

Disclosure Requirements in IFRS Standards—A Pilot Approach

Overview of the Exposure Draft

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With you today



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Before we start



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To ask a question during the webinar, type it into the designated text box on your screen and click 'submit'. You can submit questions at any time during the presentation.



The Exposure Draft and supporting materials can be found on the Disclosure Initiative—Targeted Standards-level Review of Disclosures project webpage at <https://www.ifrs.org/projects/work-plan/standards-level-review-of-disclosures/>.

Agenda

Introduction

Proposed new approach to developing disclosure requirements in IFRS Standards

Proposed amendments to IFRS 13 and IAS 19

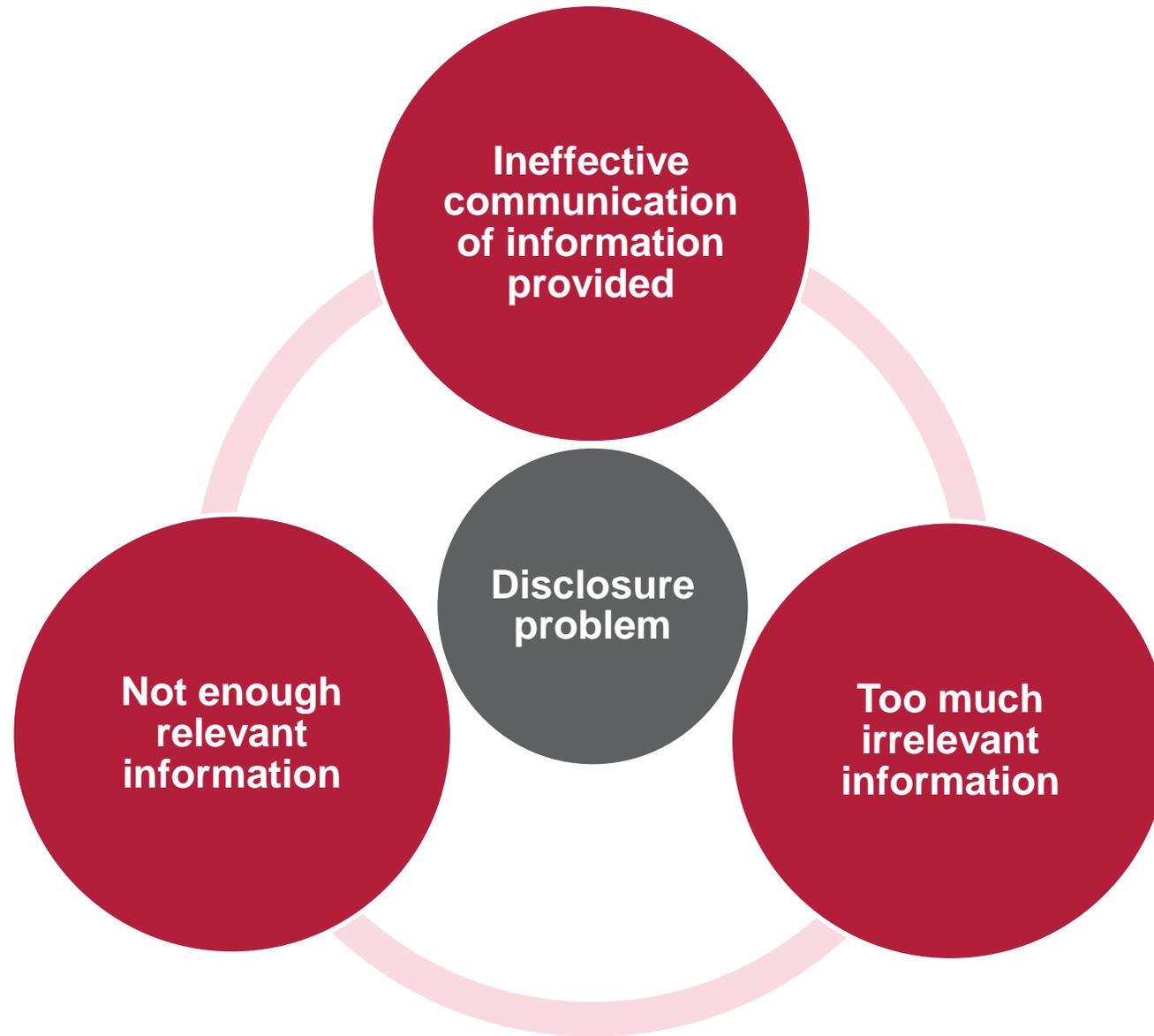
Next steps

Q&A

A grayscale world map is centered in the background. Overlaid on the map are several thick, light gray curved lines that sweep across the frame from the bottom left towards the top right. A network of thin, dotted lines is also visible, connecting various points across the map, suggesting a global network or data flow.

