IFRS®
Accounting

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Project Summary and Feedback Statement

IFRS Accounting Standards

Disclosure Initiative—Targeted Standards-level Review of Disclosures

Project Summary and Feedback Statement

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Background

In March 2021, as part of its project Disclosure Initiative—Targeted Standards-level Review of Disclosures, the International Accounting Standards Board (IASB) published the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach* (Exposure Draft). This document proposed:

- a new approach for the IASB to follow when developing and drafting disclosure requirements (Guidance for the IASB, or Guidance) in IFRS Accounting Standards; and
- a new set of disclosure requirements for IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* developed and drafted using the new approach.

This Project Summary and Feedback Statement:

- provides an overview of the project;
- summarises the feedback on the Exposure Draft; and
- sets out the IASB's response to that feedback.

Public consultation

- The Exposure Draft had a 293-day comment period, which ended in January 2022.
- In total, the IASB received 111 comment letters.
- During the comment period, IASB members and staff participated in 60 events with stakeholders from various jurisdictions, including 14 events with users of financial statements.
- Fifty companies participated in fieldwork by applying the proposed disclosure requirements for IFRS 13 or IAS 19, or both.
- The IASB also met with its consultative and advisory groups, including the Capital Markets Advisory Committee, the Global Preparers Forum, the Accounting Standards Advisory Forum, the Emerging Economies Group and the IFRS Taxonomy Consultative Group.
- From February 2022 to October 2022, the IASB considered the feedback and decided on the project direction.

Background *continued ...*

The IASB launched its Disclosure Initiative, a portfolio of projects, in response to stakeholders' concerns about the quality of disclosures in financial statements—sometimes referred to as the 'disclosure problem'. The Disclosure Initiative's overall aim is to improve the effectiveness of disclosures. The project on Targeted Standards-level Review of Disclosures is one of a number of projects designed to help solve the disclosure problem. A summary of all the projects that form the Disclosure Initiative can be found in Appendix A.

The disclosure problem

The IASB has identified three main concerns about the usefulness of the information disclosed by an entity in its financial statements. These concerns are collectively described as the disclosure problem.

The disclosure problem:

- not enough relevant information
- too much irrelevant information
- ineffective communication

In March 2017, the IASB published the Discussion Paper *Disclosure Initiative—Principles of Disclosure*, in an effort to better understand the disclosure problem and to examine possible approaches to alleviating it.

Feedback on the Discussion Paper suggested that, instead of making materiality judgements, entities often apply the disclosure requirements in IFRS Accounting Standards like a checklist. Auditors and regulators often use a checklist approach to assess compliance with disclosure requirements. The feedback suggested the way the IASB develops and drafts the disclosure requirements in the Accounting Standards contributes to this checklist approach—and therefore to the disclosure problem. The feedback emphasised three aspects of the Accounting Standards that may play a part in the problem.

Aspects of the IFRS Accounting Standards that could be contributing to the disclosure problem

Lack of specific disclosure objectives	Entities may not always understand why information is useful, and so find it difficult to make effective judgements
Use of prescriptive language such as 'shall' or 'as a minimum'	Some stakeholders think the easiest way to achieve compliance is to apply disclosure requirements like a checklist
Voluminous prescriptive requirements	Complying with high volumes of prescriptive requirements leaves no time to apply materiality judgements

Background *continued ...*

Alleviating the disclosure problem

The IASB's research, together with feedback on the Discussion Paper, made it clear that solving the disclosure problem would require all those involved in financial reporting, including preparers, regulators, auditors and users, to work together.

Feedback on the Discussion Paper also suggested the IASB could help alleviate the disclosure problem by:

- improving its approach to developing and drafting disclosure requirements in IFRS Accounting Standards; and
- undertaking a comprehensive review of disclosure requirements in the Accounting Standards.

The IASB decided that the most effective way it could contribute to alleviating the disclosure problem would be to improve its approach to developing and drafting disclosure requirements. Therefore, the IASB proposed Guidance it would follow when developing and drafting future disclosure requirements.

The IASB proposed to revise the disclosure requirements in IFRS 13 and IAS 19 in accordance with the proposed Guidance, to test its efficacy.[1] The IASB took the view that these Accounting Standards:

- give rise to many of or all of the issues that contribute to the disclosure problem; and
- would benefit from a review of their disclosure requirements.

