

6 January 2022

Andreas Barckow
Chair
International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London
United Kingdom

Dear Dr Barckow,

ED/ 2021/3 Disclosure Requirements in IFRS Standards—A Pilot Approach

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Accounting Standards Board's ("the Board") Exposure Draft ED/2021/3 *Disclosure Requirements in IFRS Standards – A Pilot Approach* ("the ED").

We support the efforts of the Board to improve disclosures and to address the disclosure problem. Developing guidance for the Board to use when developing and drafting disclosure requirements will help the Board to develop and draft disclosure requirements in a way that helps preparers provide relevant information to the users of the financial statements.

We agree that the inclusion of disclosure objectives and a description of users' needs are helpful to enhance the use of judgement in the preparation of financial statements. However, we do not agree with the removal of prescriptive disclosure requirements and we share the concerns laid out in the alternative view on enforceability of the approach in practice. The determination of which disclosures to provide would be highly judgemental and subjective, potentially impairing comparability. In addition, this approach may limit the ability of auditors to provide robust challenge on disclosure in the absence of direct engagement with investors and other stakeholders. This may lead to less relevant information being included in the financial statements. Additionally, from an audit perspective, we believe that the approach proposed by the Board could substantially increase costs given that areas requiring subjective judgements to be audited involve considerably more time and effort than auditing judgements guided by a clear framework and/or specific requirements.

Further, we note in the 'Future effects' section that the Board will decide through the normal process whether to amend the disclosure section of IFRS Standards already in issue to reflect the proposals in the ED. We would not support such a decision if the amendments were developed as proposed in the

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ED. We believe that such a project would be burdensome and would prevent the Board's resources from being utilised on higher priority projects and issues. We believe that using the approach explained below would allow for a more resource effective exercise of improving disclosure requirements.

As an alternative to the approach proposed in the ED, the Board could consider limiting the scope of the project to review the disclosure objectives in each Standard to ensure that they are clear and focused and to add information about users' needs. These changes would complement the existing prescribed disclosure requirements provided in the Standards. Under this alternative approach, consistent with the proposals in the ED, clear disclosure objectives would help to promote relevant disclosures by preparers.

We support the proposal to include a paragraph for each specific objective on why the information is needed by users, however, we note that for some examples provided in respect of IFRS 13 and IAS 19 the needs of users could be explained more clearly. A clear explanation of the disclosure objective would facilitate preparers and auditors making materiality judgements in respect of disclosures.

In addition to this, to aid preparers in applying materiality judgements in respect of disclosures, we would suggest that a 'judgement framework' should be provided. For example, an overarching judgement framework could be included within IAS 1 with the supporting specific disclosure objectives provided in specific Standards as proposed in the ED. The judgement framework could include several aspects to clearly lay out expectations of the process preparers should use in determining how to meet the disclosure objectives in a specific Standard. These would include principles of clear communication and materiality with reference to the *Materiality Practice Statement 2*.

In terms of the proposals in the ED, we strongly believe that the Board should avoid using the term 'non-mandatory' to describe disclosures that entities are expected to include to meet the overall and specific objectives, as the term 'non-mandatory' may be inappropriately understood to mean optional. Additionally, we question why certain items in the proposed amendments to IFRS 13 and IAS 19 are identified as non-mandatory since there does not appear to be alternative disclosures that could be provided to meet the related specific disclosure objective.

Our detailed comments on the ED's proposals are in the Appendix.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely



Veronica Poole
Global IFRS and Corporate Reporting Leader

Appendix

Section 1 – The proposed guidance for developing disclosure requirements in IFRS Standards in future

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?

We agree with the proposal to include overall disclosure objectives within IFRS Standards in order to provide a narrower, more Standard-specific focus than the generic objectives currently provided in the Conceptual Framework and IAS 1.

We agree that overall objectives are helpful to provide the context entities should consider in assessing what information should be disclosed. They also provide criteria against which preparers and auditors can assess whether the information needs of users have been met.

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?