Introduction

The disclosure problem



What stakeholders have told the Board



Some say the easiest way to achieve compliance is to apply disclosure requirements like a **checklist**



Standard-level activity would be the most effective thing the Board can do to help stakeholders play their part in addressing the problem



Companies may not always **understand why** information is useful



Complying with **high volumes of prescriptive requirements** does not leave time to apply materiality judgements

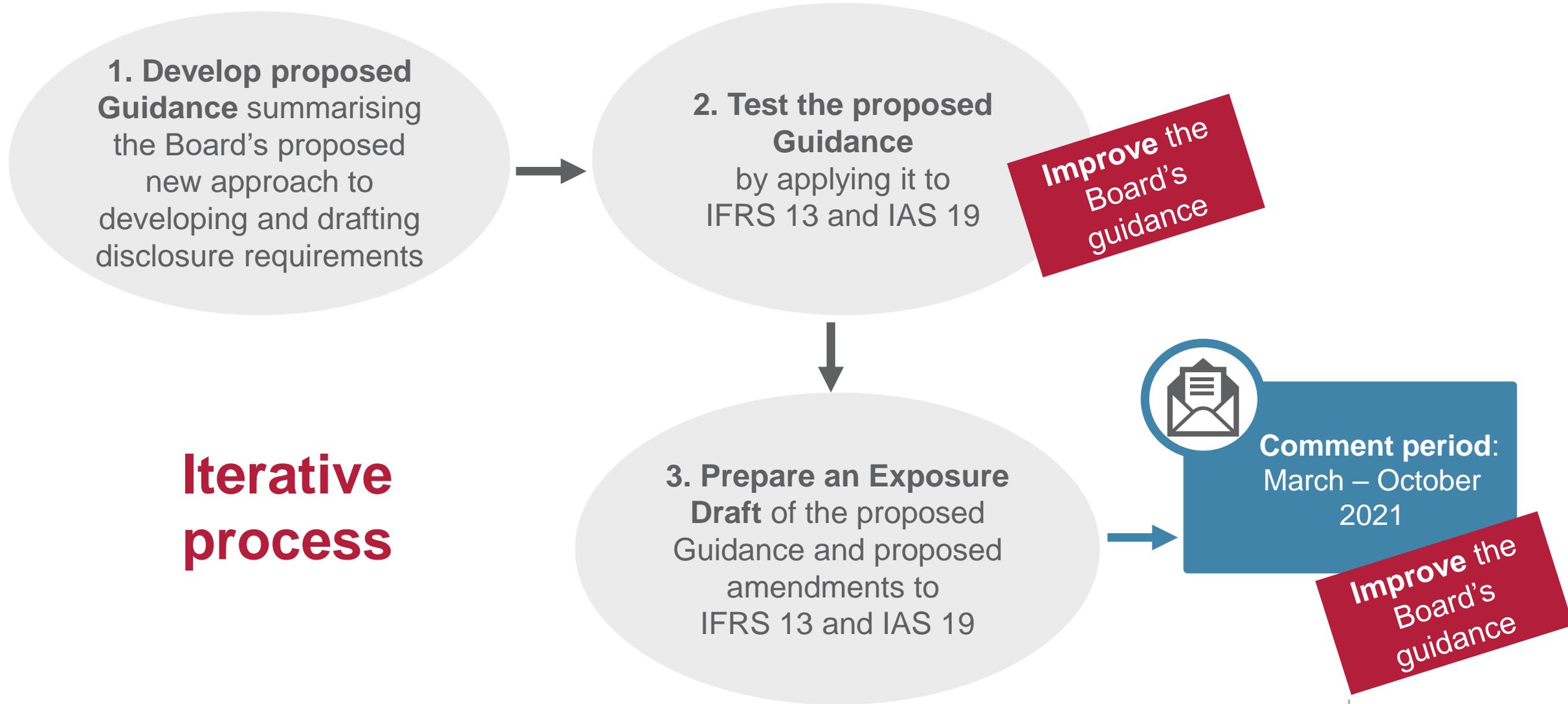
Catalyst for change

“Addressing the overall disclosure problem will require all those involved in financial reporting to play their part”