The IASB decided a comprehensive review of the disclosure requirements in all the Accounting Standards was unwarranted because such a review:

- would take a long time to complete;
- may be unable to provide improvements in the short or medium term; and
- would limit the IASB's ability to test and improve its approach to developing and drafting disclosure requirements.

1 In March 2018, the IASB decided to consider the findings from the Post-implementation Review of IFRS 13 relating to disclosures in the Targeted Standards-level Review of Disclosures project

Overview of proposals in the Exposure Draft

The proposed Guidance for the IASB

The IASB proposed to improve its approach to developing disclosure requirements by:

- engaging with users of financial statements and other stakeholders early in the standard-setting process;
- integrating the development of disclosure requirements with the rest of the accounting model; and
- considering the implications for digital reporting.

To encourage an entity to use materiality judgements, the IASB proposed to change the drafting of disclosure requirements by:

- introducing disclosure objectives; and
- requiring an entity to comply with these objectives, instead of requiring it to provide prescriptive items of information.

What would disclosure requirements developed using the proposed Guidance have contained?

Overall disclosure objectives	• describe the overall user information needs within an individual IFRS Accounting Standard. • *require* an entity to assess if the information provided in the notes meets those overall user information needs. If that information is insufficient, the entity will be required to disclose additional information to meet user needs.
Specific disclosure objectives	• describe the detailed user information needs within an individual IFRS Accounting Standard. • *require* an entity to disclose all material information to enable those user information needs to be met. • explain what users might do with the information provided (for example, the analyses users might carry out).
Items of information	• provide an entity with the specific details of what it *may, or sometimes is required to*, *disclose* to satisfy each specific disclosure objective. • help an entity to apply judgement and to determine how to satisfy specific disclosure objectives.

Overview of proposals in the Exposure Draft *continued ...*

Testing the proposed Guidance—IFRS 13 *Fair Value Measurement*

What is the issue?

Users say fair value measurement disclosures generally contain information that meets their needs. However, these disclosures often contain unnecessarily detailed information about immaterial fair value measurements. These disclosures are also costly for entities to prepare.

At the same time, users say disclosures sometimes contain only limited information about material fair value measurements.

What did the IASB propose?

The IASB proposed disclosure requirements that would help entities make more effective materiality judgements, specifically relating to fair value measurements classified as Level 3 in the fair value hierarchy and Level 2 fair value measurements that are close to Level 3.[2]

How did the IASB's proposals respond to the issue?

Applying the proposed Guidance

The IASB developed overall and specific disclosure objectives that describe user information needs and require an entity to exercise judgement about what to disclose to meet those needs.

To help an entity make those judgements, the proposals explain why information is important to users and how users might apply that information in their analyses.

Focusing on the appropriate detail

The proposals require an entity to consider the detail necessary to satisfy the disclosure objectives. The proposals also help ensure relevant information is clear and unobscured by irrelevant detail.

Removing the perception of a checklist

The proposals avoid reference to specific fair value hierarchy levels—removing any perception that detailed disclosures are required about particular fair value measurements, irrespective of materiality. The IASB took this approach so that the entity can focus on disclosing material information about fair value measurements, instead of applying the requirements like a checklist.

Retaining information users find useful

The IASB's proposals include the items of information that users say are useful. Usually, these items would be included in the proposed items of information an entity may use to meet disclosure objectives.

2 To increase consistency and comparability in fair value measurements and related disclosures, IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs used in valuation techniques that measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Overview of proposals in the Exposure Draft *continued ...*

Testing the proposed Guidance—IAS 19 *Employee Benefits*

What is the issue?

Users say disclosures about employee benefits, particularly defined benefit plans, are often inadequate to meet their needs. Users often receive insufficient information about how these plans affect future cash flows and receive unnecessarily detailed information about other items that is of limited use to them, such as comprehensive sensitivity analyses. At the same time, entities say employee benefit disclosures are onerous to prepare. These entities agree that information about future cash flow effects is important and would be less onerous to prepare than many of the detailed disclosures that users find to have limited use.

Users also report challenges with communication effectiveness of IAS 19 disclosures. For example, they often struggle to reconcile detailed employee benefit disclosures with the related amounts in the primary financial statements.

What did the IASB propose?

The IASB proposed disclosure requirements that would help an entity to reduce detailed disclosures that are of little relevance to users, and instead to disclose relevant information, particularly about how employee benefits affect future cash flows.

How did the IASB's proposals respond to the issue?

Applying the proposed Guidance

The IASB developed overall and specific disclosure objectives that describe user information needs and require an entity to exercise judgement about what to disclose to meet those needs.