We agree that the addition of specific disclosure objectives, and in particular an explanation of what the information is intended to help users do, would help entities to apply judgement. However, we believe that these objectives alone would not be sufficient. Instead, we believe that they should be used alongside prescriptive disclosure requirements as explained in our response to Question 3.

We believe that the specific disclosure objectives will contribute to providing more relevant information as they will help preparers consider how to fulfil specific disclosure requirements and whether any additional information is necessary over and above the prescriptive disclosure requirements.

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.

- (a) We do not agree with the removal of prescriptive disclosure requirements from IFRS Standards as a means to promote the use of judgement and discourage the checklist approach. We agree with the concerns laid out in paragraph AV1 of the alternative view that such an approach would impair comparability for users, increase enforcement challenges and be burdensome for preparers.

In addition to the concerns on preparer burden noted paragraphs AV9 – AV12, we also note the challenges this approach will present for preparers who will need to document the basis for their judgement to satisfy internal control requirements and/or provide support to auditors.

We believe that these concerns could be mitigated by a 'hybrid' approach whereby objectives and information about users' needs would be provided in the Standards to complement prescribed disclosure requirements. Under this hybrid approach clear disclosure objectives would help to promote a more consistent application of materiality judgements to disclosures by preparers.

In addition, to aid preparers in applying judgement around disclosure, we would suggest that a 'judgement framework' should be provided. This may help to address the issues of ineffective application of judgement as laid out in paragraph BC189. We suggest that an overarching judgement framework could be included within IAS 1, with the supporting specific disclosure

objectives provided in individual Standards as proposed in the ED. The judgement framework could include several aspects to clearly lay out expectations of the process preparers should use in determining how to meet the disclosure objectives in a specific Standard. These could include

- Principles of clear communication – We would suggest that the Board could outline some key concepts to be used when preparers are drafting disclosure. For instance, the need for an overall evaluation to ensure disclosure is fair, balanced and understandable from a user’s perspective. We believe this could help to promote disclosure of relevant information and enable preparers to exclude irrelevant information where it does not contribute to a balanced picture of an entity’s financial performance or position. Some regulators, including the UK’s FRC in its *Louder than words* publication, have published similar principles which we have found are useful in assessing whether information should be included or excluded from financial statements. Additionally, the FRC has long advocated for entities to step back and evaluate whether disclosures provided are appropriate to meet disclosure objectives in Standards. Most recently they have emphasised this in their publication *Key matters for 2021/22 reports and accounts*. Including this as a clear communication principle will emphasise the importance of the disclosure objectives. Along with the existing guidance on materiality in IAS 1, these principles of clear communication may help to set the stage that financial statements should have balanced disclosures.
- Materiality - The disclosure problem issues of too much irrelevant information and not enough relevant information, as described in paragraph BC1, can be improved through an appropriate application of the materiality principle which will be made clearer by the inclusion of user’s needs. In addition, a reference to the guidance in the *Materiality Practice Statement 2* could greatly enhance the judgement framework. In our view, it would also be useful to explicitly state in IAS 1 that where quantitatively or qualitatively immaterial disclosures are not given there is no requirement to disclose this fact or the basis of the rationale. We note that some regulators require a statement positively affirming that disclosures not included within the financial statements are not material.

In our view this judgement framework will go some way to resolving the disclosure problem by highlighting to preparers the principles to be applied when determining the extent of disclosure required, whilst retaining prescriptive requirements which will continue to ensure that financial statements are comparable. In addition, the judgement framework could help preparers to clearly document the judgements made in the context of materiality and specific objectives in a way that could be audited without significant burden on preparers or auditors.

- (b) We are not convinced that the approach proposed in the ED would be effective in discouraging a disclosure checklist approach or that it would significantly affect the behaviour of preparers as outlined in paragraph BC190. In particular, we are concerned that the absence of prescriptive requirements in IFRS Standards may end up being replaced by a ‘regulator checklist’ of information that all entities would provide to avoid regulatory challenge in the future. Given that different regulators may have different priorities such checklists may differ between jurisdictions further weakening the comparability of disclosures.