By taking steps to improve the requirements in IFRS Standards, the Board would **kick-start the process and enable stakeholders to improve the way they approach financial statement disclosures**

Project approach



**Iterative
process**



Proposed new approach
to developing disclosure
requirements in IFRS
Standards

Overview of the proposed new approach

What stakeholders say

Board's main proposals



Companies may not always understand why information is useful, so they find it difficult to make effective judgements

A

Engage investors even earlier in the standard-setting process, and then develop specific disclosure objectives based on their information needs



The easiest way to achieve compliance is to apply disclosure requirements like a checklist

B

Require companies to comply with disclosure objectives that can only be met **by applying judgement**



Complying with high volumes of prescriptive requirements does not leave time to apply materiality judgements

C

Minimise requirements to disclose particular items of information, thus removing a perceived compliance burden

Disclosure requirements based on stakeholder needs

What is the issue?



Companies may not always understand why information is useful, so they find it difficult to make effective judgements

Board's main proposals

Understand what investors want:



- What information is useful and why
- What analysis they intend to perform
- How detailed the information needs to be
- Whether information is critical or 'nice-to-have'

Clearly explain investor needs in the Standards



Develop specific disclosure objectives, along with explanations of what investors may do with the information provided

Disclosure requirements based on stakeholder needs

Consult other stakeholders to understand in detail their views on:

investor information needs

various disclosures that could meet investor information needs

information that may be useful to investors but not required by the Standards

cost, audit and regulatory consequences of current disclosure requirements

cost, audit and regulatory consequences of potential disclosure proposals

Detailed disclosure objectives

What is the issue?



The easiest way to achieve compliance is to apply disclosure requirements like a checklist

Board's main proposals

Require companies to comply with disclosure objectives. Compliance can only be achieved by applying judgement.

Overall disclosure objective



- describe overall information needs of investors
- require companies to assess whether the information provided in the notes by complying with specific disclosure objectives meets overall investor needs (ie whether additional information is needed)

Specific disclosure objectives



- describe detailed information needs of investors
- require companies to disclose all material information to enable those specific needs to be met

Satisfying specific disclosure objectives



To help companies apply judgement in determining what to disclose to comply with specific disclosure objectives, the Board would:

supplement each specific disclosure objective with an explanation of why investors want information and what they may do with it

identify items of information to meet each specific disclosure objective

explicitly link every item of information to one or more specific disclosure objectives

Language that encourages judgement

What is the issue?



Complying with high volumes of prescriptive requirements does not leave time to apply materiality judgements