To help an entity make those judgements, the proposals explain why information is important to users and how users might apply that information in their analyses.

Focusing on communication effectiveness

The proposals require an entity to disclose quantitative breakdowns of the amounts in the primary financial statements in what some would describe as an executive summary of defined benefit plans. This executive summary would help users reconcile defined benefit plan disclosures with the primary financial statements.

Requiring information about cash flow effects

The proposals require an entity to disclose information about how a defined benefit obligation is expected to affect future cash flows. This information responds directly to user information needs. The proposals contain application guidance and illustrative examples to help an entity determine how to satisfy this objective.

Disclosing only information users find useful

The proposals do not require an entity to provide the types of information about defined benefit plans that users find to have limited use—for example, a detailed assumption-by-assumption sensitivity analysis.

Summary of the IASB's response to feedback on the proposed Guidance

Exposure Draft proposals	Feedback on proposals	IASB's response to feedback
Proposed approach to developing and drafting disclosure requirements	There was widespread agreement among respondents with the proposed approach to developing disclosure requirements. However, respondents had mixed views on the approach to drafting disclosure requirements. Although many respondents agreed with the proposal to use specific objectives, many disagreed with the proposal to use less prescriptive language than in the issued Accounting Standards in referring to items of information. Some respondents also had concerns about the proposal that an entity would be required to comply with overall disclosure objectives. Respondents suggested the IASB develop a 'middle-ground approach' to drafting disclosure requirements. Under this approach, disclosure objectives would be accompanied by items of information that an entity would be required to disclose to satisfy the objectives. Many respondents also said the proposed approach to drafting and developing disclosure requirements would not, on its own, solve the disclosure problem. These respondents took the view that a change in the behaviours of all those involved in financial reporting would be necessary to resolve the problem. See pages 13–24 for detailed feedback.	The IASB decided: • to use the proposed approach to developing disclosure requirements in future standard-setting activities; • to develop a middle-ground approach to drafting disclosure requirements; and • to publish the intended approach to developing and drafting disclosure requirements on the IFRS Foundation website.

Summary of the IASB's response to feedback on the proposed amendments to IFRS 13 and IAS 19

Exposure Draft proposals	Feedback on proposals	IASB's response to feedback
Proposed amendments to IFRS 13 and IAS 19	Feedback on the proposed amendments to IFRS 13 suggested the changes would help an entity make effective materiality judgements when disclosing information about fair value measurements, particularly about Level 2 fair value measurements. However, some stakeholders expressed concerns about the cost of collecting the information and requested more guidance in some areas. Feedback on the proposed amendments to IAS 19 was mixed. Some respondents said, compared with the disclosures resulting from the issued Accounting Standard, the proposals would result in an entity: • disclosing more relevant information—for example, future cash flows associated with defined benefit plans; and • communicating information more effectively—for example, the proposed executive summary, together with a reconciliation of net defined benefit liability, would allow users to reconcile the amounts in the notes with the amounts in the primary financial statements. However, other respondents questioned whether disclosures resulting from applying the proposed amendments to IAS 19 would be more useful than disclosures resulting from the requirements in IAS 19. See pages 25–46 for detailed feedback.	The IASB decided against proceeding with any further work on the disclosure requirements in IFRS 13 and IAS 19 because: • these two Accounting Standards were selected primarily to test the proposed Guidance and to help the IASB decide if the Guidance will be used for developing and drafting disclosure requirements; • some stakeholders suggested the IASB apply the proposed Guidance prospectively to future standard-setting activities and consider amending the disclosure requirements in Accounting Standards only after assessing the effects of applying the proposed Guidance to a new Accounting Standard; • nearly half the respondents made no comment on the proposed amendments. A few explicitly cited disagreement with the proposed Guidance as a reason for declining to comment; • amendments to the disclosure requirements in these two Accounting Standards were not identified as a priority in the IASB's Third Agenda Consultation; and • feedback on the Exposure Draft suggested the costs to preparers of amending the test Accounting Standards may outweigh the potential benefits to users.

Way forward—Approach to developing disclosure requirements

The IASB would:

- integrate the development of disclosure requirements with the development of recognition and measurement requirements; and
- work closely with users of financial statements and other stakeholders early in the standard-setting process, to understand:
  - what information users want in the financial statements; and
  - what assessments users would do using that information.

