

# 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

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.

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# 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.



# 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.

# 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 59 stakeholders representing 36 organisations, and three professional bodies/committees engaged in outreach activities as follows.

Stakeholder type	Stakeholders	Organisations represented
Preparers	29	17
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.

# I. The proposed Guidance

IASB proposal	UKEB draft position	Stakeholder views	UKEB final position
<p>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.</p> <p>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.</p>	<p>Supports the IASB's efforts to make financial statement disclosure more effective and useful.</p> <p>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.</p> <p>Highlights a number of potential practical concerns to be explored with stakeholders during the outreach process.</p>	<p>Stakeholders identified the following advantages of the proposals:</p> <ul style="list-style-type: none"> <li>- Principles based;</li> <li>- Companies can tell their own story in their own voice;</li> <li>- Users welcome better disclosure;</li> <li>- Objectives and user information was helpful to allow companies apply judgement more effectively; and</li> <li>- Implementation of a new standard creates an event to encourage change in disclosure.</li> </ul> <p>Stakeholders identified the following disadvantages of the proposals.</p> <ul style="list-style-type: none"> <li>- Expected adverse impact on smaller preparers;</li> <li>- Benefits associated with mandatory disclosure would be lost;</li> <li>- Some disclosure issues are behavioural and hence unlikely to be changed by changing IFRS requirements;</li> <li>- Challenges faced by auditors and regulators;</li> <li>- Further alignment is required with digital reporting needs.</li> </ul> <p>The above feedback is described in greater detail in the comment letter.</p>	<p>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).</p>



## 2. Proposed amendments to IFRS 13 and IAS 19

IASB proposal	UKEB draft position	Stakeholder views	UKEB final position
<p>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.</p>	<p>Welcomes the IASB's plans to undertake field testing as it is key in identifying any potential issues.</p> <p>Expressed reservations about IFRS 13 / IAS 19 amendments without first understanding whether guidance would be applied to other future and existing Standards.</p> <p>Suggested that ED for IFRS 13 and IAS 19 be re-exposed before the Standard becomes live.</p> <p>Recommended certain changes to drafting for clarity.</p>	<p>Field test results show the proposals can be successfully implemented subject to minor feedback.</p> <p>Field test participants noted that some/many of the improvements identified during the field tests can be made using current disclosure requirements.</p>	<p>UKEB does not support the IASB proposals as written, but instead recommends a hybrid approach described in the comment letter.</p> <p>Should IASB decide to proceed with these proposals UKEB notes:</p> <ul style="list-style-type: none"> <li>• Certain drafting changes to improve clarity.</li> <li>• 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.</li> </ul>

# 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](mailto:contact@endorsement-board.uk)

Web: [www.endorsement-board.uk](http://www.endorsement-board.uk)