4-A5 we summarise the feedback received on the advantages and disadvantages of the proposals.

A2 As a consequence we are unable to support the IASB proposals in full. We acknowledge that, at this time, not all stakeholders would be able to transition to the purely objectives-based approach proposed in the ED without adverse consequences. We find it more helpful to consider the path to improved disclosure as a journey, with multiple milestones. In this spirit we recommend as a next step a hybrid approach, which incorporates some elements of the IASB proposals, but avoids the more challenging practical difficulties.

## Stakeholder feedback on IASB's proposals

A3 As part of our outreach to stakeholders we ran field tests in conjunction with the IASB. The IASB project team has been provided with full access to all field test results and materials provided by participants. We summarise below the feedback provided by UK stakeholders across all outreach events on this project.

A4 The advantages of the IASB's proposals identified by stakeholders were:

a. The proposals provide a more principles-based approach, giving companies greater freedom to "tell their own story in their own voice". This was inherently appealing to most stakeholders.

b. The additional information on the purpose of the disclosure and user needs was widely welcomed and considered helpful to improving disclosure.

c. Users of financial statements welcome better disclosure and generally expected the proposals to result in better information compared with that generally available today.

d. The field test feedback was largely positive and, overall, the participants were enthusiastic about the proposals. The information on objectives had provided a fresh perspective to be applied to their disclosures. It also helped them understand that some or many of their identified improvements could be made under current requirements, which they undertook to consider in their next set of financial statements.

e. Several preparers noted that the implementation of a new/revised standard provides an "event" which would be a catalyst to make significant changes to disclosure. This can otherwise be difficult due to practical constraints (time and resources, audit etc.) and behavioural constraints (lack of desire to fundamentally change something that is considered to work). It was thought that any significant changes would be made in or around the transition year then the disclosure would become stable again with relatively few subsequent changes.

A5 The disadvantages of the IASB's proposals identified by stakeholders were:

a. *Skills and resources* – Smaller preparers, and the accounting firms who work with them, told us that the proposals represent a substantial change in approach, that may be difficult to accommodate. Mid-size preparers highlighted resource challenges if too many standards changed at once. As a result, there is a risk that the proposals lead to widening of the gap in disclosure quality between the entities with access to adequate finance skills and resources and those without.

b. *Single reference point* – Many stakeholders highlighted the benefits of mandatory disclosure requirements – they create a single source of reference as to what is required – which would be lost if the IASB proposals are implemented without change. Mandatory requirements are said to create confidence in financial reporting, by providing a shared understanding of the requirements and a useful framework for discussions between companies, auditors, investors and regulators. In their absence, there is concern that other disclosure requirements are created "via the backdoor" by the preferences of individual audit firms and local regulators. This may lead to the inconsistent application of IFRS Standards, both within and between jurisdictions.

c. *Efficiency of reporting process* – Many preparers told us they use a checklist of some form (based on either IFRS disclosure requirements, prior year accounts or Big 4 Example account publications) as part of their process, but then move on to consider the question of what should be added/modified/removed in the current year. We understand accounting firms do the same. This is considered to assist in creating an efficient and robust end-of-year reporting process.

d. *Behavioural barriers* – Stakeholders told us that behavioural issues were the more significant barriers to removing irrelevant information from financial statements. Adding further information to disclosures today is considered straightforward, however removing (irrelevant) information is considered difficult. This is often due to cultural barriers (audit committee taking a conservative view, finance teams perceived risk of audit disputes, pragmatic decisions to "give in" to the auditors as not enough resources to research and develop supporting rationale). Both preparers and auditors described the "safety" of including extra information when in doubt. As this behaviour is not driven by IFRS requirements, changing those requirements is unlikely to lead to a different outcome.

e. *Role of audit* – There is general agreement that the role of audit is critical to these proposals, and many stakeholders acknowledged the challenging audit environment in the UK at this time, with the profession currently facing intense media scrutiny and the Department for Business, Energy and Industrial Strategy (BEIS) review of the audit market and product. Preparers, particularly those from mid-size and small entities, felt strongly that, in the current climate, auditors would struggle to adapt sufficiently to make the proposals work in a proportionate way for them. They thought audit firms would be reluctant to permit a reduction of disclosure under the new regime, or support disclosure which was significantly different to the peer group. For many, this was a "deal breaker" for the proposals being workable in practice. This view was reinforced at our auditors' roundtable, where most attendees agreed that while conceptually this is a step in the right direction, application in practice will be tough.

f. *Comparability of information* – Many stakeholders raised comparability as a potential issue with the practical implementation of the proposals. However, both users and preparers suggested that industry norms may emerge over time, mitigating the comparability risk.

