UKEB UK Endorsement Board

Dr. Andreas Barckow
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International Accounting Standards Board
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17 December 2021

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 that prepare their financial statements in accordance with IFRS Standards[1]. In addition, UK law allows unlisted companies the option to use IFRS and approximately 14,000 such companies currently take up this option.

We welcome the opportunity to contribute to the debate on disclosure in financial statements. We performed a significant amount of outreach with UK stakeholders by way of roundtables, one to one meetings, a survey, and field-testing. A balance of those views is reflected in this comment letter.

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 focused on user needs for use by the IASB when developing and drafting disclosure requirements (the Guidance) creates a useful and important addition to IASB's toolbox for standard setting.

Stakeholders found the objectives-based approach to be conceptually appealing, and welcomed the additional information provided on user needs and objectives, which they considered helpful

[1] UKEB calculation based on LSEG and Eikon data. This calculation includes companies listed on the Main market as well as the Alternative Investment Market (AIM).

in making judgements about disclosure. However, they also highlighted a number of practical concerns related to the consequences of removing mandatory disclosure, summarised below.

Having considered our own analysis and stakeholder feedback, we recommend moving forward with a hybrid approach, which would retain the use of the objectives and user information proposed in the ED but would require some amendments to the other ED proposals in order to avoid the practical difficulties identified by stakeholders. More details on our recommended approach and IASB's detailed questions are included in Appendices 1 and 2 to this letter:

Challenges with the 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 some preparers, in particular those with more complex business models and fewer resources at their disposal, as well as for auditors and regulators. Mandatory disclosure provides a shared understanding of expectations between all stakeholders. It creates a single reference point for disclosures, avoiding inconsistent requirements being set "via the back door", for example, arising from 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, changing the disclosure requirements is unlikely in itself, to lead to a different outcome. More information on the challenges with the ED's 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 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. In summary, a hybrid approach would require that during the standard setting process the IASB:

   a) obtains a thorough understanding of user needs as described in the ED proposals,

   b) considers and incorporates specific disclosure objectives and the information needs of users relevant to the standard under development, as suggested in the ED, and supplements this by multiple examples of how to meet the objectives in different circumstances,

c) provides a greater emphasis on materiality judgements as well as other matters of judgement and estimation uncertainty required by IAS 1 *Presentation of Financial Statements*, and

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

5. We believe this approach will enable the establishment of the principle that disclosures should be based on user needs, but also achieve 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 may 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 there is merit in issuing 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).*

UKEB UK Endorsement Board

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 undertook 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 expect 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 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) *Resources* – Preparers with fewer resources, 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 in the short to medium term. 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 entities with more resources and those with fewer

b) 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 viewed as "too 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 there are 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 in itself, to lead to a different outcome.

c) *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 that 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, a regulator shared concerns regarding the potential impact of the proposals on regulatory resources, noting that they anticipate needing more time to assess whether disclosure objectives have been met in individual cases and to make their enforcement decisions. This acknowledges that regulators may experience challenges if the proposals in the ED come into effect, which may then lead to a reduction in the quality and usefulness of information disclosed in financial statements and could exacerbate the lack of comparability across companies. This desire of the regulator to see "standardised disclosure" may also lead to them setting out their own version of "mandatory" disclosure, leading to requirements being set via the backdoor.

d) 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 inconsistent application of IFRS Standards, both within and between jurisdictions, will arise as disclosure requirements are created "via the backdoor" due to the preferences of individual audit firms and local regulators.

e) *Efficiency of reporting process* – Many preparers told us that, for efficiency reasons, 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. As this would no longer be practical under the proposals in the ED, entities will be looking to develop an alternative approach that leads to the desired efficiency for the end of year processes for large multinational groups.

f) 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.

g) *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.

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 more resources and those with fewer. It also risks losing the benefits of today's 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 the IASB:

a) obtains a thorough understanding of user needs, as described in the ED proposals;

b) considers and incorporates specific disclosure objectives and the information needs of users 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) provides a greater emphasis on materiality judgements as well as other matters of judgement and estimation uncertainty required by IAS 1 *Presentation of Financial Statements* ; and

d) includes mandatory disclosure items sufficient to meet the disclosure objectives in simple circumstances. We think mandatory disclosures can be useful where the required steps to meeting the objective are clear. Where complexity arises, examples provide more useful guidance in meeting the disclosure objective. We also think these mandatory disclosures would be fewer in number than those included in standards today, but more numerous 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 complexity and nature of their business models. Less complex companies undertaking routine transactions with simpler financial statements are likely to meet most of their disclosure objectives by complying with the mandatory disclosure requirements. Some preparers may find the mandatory disclosures adequate for less complex transactions but may need to provide additional information, based on the disclosure objectives, when undertaking more complex transactions. Companies with very complex businesses are likely to need to supplement the mandatory disclosures with additional information to meet the objectives in many areas.

A8 We believe this approach will enable the establishment of the principle that disclosures should be based on users' needs, but also achieve 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. a) Do you agree that the Board should use overall disclosure objectives within IFRS Standards in future? Why or why not? 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. 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: (i) provide relevant information; (ii) eliminate irrelevant information; and (iii) communicate information more effectively? Why or why not? If not, what alternative approach would you suggest and why? 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. 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:

a) use prescriptive language to require an entity to comply with the disclosure objectives.

b) typically use less prescriptive language when referring to items of information to meet specific disclosure objectives.

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.

a) Do you agree with this approach? Why or why not? If not, what alternative approach do you suggest and why?

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?

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?

d) Do you agree that this approach would be operational and enforceable in practice? Why or why not?

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, but for the reasons explained in paragraph A5, we 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. Instead, we recommend a hybrid approach as explained at paragraph A7.

A14 We think it is unlikely the approach proposed in the ED would entirely prevent a checklist approach to disclosure. As noted by stakeholders, 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 example those looking to develop efficient end of year processes for large multinational groups.

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. 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. 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.

UKEB UK Endorsement Board

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. 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. 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? 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? 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. 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. 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? 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. 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? 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? 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? 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. 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? 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 If this interpretation is correct, it 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. 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? 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? 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. 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. 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? 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. 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. 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. 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.