The IASB would take a consistent approach

- Understanding the information needs of users of financial statements
- Discussing user information needs with preparers and other stakeholders
- Understanding the disclosures that are required to support recognition and measurement requirements
- Performing a cost–benefit analysis
- Understanding and documenting the effects of disclosure proposals and requirements
- Considering the digital reporting implications when developing disclosure requirements

Way forward—Approach to drafting disclosure requirements

Components of the disclosure requirements drafted using the proposed Guidance	**Overall disclosure objectives** • provide Accounting Standard-specific context of the overall user information needs to enable an entity to make materiality judgements and apply the requirements about specific disclosure objectives and items of information.
	Specific disclosure objectives • describe the detailed information needs of users of financial statements; • use the prescriptive language ‘shall’ to require an entity to comply with those disclosure objectives; and • are accompanied by *explanations of the user assessments* that rely on the information preparers disclose when applying the specific disclosure objectives.
	Items of information that satisfy specific disclosure objectives • describe the information needed to satisfy disclosure objectives in most cases, but additional information may be needed in some cases; and • use the prescriptive language ‘shall’ to require an entity to disclose the information.

See Appendix B for the full Guidance for developing and drafting disclosure requirements in IFRS Accounting Standards.

1 Feedback summary—Proposed approach to developing disclosure requirements

Background

The IASB proposed an approach that it would apply in developing disclosure requirements, particularly in developing sufficiently specific disclosure objectives. The approach would broadly involve the IASB:

- understanding the information needs of users of financial statements;
- discussing user information needs with preparers and other stakeholders;
- understanding what disclosures are required to support the proposed recognition and measurement requirements;
- performing a cost–benefit analysis;
- understanding and documenting the effects of disclosure proposals and requirements; and
- considering the digital reporting implications when developing disclosure requirements.

The IASB would integrate the development of disclosure requirements and recognition and measurement requirements, and work closely with users of financial statements and other stakeholders early in the standard-setting process.

Questions for respondents

The IASB asked stakeholders if they had any comments on the approach.

The IASB discussed the feedback on this question at its May 2022 meeting (see the agenda paper for that meeting).

1. Proposed approach to developing disclosure requirements

Feedback

Almost all respondents, including most users of financial statements, agreed with the proposed approach to developing disclosure requirements. In particular, they agreed that the IASB:

- engage early in the standard-setting process with users of financial statements and other stakeholders when developing disclosure requirements in Accounting Standards;
- integrate the development of disclosure requirements with the rest of the accounting model; and
- consider the digital reporting implications.

A few respondents suggested the IASB adopt the proposed approach to developing disclosure requirements, even if the IASB were to decide against proceeding with the proposals for drafting disclosure requirements (see page 6).

The IASB's response

Respondents' widespread agreement with the proposed approach shows it would help the IASB to develop disclosure requirements that provide useful information to users of financial statements. Therefore, the IASB decided to document the approach and use it when developing disclosure requirements in future standard-setting activities.

The Guidance will be published on the IFRS Foundation website, to make it publicly available. A copy of the Guidance is also included in Appendix B of this Project Summary and Feedback Statement. Any stakeholder will be able to access the Guidance and understand how the IASB will develop disclosure requirements in IFRS Accounting Standards.

Although this Guidance is based on the requirements in the *Due Process Handbook*, it does not form part of the IASB's due process. The IASB will use its experience of developing and drafting disclosure requirements across different projects, and its understanding of the effects of applying those requirements, to update the Guidance as and when required.

The IASB might need to adapt its application of this Guidance to the specific circumstances of individual projects. For example, it might be difficult for the IASB to apply the Guidance in full if amending an Accounting Standard issued before the Guidance was developed.

2 Feedback summary—Proposed approach to drafting disclosure requirements

Background

The proposed approach to drafting disclosure requirements aimed at improving disclosures in financial statements by encouraging an entity to use its judgement to identify and disclose information that meets disclosure objectives. The Exposure Draft proposed that:

- an entity be required to comply with overall disclosure objectives that describe the overall information needs of users of financial statements;
- an entity be required to comply with specific disclosure objectives that describe detailed user information needs;
- specific disclosure objectives be supplemented with explanations of how users apply the information an entity provides; and
- each specific disclosure objective be linked with the items of information an entity may, or is sometimes required to, disclose to satisfy the objective.

The IASB discussed the feedback on these proposals at its February 2022 and May 2022 meetings.