g. *Regulatory enforcement* – The quality and usefulness of financial information provided by companies is reliant on a robust corporate reporting framework with appropriate regulatory oversight. Stakeholders questioned whether regulators would be able to effectively carry out their role under the new regime. Some suggested the subjective nature of the proposals would make regulation less effective. As one preparer noted "who is to say we are wrong". It was noted a detailed knowledge of the company would be required to understand whether the disclosure was appropriate, and that regulators did not easily have access to such information. From a UK regulatory perspective, the FRC shared concerns as to the impact of the proposals on regulatory resources, noting it is likely more time will be needed to determine if the disclosures presented satisfy the disclosure objectives, and in forming a view and making enforcement decisions. This acknowledges that difficulties in enforcement may lead to a reduction in the quality and usefulness of information disclosed in financial statements, and could exacerbate the lack of comparability across companies.

h. *Interaction with digital reporting* – Digital reporting is fast becoming a key to consumption of financial reporting by users and investors but has not been fully explored in these proposals. Our discussion with a financial data provider revealed that the processes used to automate financial statement analysis value uniformity of information, tabular information over narrative, and do not mind excess (irrelevant) information. Research by the FRC Lab notes that "in the world of AI data has value, but structured data has even more value….to facilitate the use of corporate reporting information…..data that is required to be made publicly available could be done so in a way that is open, structured and allows for low cost aggregation and reuse"[2]. Research in the US market[3] of those accessing financial information in the SEC EDGAR system has shown so called "robot downloads" for automated financial statement analysis substantially exceed human downloads and that this is a growing trend. There is therefore a balance to be explored and achieved between the differing disclosure needs of machine and human users.

[2] *Artificial Intelligence and Corporate Reporting, How Does it Measure Up*, January 2019, Financial Reporting Council Financial Reporting Lab.
[3] *The Use of EDGAR Filings by Investors*, Tim Loughran & Bill McDonald, Journal of Behavioural Finance, 2017, vol.18, issue 2, 231-248..

A6 In terms of the IASB's project objectives, supporting the IASB's proposals may lead to more relevant disclosure and more effective communication of the information presented by some companies. However, it risks widening the gap in disclosure quality between companies with significant finance resources and those who lack such resource. It also risks losing the benefits of today's mandatory disclosure regime, reduces comparability, and poses practical challenges for auditors and regulators. The issue of too much irrelevant information in financial statements may not be successfully addressed, as (other than in the transition year) our work indicated this was a behavioural issue and unlikely to be affected by changes to drafting in the standards.

## Proposed hybrid approach

A7 In response to the above we recommend an approach which includes elements of the objectives-based regime described in the ED, but also incorporates a moderate amount of mandatory disclosure. This approach would require that during the standard setting process IASB:

a. obtain a thorough understanding of user needs as described in the ED proposals;

b. consider and incorporate the disclosure objectives and user information relevant to the standard under development, as suggested in the ED, and supplement this by multiple examples of how to meet each objective in different circumstances. Providing multiple examples should effectively discourage the use of the examples as a checklist, and assist companies, regulators and auditors to gain a common understanding of what level of disclosure the IASB considers to be "good enough" to meet user needs in various circumstances;

c. provide a greater emphasis on materiality judgements required by IAS 1 *Presentation of Financial Statements*; and

d. include mandatory disclosure items sufficient to meet disclosure requirements in simple circumstances. We think these disclosures would be fewer in number than those included in standards today, but greater in number than the minimal mandatory Items of Information outlined in the IASB's proposals. This would permit preparers to take a proportionate approach appropriate to the size and nature of their business. Small companies undertaking routine transactions with simple financial statements are likely to meet most of their disclosure requirements simply by complying with the mandatory disclosure requirements. Medium size preparers may find the mandatory disclosures adequate for simpler transactions but may need to provide additional information, based on the disclosure objectives, when undertaking more complex transactions. Larger companies with very complex businesses would likely need to supplement the mandatory disclosures with additional information to meet the objectives in many areas.

A8 We believe this approach will ensure the principle, that disclosures should be based on user needs, can be established whilst also achieving many of the benefits of the IASB's proposals. While this approach would require additional judgement to be applied by all preparers, it spreads the preparer and auditor burden in a way proportionate to the complexity of the financial statements and allows them to develop skills in this area. This may facilitate a smoother transition to a solely objectives-based approach when skills have been developed and improvements to disclosure are evident.