Further, contrary to the statement in BC190(b) that the proposed approach will ‘be difficult to apply like a checklist’, we believe that preparers may simply replace the prescriptive requirements currently provided in IFRS Standards with the list of ‘non-mandatory’ disclosures to be used as a checklist. This reflects the fact that preparers often rely on a checklist of disclosures to ensure that their disclosure obligations are fulfilled, especially in a ‘fast-close’ reporting environment.

- (c) As noted in our response to (a) we are not convinced that the proposed approach will be effective in helping to address the disclosure problem unless support for application of judgement is provided.

We agree with the objective in paragraph BC19(a) to 'provide entities with a sound basis for making materiality judgements by enabling entities to understand users' needs. However, for this to be the case, it would be important to explain clearly the needs of users and why this information is relevant to them. In the examples provided in respect of IFRS 13 and IAS 19 the description of users' needs is often too generic to understand why the information is important to users and for what purpose it might be used. As an example, paragraph 115 states that the objective in paragraph 114 is 'intended to help users of financial statements evaluate how transactions and other events ... have affected the entity's financial position and performance'. Without additional information on what is being 'evaluated', and why, it will be difficult for a preparer to make judgements on what information is material and should be disclosed.

- (d) We share the concerns presented in the alternative view on enforceability of the approach in practice. Under the proposed approach, auditors and regulators will be required to challenge management's assessment of whether disclosures are sufficient to meet users' needs, as outlined in paragraph AV7. We believe that auditors' ability to challenge robustly management judgement on what they identified as meeting user needs will be limited in the absence of direct engagement with investors and other providers of capital and no prescribed disclosures against which to benchmark. This may lead to less relevant information being included in the financial statements.

Additionally, entities having to meet short filing deadlines or other similar time constraints may resort to 'rolling forward' the same disclosures as previously used. We believe that the hybrid approach we propose will enable preparers to focus their judgement on the overall assessment of whether the objectives are met, having provided the mandatory disclosures, in a timely way.

- (e) As noted in responses to various other questions, we agree with the concerns expressed in the alternative view that the proposed approach would be burdensome. We expect that the approach will increase the costs of preparing disclosures without significantly improving the quality of the disclosures provided. Whilst the costs required would be more significant in the first year of application, the approach would require on-going costs for preparers to develop disclosures that respond to changing user needs in the absence of more definitive guidance.

From an audit perspective we believe that the approach proposed by the Board could substantially increase costs given that auditing subjective judgements and unguided disclosures is bound to require more time than judgements guided by a clear framework.

Finally, electronic reporting is likely to have a significant impact on cost-benefit considerations when assessing disclosures. Accordingly, the Board might consider the potential trade-off between providing entity-specific non-mandatory disclosures and providing mandatory and comparable disclosures that can be extracted and analysed using advanced information technology without significant cost.

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?

We strongly believe that the Board should avoid using the term 'non-mandatory' to describe disclosures that entities are expected to include to meet the overall and specific objectives, as the term 'non-mandatory' may be inappropriately understood to mean optional. If the Board were to proceed with the proposed approach, we would prefer that the Board used a phrase that captures the concept of the items of information being examples that could be used to fulfil the disclosure objective.

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).

We agree with the approach the Board proposes to follow in developing disclosure requirements. In particular, we believe that significant outreach activities will be necessary to obtain a precise understanding of users' needs as proposed in our response to question 3(c).

In relation to implementation and transition we strongly encourage the Board to work together with IOSCO and other regulators to ensure that the Board understands the needs of these stakeholders to avoid additional requirements being imposed in individual jurisdictions to compensate for the lack of a clear disclosure framework that allows benchmarking and comparability.

On transition, it will be important to give entities sufficient time to develop appropriate processes to implement a change in how disclosures are prepared.