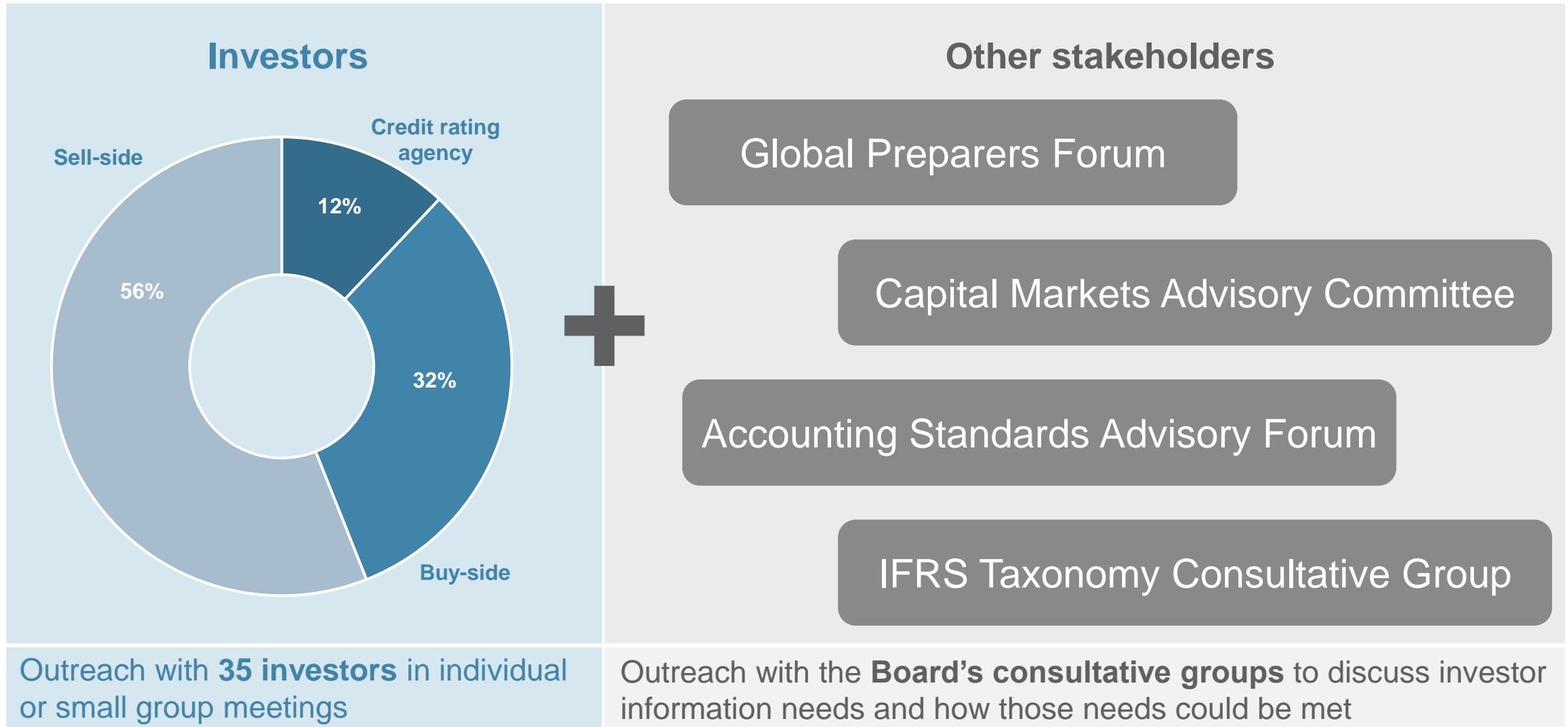
Board's main proposals

- Place the compliance requirement on disclosure objectives, and not on items of information. This would mean a company is required to **focus on making effective materiality judgements**.
- Minimise requirements to disclose particular items of information. This would **remove a perceived compliance burden** and make clear that only material information should be disclosed.



Proposed amendments to IFRS 13 and IAS 19

Proposals based on stakeholder needs



Proposed amendments to IFRS 13



Key messages from stakeholders

Proper application of materiality is critical. Detailed disclosures often:

- focus on immaterial fair value measurements; and
- do not contain information about material fair value measurements.

Today's disclosures are onerous to prepare

Investors rarely ask a company questions about its detailed fair value measurement disclosures



Board's main proposals

- **Disclosure objectives that explain and focus on key investor needs**—for example, information about a company's exposure to uncertainties.
- Require companies to focus on the appropriate level of detail.
- Removal of a perceived Level 3 checklist by avoiding reference to particular levels of the fair value hierarchy.

Companies are **required** to satisfy disclosure objectives. Items of information will help companies to apply judgement.

Proposed amendments to IAS 19



Key messages from stakeholders

Focus on the risk: defined benefit plans

Investors prioritise information about future cash flow effects of defined benefit obligations

Ineffective communication about the effect of defined benefit plans on the primary financial statements is a problem

Many of today's disclosures are onerous to prepare



Board's main proposals

- **Disclosure objectives that explain and focus on key investor needs**—for example:
 - ✓ information about the future cash flow effects and risk exposure of defined benefit plans.
 - ✓ an 'executive summary' of amounts in the primary financial statements for defined benefit plans.
- Removal of less decision-useful and costly information, such as a detailed sensitivity analysis.

Companies are **required** to satisfy disclosure objectives. Items of information will help companies to apply judgement.

A grayscale world map is the background for the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. Additionally, there are several dotted lines that form a grid-like pattern across the map, intersecting the curved lines.

Next steps

What stakeholder input is the Board looking for?

Proposed new approach



Proposed amendments to IFRS 13 and IAS 19

Would the proposals enable companies to...

avoid applying disclosure requirements like a checklist?

make effective materiality judgements?

eliminate immaterial disclosures?

identify when additional or different information needs to be disclosed?

better understand investor needs and identify information that would meet those needs?

determine how best to satisfy disclosure objectives in their own circumstance?

Would the proposals...

lead to better information for investors?

give auditors and regulators a basis for challenging judgement instead of relying on a checklist?

lead to benefits that exceed costs?

Next steps



How you can get involved

- Participate in the outreach
- Sign up to [participate in fieldwork](#) to test the proposals
- Submit a comment letter

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Questions?

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