# Appendix 2: Questions on ED/2021/3 *Disclosure Requirements in IFRS Standards – A Pilot Approach (Proposed Amendments to IFRS 13 and IAS 19).*

## *The proposed Guidance*

| Question 1: Using Overall Disclosure Objectives |
|---|
| Paragraphs DG5–DG7 of this Exposure Draft explain how the Board proposes to use overall disclosure objectives in future.<br>a) Do you agree that the Board should use overall disclosure objectives within IFRS Standards in future? Why or why not?<br>b) Do you agree that overall disclosure objectives would help entities, auditors and regulators determine whether information provided in the notes meets overall user information needs? Why or why not? |

A9 We support the IASB in its ongoing efforts to make financial statement disclosure more effective and useful. We see merit in the objectives-based approach to disclosure, however for the reasons explained in paragraph A5 believe that the disclosure objectives approach described in the ED would cause significant practical difficulties to entities, auditors and regulators. We therefore do not recommend moving to a purely objectives-based approach to disclosure, as envisioned by the ED, at this time. Instead we recommend a hybrid approach as explained at paragraph A7.

| Question 2: Using specific disclosure objectives and the disclosure problem |
|---|
| Paragraphs DG8–DG10 of this Exposure Draft explain how the Board proposes to use specific disclosure objectives in future.<br>a) Do you agree that specific disclosure objectives, and the explanation of what the information is intended to help users do, would help entities apply judgements effectively when preparing their financial statements to:<br>(i) provide relevant information;<br>(ii) eliminate irrelevant information; and<br>(iii) communicate information more effectively?<br>Why or why not? If not, what alternative approach would you suggest and why?<br>b) Do you agree that specific disclosure objectives, and the explanation of what the information is intended to help users do, would provide a sufficient basis for auditors and regulators to determine whether an entity has applied judgements effectively when preparing their financial statements? Why or why not? |

A10 We consider the disclosure objectives and explanations of user needs to be helpful to entities applying judgement in financial disclosure. Field test participants told us this information was useful in helping them consider their disclosures with fresh eyes, making changes and improving the test disclosure.

A11 However, as discussed in Appendix 1, we consider the proposals in their current form would cause significant practical difficulties to preparers, auditors and regulators at this time. Instead we recommend a hybrid approach as explained at paragraphs A7.

| Question 3: Increased application of judgement |
|---|
| Paragraphs DG2–DG3 and DG8–DG13 of this Exposure Draft explain why, in future, the Board proposes to:<br>a) use prescriptive language to require an entity to comply with the disclosure objectives.<br>b) typically use less prescriptive language when referring to items of information to meet specific disclosure objectives.<br>An entity, therefore, would need to apply judgement to determine the information to disclose in its circumstances. This approach is intended to shift the focus from applying disclosure requirements like a checklist to determining whether disclosure objectives have been satisfied in the entity's own circumstances. Paragraphs BC188–BC191 of the Basis for Conclusions describe the likely effects of this approach on the behaviour of entities, auditors and regulators towards disclosures in financial statements. Paragraphs BC192–BC212 of the Basis for Conclusions describe the likely effects of this approach on the quality of financial reporting, including the cost consequences of the approach.<br>a) Do you agree with this approach? Why or why not? If not, what alternative approach do you suggest and why?<br>b) Do you agree that this approach would be effective in discouraging the use of disclosure requirements in IFRS Standards like a checklist? Why or why not?<br>c) Do you agree that this approach would be effective in helping to address the disclosure problem? For example, would the approach help entities provide decision-useful information in financial statements? Why or why not?<br>d) Do you agree that this approach would be operational and enforceable in practice? Why or why not?<br>e) Do you have any comments on the cost of this approach, both in the first year of application and in subsequent years? Please explain the nature of any expected incremental costs, for example, changes to the systems that entities use to produce disclosures in financial statements, additional resources needed to support the increased application of judgement, additional audit costs, costs for users in analysing information, or changes for electronic reporting. |

A12 We support the use of prescriptive and non-prescriptive language to indicate where requirements are mandatory.

A13 We support parts of the IASB's proposed approach to disclosure, however for the reasons explained in paragraph A5 believe that the disclosure objectives approach described in the ED would cause significant practical difficulties to certain entities, auditors and regulators. We therefore do not recommend moving to a purely objectives-based approach to disclosure, as envisioned by the ED, at this time. Instead we recommend a hybrid approach as explained at paragraph A7.

A14 We think it is unlikely the approach proposed in the ED would prevent a checklist approach to disclosure. As noted at paragraph A5c, checklists are widely used in practice and are considered to assist an efficient and robust disclosure process. Checklists take many forms, including reference to prior year accounts. In part the checklist approach is a behavioural problem which is unlikely to be solved by standard setting. Many stakeholders noted that the proposed Items of Information could form the basis of a new checklist for those inclined to do so.