Finally, we note in the 'Future effects' section that the Board will decide through the normal process whether to amend the disclosure section of IFRS Standards already in issue to reflect the proposals in the ED. We would not support such a decision using the proposed approach. We believe that such a project would be burdensome and would prevent the Board's resources from being utilised on higher priority projects and issues. We believe that using the hybrid approach would allow for a more resource effective exercise of improving disclosure requirements by adding disclosure objectives and information on user needs to the existing specific disclosure requirements in the standards.

Section 2 – Proposed amendments to IFRS 13 *Fair Value Measurement* applying the proposed guidance

Question 6—Overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition

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?

We agree with the overall objective to provide information that enables users to understand an entity's exposure to uncertainties associated with fair value measurements. However, we believe proposed wording in paragraph 100 which refers to an 'entity's exposure to uncertainties' is open to interpretation. It is not clear whether these words are meant to encompass uncertainties other than measurement uncertainties and if so, what these are.

Furthermore, we would suggest that additional key objective would be to provide information on the level of subjectivity and judgement required to perform valuations that rely on unobservable inputs. This additional objective may help to address the concerns of users about the subjectivity of the levels of the fair value hierarchy as explained in BC69.

Question 7—Specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition

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.

- (a) As laid out in our response to Question 3, we believe that specific disclosure objectives are useful if used alongside mandatory disclosure requirements.

We agree that the proposed specific disclosure objectives are appropriate.

- (b) As noted in our response to Question 3 we are not convinced that specific disclosure objectives will have the expected effect of eliminating immaterial information from the financial statements. We have commented on the appropriateness of specific disclosures becoming 'non-mandatory' in our response to Question 8.

- (c) Paragraph 111 of the ED proposes a specific disclosure objective to provide information on reasonably possible alternative fair value measurements, without indicating whether this would apply only when the change in one of the inputs would change the fair value significantly.

The current requirement in IFRS 13.93(h)(ii) is to provide such disclosures for “recurring fair value measurements categorised within Level 3 of the fair value hierarchy” if “changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would *change fair value significantly*.” Preparers have historically struggled with what is a “reasonably possible alternative assumption”. We are concerned that if this information was required even if no change in inputs could change fair value significant could result in additional cost, time or judgement spent assessing and calculating the alternative fair value measurements.

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

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?

- (a) We agree that these items should be required. However, we have concerns in relation to the requirement in paragraph 116 to split gains and losses between realised and unrealised as these terms are not defined in IFRS Standards. If this disclosure requirement is to be retained, it will be necessary to provide a clear definition.
- (b) We do not agree that the proposed items of information should be non-mandatory. It is not clear what alternative disclosures could be provided to meet the specific disclosure objective. For instance, the disclosure objective in paragraph 103(a) requires information that enables users to understand ‘the amount, nature and other characteristics of each class of assets and liabilities...’. One of the proposed non-mandatory disclosures in paragraph 106(a) is ‘a description of the nature, risks and other characteristics of the classes of assets and liabilities...’. Given the similarity in wording, it is not clear how the disclosure objective could be fulfilled without this ‘non-mandatory’ disclosure. As such, we suggest that this should be a prescribed disclosure. This issue arises throughout the ED as many of the specific disclosure objectives appear to have similarly worded ‘non-mandatory’ disclosures.

As noted in our response to Question 3, we believe that specific objectives should be used to support a set of minimum mandatory disclosures with their primary purpose being to help preparers to understand whether additional information is required.

We believe that the guidance currently included in the Basis for Conclusions to explain which non-mandatory disclosures are relevant to an entity should be included in the Standard itself.

For example, the guidance in BC87, which explains how facts and circumstances may affect which of the non-mandatory disclosures in paragraph 133 are relevant, should be incorporated into the main body of IFRS 13. Similarly, the guidance in BC96, explaining in which circumstances the non-mandatory disclosures in paragraph 117(a) should be disclosed, should also be incorporated into the main body of the IFRS 13.