A15 Concerns about increased cost were primarily expressed by those representing mid-size and smaller preparers, and mostly focused on the transition year. Mid-size preparers expressed concern about the impact on resources if changes to the disclosure requirements of a large number of standards were made in a single year.

| Question 4: Describing items of information to promote the use of judgement |
|---|
| The Board proposes to use the following less prescriptive language when identifying items of information: 'While not mandatory, the following information may enable an entity to meet the disclosure objective'. Paragraph BC19–BC26 of the Basis for Conclusions describe the Board's reasons for this language and alternative options that the Board considered.<br><br>Do you agree that the proposed language is worded in a way that makes it clear that entities need to apply judgement to determine how to meet the specific disclosure objective? If not, what alternative language would you suggest and why? |

A16 We believe the language used to differentiate between the mandatory and non-mandatory requirements is sufficiently clear. The drafting is also sufficiently clear that entities should apply judgement in determining how to meet the objectives.

| Question 5: Other comments on the proposed Guidance |
|---|
| Paragraphs BC27–BC56 of the Basis for Conclusions describe other aspects of how the Board proposes to develop disclosure requirements in IFRS Standards in future applying the proposed Guidance. Paragraphs BC188–BC212 of the Basis for Conclusions explain the expected effects of any disclosure requirements developed using the proposed Guidance.<br><br>Do you have any other comments on these aspects? Please indicate the specific paragraphs or group of paragraphs to which your comments relate (if applicable). |

A17 We have no further comments to the information provided in Appendix 1 and above.

# *The proposed amendments to IFRS 13*

| Question 6: Overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition [IFRS 13] |
|---|
| Paragraphs BC62–BC73 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition.<br><br>Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition? If not, what alternative objective do you suggest and why? |

| Question 7: Specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition [IFRS 13] |
|---|
| Paragraphs BC74–BC97 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objectives about assets and liabilities measured at fair value in the statement of financial position after initial recognition, and discuss approaches that the Board considered but rejected.<br><br>a) Do you agree that the proposed specific disclosure objectives capture detailed user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition? Why or why not? If not, what changes do you suggest?<br><br>b) Do you agree that the proposed specific disclosure objectives would result in the provision of information about material fair value measurements and the elimination of information about immaterial fair value measurements in financial statements? Why or why not?<br><br>c) Do you agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them? Why or why not? If you disagree, how should the objectives be changed so that the benefits justify the costs? Please indicate the specific disclosure objective(s) to which your comments relate.<br><br>d) Do you have any other comments on the proposed specific disclosure objectives? Please indicate the specific disclosure objective(s) to which your comments relate. |

| Question 8 Information to meet the specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition [IFRS 13] |
|---|
| Paragraphs BC74–BC97 of the Basis for Conclusions describe the Board's reasons for proposing the items of information to meet the specific disclosure objectives about assets and liabilities measured at fair value in the statement of financial position after initial recognition, and discuss information that the Board considered but decided not to include.<br><br>a) Do you agree that entities should be required to disclose the proposed items of information in paragraphs 105, 109 and 116 of the [Draft] amendments to IFRS 13? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?<br><br>b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet each specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective? |

| Question 9: Specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes (IFRS 13) |
|---|
| Paragraphs BC98–BC99 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes.<br>a) Do you agree that the proposed specific disclosure objective captures detailed user information needs about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes? Why or why not? If not, what changes do you suggest?<br>b) Do you agree that this proposed specific disclosure objective would result in the provision of useful information about assets and liabilities not measured at fair value but for which fair value is disclosed in the notes? Why or why not?<br>c) Do you agree that the benefits of the specific disclosure objective would justify the costs of satisfying it? Why or why not? If you disagree, how should the objective be changed so that the benefits justify the costs?<br>d) Do you have any other comments about the proposed specific disclosure objective? |

| Question 10: Information to meet the specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes (IFRS 13) |
|---|
| Paragraph BC100 of the Basis for Conclusions describes the Board's reasons for proposing the items of information to meet the specific disclosure objective about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes.<br>a) Do you agree that entities should be required to disclose the proposed items of information in paragraph 120 of the [Draft] amendments to IFRS 13? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?<br>b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet the specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective? |

| Question 11: Other comments on the proposed amendments to IFRS 13 |
|---|
| Do you have any other comments on the proposed amendments to IFRS 13 in this Exposure Draft, including the analysis of the effects (paragraphs BC214–BC215 of the Basis for Conclusions) and the Illustrative Examples accompanying the Exposure Draft? |

A18 In relation to the proposed amendments to IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*:

a. We have reservations about supporting amendments to IFRS 13 and IAS 19 without first understanding whether the Guidance described in the ED will be adopted and applied to other existing or future IASB standards. If the methodology is not used elsewhere, it will lead to inconsistent application of the principles for disclosures within IFRS, exacerbating the risk of confusing preparers and users and resulting in inconsistent application.

b. In addition, bundling the proposed Guidance (future impact) and proposed changes to IFRS 13 and IAS 19 (immediate impact) into a single exposure draft has meant that stakeholders may not give enough focus to these proposed changes. Given the significance of the changes we think these merit exposure as standalone exposure drafts.

c. Should IASB decide to proceed with the ED proposals we recommend that the IASB first considers all feedback relating to the proposed approach to disclosure principles to determine how and when this will be used for existing and future standards. Once that decision has been reached, the IASB should re-expose the amendments to IFRS 13 or IAS 19.