Further, we believe that there is a risk that material information currently required in respect of Level 3 fair value measurements may be lost under the proposals in the ED. We note that paragraph BC67 explains that users often find that the current requirements result in excessive details on items that can be immaterial to the financial statements. However, we also note that these requirements were developed during the 2007 financial crisis in response to the needs of users at the time. If there has been a change in user attitudes towards this information, it would be useful to understand the current expectations and how these have evolved in order to inform the judgements required by preparers in determining what information may be relevant. In addition, it may be useful to explain how an entity considers the current economic conditions in assessing the relevance of disclosures to users.

Finally, we have concerns that the lack of mandatory disclosure requirements may lead to a loss of the convergence between IFRS 13 and Topic 820 in US GAAP that was sought when these two standards were developed, as noted in IFRS 13:BC236.

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

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?

We agree with the proposed requirements subject to our comments in questions 3 and 8.

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

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?

We agree with the proposed requirements subject to our comments in questions 3 and 8.

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?

We do not have any additional comments.

Section 3 – Proposed amendments to IAS 19 *Employee Benefits* applying the proposed Guidance

Question 12—Overall disclosure objective for defined benefit plans

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?

We agree with the proposed objective in paragraph 147A but would suggest that the information to be disclosed that would be of interest to users relates to the effect on the current *and future* financial statements.

Question 13—Specific disclosure objectives for defined benefit plans

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.

As laid out in our response to Question 3, we believe that specific disclosure objectives are useful but should be used alongside mandatory disclosure requirements

- (a) Overall, we agree with the disclosure objectives proposed but consider that they could be more specific to help preparers understand the needs of users – see our response to (d).
- (b) We agree that specific disclosure objectives will help preparers to provide relevant information. However, we believe that the proposed objectives are so broad that they are unlikely to reduce the number of detailed tables of numerical reconciliations often included in financial statements by preparers. As an example, paragraph 147T requires ‘information that enables users of financial statements to understand the significant reasons for changes in amounts’. It may be useful for the Board to perform outreach to confirm that users are interested in this level of detail.
- (c) As noted in our response in (b), the specific objectives appear to be so broad that the disclosures may not change significantly and, as such, it may be that the cost of preparation is not affected.
- (d) We would suggest that the objectives could be more specific on the following areas:
 - Extent to which the plan asset yields are sufficient to meet the long-term defined benefit obligations (in terms of both guaranteed and non-guaranteed benefit levels).
 - Financial risk uncertainties associated with the plan assets, including their fair values, liquidity and maturity.

Question 14—Information to meet the specific disclosure objectives for defined benefit plans

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?

- (a) We agree that these items should be required.
- (b) As noted in our response to Question 8(b) we do not agree that all of the items of information listed should be ‘non-mandatory’ given that it is unclear how the disclosure objectives could be met without these disclosures. For instance, the disclosure objective in paragraph 147G includes providing users with an understanding of the ‘nature of the benefits provided by the defined benefit plans’ and the first ‘non-mandatory’ disclosure included within paragraph 147I is ‘a description of the nature of the benefits provided by the plan’.

Question 15—Overall disclosure objective for defined contribution plans

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?

We agree with the proposed objective in paragraph 54A but would suggest that the information to be disclosed, which would be of interest to users, relates to the effect on the current *and future* financial statements.

Question 16—Disclosures for multi-employer plans and defined benefit plans that share risks between entities under common control

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?

We concur with paragraph BC161 that the overall disclosure objectives in relation to defined contribution plans, alone, do not sufficiently communicate the risks associated with a defined benefit plan and agree that an entity would need to comply with specific disclosure objectives for defined benefit plans.

Question 17—Disclosures for other types of employee benefit plans

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?

We agree with the proposed objectives.

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?

As noted in our response to Question 3 we believe that a set of minimum prescribed disclosures should be retained. We would suggest for IAS 19 that these minimum disclosures should include those assumptions that have the most impact on an entity’s estimate of the defined benefit obligation including the discount rate, mortality and expense assumptions as well as sensitivities to the key assumptions.