A19 A number of UK companies took part in field testing of the IFRS 13/IAS 19 proposals. These field tests were conducted in conjunction with the IASB and the IASB project team has been provided with full access to all field test results and materials provided by participants. As noted in paragraph A4d the field test feedback was largely positive and, overall, the participants were enthusiastic about the proposals. We understand that the IASB intend to present the anonymised results of the field tests to users, to assess whether the test disclosures provide more decision useful information. We encourage this and emphasise the importance of this step. Similarly we encourage the IASB to consider carefully field test results from smaller companies in other jurisdictions, as UK participants were all FTSE companies.

A20 The drafting in paragraphs 111-113 of the ED has caused some confusion as to whether entities are required to disclose a range of valuation based upon the use of multiple fair value techniques instead of, or in addition to, a sensitivity analysis. We do not believe this was the IASB's intent, and suggest this confusion could be resolved by moving paragraphs 111-113 to the section headed *Measurement uncertainties associated with fair value measurements*. This would make clear that this information is a continuation of the process to explain measurement uncertainty, and companies could choose the most appropriate technique (sensitivity analysis, use of an alternative measurement basis etc) to explain the uncertainty relevant to their circumstances.

A21 Some disclosure requirements appear to be disproportionate. Paragraphs 118-121 describe proposed disclosures for assets and liabilities measured at amortised cost but for which fair value is disclosed in the notes. Paragraph 121 suggests that, while not mandatory, "a description of the nature, risks and other characteristics of the classes of assets and liabilities….. can be provided by cross reference to where that information is disclosed elsewhere in the financial statements." This final requirement, particularly as it relates to the risks of fair value measurement, is in addition to existing requirements but also appears to be beyond the scope of what is discussed in BC 98-100. We interpret this to mean that, subject to materiality, disclosures of fair value valuation risk for items carried at fair value, and items carried at amortised cost for which fair value is disclosed in the notes should be the same.

A22 Providing the same level of detail of fair value measurement risk for amortised cost assets as for fair value assets appears disproportionately burdensome. Companies are less likely to undertake the same level of fair value risk and sensitivity testing for amortised cost assets as they are for assets recorded at fair value. Smaller organisations with no or few fair value assets may not have the resources to do this. Some preparers have suggested to us that this disclosure is not a high priority for users of financial statements and effort should be proportionate with that. We recommend the requirement in paragraph 121 be removed, or, if this was not the IASB's intention, that the drafting be clarified to reflect this.

A23 The following example illustrates the point. Consider a bank with a large portfolio of vanilla loans to customers, which is recorded at amortised cost. Disclosure of the fair value of this portfolio is currently required by paragraph 25 of IFRS 7 and would typically include less information about the risk to fair value measurement than that suggested above. Assuming the portfolio is material disclosure under the old/new regime might appear as follows.

## Vanilla Loans to Customers – Amortised Cost

| FV of Amortised cost typical disclosure items | IFRS 7 | ED Para 121 |
|---|---|---|
| FV valuation | ✓ | ✓ |
| FV hierarchy category | ✓ | ✓ |
| Description of valuation technique | ✓ | ✓ |
| Key inputs to valuation technique | * | ✓ |
| Sensitivity of valuation to changes in inputs | ✗ | ✓ |

* disclosed in some cases

# The proposed amendments to IAS 19

| Question 12: Overall disclosure objective for defined benefit plans (IAS 19) |
|---|
| Paragraphs BC107–BC109 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for defined benefit plans. Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about defined benefit plans? If not, what alternative objective do you suggest and why? |

| Question 13—Specific disclosure objectives for defined benefit plans (IAS 19) |
|---|
| Paragraphs BC110–BC145 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objectives about defined benefit plans, and discuss approaches that the Board considered but rejected.<br>a) Do you agree that the proposed specific disclosure objectives capture detailed user information needs about defined benefit plans? Why or why not? If not, what changes do you suggest?<br>b) Do you agree that the proposed specific disclosure objectives would result in the provision of relevant information and the elimination of irrelevant information about defined benefit plans in financial statements? Why or why not?<br>c) Do you agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them? Why or why not? If you disagree, how should the objectives be changed so that the benefits justify the costs? Please indicate the specific disclosure objective(s) to which your comments relate.<br>d) Do you have any other comments on the proposed specific disclosure objectives? Please indicate the specific disclosure objective(s) to which your comments relate. |

| Question 14—Information to meet the specific disclosure objectives for defined benefit plans (IAS 19) |
|---|
| Paragraphs BC110–BC145 of the Basis for Conclusions describe the Board's reasons for proposing the items of information to meet the specific disclosure objectives about defined benefit plans, and discuss information that the Board considered but decided not to include.<br>a) Do you agree that entities should be required to disclose the proposed items of information in paragraphs 147F, 147M and 147V of the [Draft] amendments to IAS 19? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objectives?<br>b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet each specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective? |

| Question 15—Overall disclosure objective for defined contribution plans (IAS 19) |
|---|
| Paragraphs BC156–BC158 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for defined contribution plans.<br>Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about defined contribution plans? If not, what alternative objective do you suggest and why? |

| Question 16—Disclosures for multi-employer plans and defined benefit plans that share risks between entities under common control (IAS 19) |
| --- |
| Paragraphs BC159–BC166 of the Basis for Conclusions describe the Board's reasons for proposing which disclosure objectives should apply for multi-employer plans and defined benefit plans that share risks between entities under common control.<br><br>Do you agree that these proposals would result in the provision of useful information that meets the overall user information needs about these plans? If not, what alternative approach do you suggest and why? |

| Question 17—Disclosures for other types of employee benefit plans (IAS 19) |
| --- |
| Paragraphs BC167–BC170 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objectives for other types of employee benefit plans.<br><br>Do you agree that these proposals would result in the provision of useful information that meets the overall user information needs about these plans? If not, what alternative approach do you suggest and why? |

| Question 18—Other comments on the proposed amendments to IAS 19 |
| --- |
| Do you have any other comments on the proposed amendments to IAS 19 in this Exposure Draft, including the analysis of the effects (paragraph BC216 of the Basis for Conclusions) and the Illustrative Examples accompanying the Exposure Draft? |

A24 Our comments in paragraphs A18-A19 also apply to the proposed amendments to IAS 19.

# UKEB FEEDBACK STATEMENT

IASB Exposure Draft ED/2021/3
Disclosure Requirements in IFRS Standards—A Pilot Approach
Proposed amendments to IFRS 13 and IAS 19

[DRAFT FOR BOARD REVIEW]

January 2022

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK’s National Standard Setter for IFRS. The UKEB also leads the UK’s engagement with the IFRS Foundation (Foundation) on the development of new standards, amendments and interpretations.

The comment letter to which this feedback statement relates forms part of those influencing activities and is intended to contribute to the Foundation’s due process. The views expressed by the UKEB in this letter are separate from, and will not necessarily affect the conclusions in, any endorsement and adoption assessment on new or amended International Accounting Standards undertaken by the UKEB.

# CONTENTS

# Purpose of this feedback statement

This feedback statement presents the views of UK Stakeholders received during the UKEB's outreach activities on the IASB's Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach* and explains how the UKEB's comment letter addressed those views.

# The IASB's Exposure Draft

This exposure draft forms part of IASB's *Disclosure Initiative – Targeted Standards-level Review of Disclosures* project. The objective of the project is to improve how IASB develops and drafts disclosure requirements in IFRS standards, so that entities applying those standards provide more useful information to users of financial statements.

This aims to address the "disclosure problem" which IASB describe as:

1. Not enough relevant information in financial statements.
2. Too much irrelevant information in financial statements.
3. Ineffective communication of the information provided in financial statements.

UKEB

# Summary of IASB's Proposals

The IASB has developed guidance for itself when developing and drafting disclosure requirements in future. Under these proposals entities would be required to disclose all material information necessary to comply with overall and specific disclosure objectives.

i. Overall disclosure objectives— describe the overall information needs of investors within an individual IFRS Standard and require companies to assess whether the information provided in the notes meets those overall investor information needs.

ii. Specific disclosure objective— describe detailed information needs of investors within an individual IFRS Standard.

iii. Items of information— provide items of information a company may, or in some cases is required to, disclose to satisfy each specific objective.

IASB has applied the above guidance to the disclosure requirements in IFRS 13 and IAS 19 and is seeking feedback on both the proposed guidance and the resulting proposed amendments to IFRS 13 and IAS 19.



UKEB

# Outreach approach

The UKEB's outreach activities took place between June 2021 and November 2021.

The outreach approach was underpinned by the UKEB's guiding principles of thought leadership, transparency, independence and accountability.

The outreach activities revealed a series of common feedback themes about the disclosure proposals

All comments and views were considered in reaching the UKEB final views on the questions raised.

Outreach activities included:

- Hosting a series of roundtables events with stakeholder groups which included preparers, auditors, regulators, and users of financial statements;
- In conjunction with IASB undertaking field tests of the IFRS 13 / IAS 19 proposals;
- Discussions with professional bodies/ committees;
- One to one meetings with preparers, auditors, accounting firms and regulators;
- An online survey;
- Public consultation on the UKEB's draft comment letter;
- Pre-recorded educational videos in collaboration with the IASB.

In total 58 stakeholders representing 35 organisations, and three professional bodies/committees engaged in outreach activities as follows.

| Stakeholder type | Stakeholders | Organisations represented |
|---|---|---|
| Preparers | 28 | 16 |
| Auditors & Accounting Firms | 17 | 9 |
| Regulators | 5 | 4 |
| Users | 5 | 4 |
| Rating agencies / data providers | 3 | 2 |
| Professional bodies/ committees* | 3 professional bodies/ committees | |

*The professional bodies/committees have multiple members, often representing a variety of stakeholder types.



UKEB

# 1. The proposed Guidance

| IASB proposal | UKEB draft position | Stakeholder views | UKEB final position |
|---|---|---|---|
| Under the proposed guidance IASB will require entities to comply with overall disclosure objectives that provide overall information on the needs of users of financial statements, and specific disclosure objectives that describe detailed information needs of users. To comply with these objectives entities will be required to disclose all material information to meet the user information needs.<br><br>When creating disclosure objectives IASB will supplement specific disclosure objectives with explanations of what the information provided to meet those objectives is intended to help users of financial statements do. Each specific disclosure objective will be linked to items of information which an entity may, or in some cases is required to, disclose to satisfy the disclosure objective.<br><br>. | Supports the IASB's efforts to make financial statement disclosure more effective and useful.<br><br>Sees merit in the objectives-based approach to disclosure and welcome the inclusion of specific objectives of a statement describing users' expected use of the disclosed information.<br><br>Highlights a number of potential practical concerns to be explored with stakeholders during the outreach process. | Stakeholders identified the following advantages of the proposals:<br>- Principles based;<br>- Companies can tell their own story in their own voice;<br>- Users welcome better disclosure;<br>- Objectives and user information was helpful to allow companies apply judgement more effectively; and<br>- Implementation of a new standard creates an event to encourage change in disclosure.<br><br>Stakeholders identified the following disadvantages of the proposals.<br>- Expected adverse impact on smaller preparers;<br>- Benefits associated with mandatory disclosure would be lost;<br>- Some disclosure issues are behavioural and hence unlikely to be changed by changing IFRS requirements;<br>- Challenges faced by auditors and regulators;<br>- Further alignment is required with digital reporting needs.<br><br>The above feedback is described in greater detail in the comment letter. | Recommends a hybrid approach, described in the comment letter, which includes some elements of IASB's proposals which stakeholders found appealing (additional information on users, disclosure objectives), but is designed to avoid the more challenging practical difficulties highlighted by stakeholders (including the impact on small companies, auditors and regulators and the loss of certain benefits associated with mandatory disclosure). |



UKEB

# 2. Proposed amendments to IFRS 13 and IAS 19

| IASB proposal | UKEB draft position | Stakeholder views | UKEB final position |
|---|---|---|---|
| Replace the disclosure requirements in IFRS 13 and IAS 19 with a new set of overall and specific disclosure objectives that describe user needs and require companies to exercise judgement in applying the proposed guidance. | Welcomes the IASB's plans to undertake field testing as it is key in identifying any potential issues.<br><br>Expressed reservations about IFRS 13 / IAS 19 amendments without first understanding whether guidance would be applied to other future and existing Standards.<br><br>Suggested that ED for IFRS 13 and IAS 19 be re-exposed before the Standard becomes live.<br><br>Recommended certain changes to drafting for clarity. | Field test results show the proposals can be successfully implemented subject to minor feedback.<br><br>Field test participants noted that some/many of the improvements identified during the field tests can be made using current disclosure requirements. | UKEB does not support the IASB proposals as written, but instead recommends a hybrid approach described in the comment letter.<br><br>Should IASB decide to proceed with these proposals UKEB notes:<br><br>• Certain drafting changes to improve clarity.<br><br>• Reservations about IFRS 13 / IAS 19 amendments without first understanding whether guidance would be applied to other future and existing Standards as expressed in the draft comment letter. |

# Disclaimer

This feedback statement has been produced in order to set out the UKEB's response to stakeholder comments received on IASB's Exposure Draft *Disclosure Requirements in IFRS Standards — A Pilot Approach* and should not be relied upon for any other purpose.

The views expressed in this feedback statement are those of the UK Endorsement Board at the point of publication.

Any sentiment or opinion expressed within this feedback statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS by the UKEB.

## Contact Us

UK Endorsement Board

8th Floor | 125 London Wall | London |
EC2Y 5AS | United Kingdom

contact@endorsement-board.uk

Web: www.endorsement-board.uk

# Influencing process: Disclosure Pilot

| Step | Required / Optional | Metrics or evidence | UKEB secretariat comments |
|---|---|---|---|
| **IASB's due process document** | | | |
| Exposure Draft ED/2021/3 *Disclosure Requirements in IFRS Standards – A Pilot Approach (Proposed Amendments to IFRS13 and IAS 19)* | | **Published:** 25/03/2021<br>**Comment deadline**:<br>Original: 21/10/2021<br>Revised: 12/01/2022 | Internally referred to as the Disclosure Pilot. |

| Project preparation | | | |
|---|---|---|---|
| Technical project added to UKEB technical work plan and discussed | Required | Project is included in the published technical UKEB Work Plan. | Yes |
| Project preparation and Project Initiation Plan (PIP) | Required | PIP created which includes:<br>- Approach to influencing;<br>- Proposed types of fieldwork;<br>- Involvement of IASB staff;<br>- Key milestones and timing;<br>- Initial analysis based on desk based or other research. | Yes |
| | Required | Assessment of whether to set up an ad-hoc advisory group | Not assessed due to limitation of resource during the early part of this year. |
| | Required | UKEB Board public meeting held to approve PIP | Yes, approved 09/07/21 meeting<br>Update approved at 17/09/21 meeting following extension of IASB deadline. |
| | Optional | UKEB Education or initial assessment | Yes, education session provided at 09/07/21 Board meeting. |

| Communications | | | |
|---|---|---|---|
| Communications | Required | UKEB Board public meetings held to discuss technical project | Yes,<br>**20/07/21** Approve PIP; Approve DCL<br>**17/09/21** Approve updated PIP; |

| | | | |
|---|---|---|---|
| | | | **18/11/21** Update of stakeholder feedback<br>**09/12/21** Approve DCL, Approve FS, Approve CS. |
| | Required | Board meeting papers posted and publicly available on a timely basis. | Yes |
| | Required | Project website contains a project description and up to date information. | Yes |
| | Optional | Number of webcasts, podcasts or educational videos to provide interested parties with high level updates or other useful information about the technical project | Three education videos recorded in conjunction with IASB available via UKEB website. |

| Outreach activities | | | |
|---|---|---|---|
| *Fieldwork undertaken* | | | |
| Public events, roundtables, workshops or interviews with specific groups of stakeholders | Optional | Numbers for stakeholder outreach and venues documented | Documented in Feedback Statement. All meetings were virtual. |
| Online survey | Optional | Number and results of surveys | Yes. The survey targeting SMEs only received one response, so this was supplemented by meetings with representatives of accounting firms who service the SME companies. |
| Field tests | Optional | Number of field tests | 4 field tests in conjunction with IASB. Feedback received from all participants |

| UKEB draft comment letter | | | |
|---|---|---|---|
| Draft comment letter | Required | Draft comment letter approved for publication at UKEB public meetings | Yes, approved at 20/07/2021 Board meeting |
| | Required | Draft comment letter, including deadline for responses, posted on UKEB Website for public consultation | Yes<br>Published: 26/08/2021<br>Comment deadline: 01/11/2021 |

| | | | |
|---|---|---|---|
| | Required | News Alert published to announce publication | Yes |
| | Required | Public responses on draft comment letter posted on website | No responses received. |

| UKEB final comment letter | | | |
|---|---|---|---|
| Final comment letter | Required | Final comment letter approved for publication at UKEB public meeting. | To be approved at the 09/12/21 Board meeting |
| | Required | Publish final comment letter on UKEB website and submit to IASB | Letter to be published once approved at Board meeting 09/12/21. |
| | Required | News Alert published to announce publication | To take place following posting to website. |

| Finalisation | | | |
|---|---|---|---|
| Feedback statement | Required | Draft Feedback Statement for discussion and review at UKEB public meeting | Feedback Statement to be approved at Board meeting 09/12/21. |
| | Required | Feedback Statement posted on UKEB Website | To take place following Board approval of the Feedback Statement. |
| | Required | News Alert published to announce publication | To take place following posting to website. |
| Compliance Statement | Required | Due process Compliance Statement approved by UKEB in public meeting | To consider at 09/12/21 Board meeting. |
| | Required | Due Process Compliance Statement posted on UKEB Website | To take place following Board approval of Compliance statement. |
| | Required | News Alert published to announce publication | To take place following posting to website. |

| Conclusion |
|---|
| This ED was published in March 2021. Due to resource constraints, the PIP was approved at the 20 July 2021 Board meeting. The PIP explained this ED was likely to impact a large number of UK stakeholders so educational videos in conjunction with IASB were created and an approach centred on roundtables and stakeholder interviews agreed. Extension to the IASB timeline allowed this outreach to involve further stakeholders and allowed time for UK field tests. The lack of formal responses to the draft comment letter has been mitigated by the extensive stakeholder participation in other forms of outreach, including field tests. Since March 2021 UKEB due process has been subject to change, culminating in production of the |

| |
|---|
| consolidated draft Due Process Handbook reviewed by the Board at its November meeting. Overall, on this project due process, as understood at the time, was complied with. |

| Approval |
|---|
| Does the Board approve the Disclosure Pilot Due Process Compliance Statement for publication? |