1. Proposed approach to drafting disclosure requirements

Feedback

A few respondents took the view that the proposed approach would help alleviate the disclosure problem. However, most respondents questioned whether it would help, and said entities would continue to apply a checklist approach to disclosing items of information specified in an Accounting Standard, even if those items are not drafted as requirements. Some respondents said the proposed approach would, at best, help reduce the disclosure of irrelevant information. Many respondents agreed that a change in behaviours throughout the financial reporting ecosystem would be required to solve the disclosure problem.

Some respondents said the root cause of the disclosure problem is that entities do not make effective materiality judgements when applying the disclosure requirements in an Accounting Standard. Instead of using the proposed approach to draft disclosure requirements, a few respondents suggested the IASB simply emphasise that materiality principles should be applied. For example, the beginning of the disclosure section in every Accounting Standard could include a cross-reference to paragraph 31 of IAS 1 *Presentation of Financial Statements*.

Many users were concerned the proposed approach would reduce the comparability of financial information between entities and make digital information difficult to use. Some users were unconcerned by immaterial information, and they were able to extract the information they needed, even from very lengthy financial statements.

Many respondents suggested the IASB develop a middle-ground approach to disclosures, whereby disclosure objectives would be accompanied by a prescriptive list of items of information that an entity would be required to disclose to meet the objectives. However, a few respondents said a middle-ground approach would only help alleviate the disclosure problem if entities were to make effective materiality judgements in applying the disclosure requirements.

The IASB's response

The IASB decided to develop a middle-ground approach to drafting disclosure requirements.

This middle-ground approach would formalise the IASB's approach to developing and drafting disclosure requirements. It would help improve disclosure requirements and alleviate the disclosure problem to some extent. By pursuing a middle-ground approach, the IASB would also be better placed to encourage other stakeholders in the financial reporting ecosystem to help alleviate the disclosure problem.

Respondents' concerns about the proposals were primarily related to prescriptive overall disclosure objectives and less prescriptive language when referring to items of information. A middle-ground approach that allays these concerns could improve the IASB's approach to drafting disclosure requirements.

2. Overall disclosure objectives

Exposure Draft proposals

The proposed approach to drafting disclosure requirements would require entities to comply with overall disclosure objectives that describe the overall information needs of users of financial statements. To comply with those objectives, an entity would be required to assess if the information provided in the notes is enough to meet overall user information needs. If such information is inadequate, the entity would be required to provide more information to meet those user information needs.

Questions for respondents

The IASB asked stakeholders if:

- they agreed that the IASB use overall disclosure objectives within IFRS Accounting Standards in future, and why or why not; and
- they agreed that overall disclosure objectives would help entities, auditors and regulators to determine if the information provided in the notes meets overall user information needs, and why or why not.

Feedback

Overall disclosure objectives were generally well received by respondents. The feedback suggests the overall disclosure objectives help an entity to decide if disclosures are necessary to meet user information needs. However, a few respondents questioned whether overall disclosure objectives were necessary because these objectives repeat the overarching requirements in IAS 1.

Some respondents were concerned overall disclosure objectives would be too broad under the proposals. These respondents said the disclosure of information could go beyond the objective of financial statements or it may become difficult to compare information between entities.

Respondents also indicated entities, auditors and regulators might hold varying views on user information needs and on the information required to be disclosed, which could lead to reduced comparability.

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2. Overall disclosure objectives
The IASB's response
The IASB decided to include overall disclosure objectives when drafting disclosure requirements because these objectives will provide an Accounting Standard-specific context of the overall user information needs to enable an entity to make materiality judgements and apply requirements about the specific disclosure objectives and items of information. However, the IASB decided against using the prescriptive language 'shall' to require entities to comply with the overall disclosure objectives. This language was deemed unnecessary because IAS 1 already includes overarching requirements. The IASB will also ensure that the focus of overall disclosure objectives is closely aligned with the objective of financial statements and the purpose of disclosure requirements. This move is intended to allay respondent concerns about an entity having to disclose information that goes beyond the objective of financial statements, or contradicts the amounts presented in the primary financial statements.

3. Cross-reference to paragraph 31 of IAS 1

Exposure Draft proposals

The Exposure Draft proposed the IASB would, wherever possible, avoid making generic or overarching references to materiality in the disclosure section of individual IFRS Accounting Standards.

Feedback

The feedback suggests that the main cause of the disclosure problem is ineffective materiality judgements, instead of how the IASB drafts disclosure requirements in IFRS Accounting Standards. Respondents who gave this feedback said referencing materiality in each IFRS Accounting Standard would discourage entities, auditors and regulators from applying a checklist approach. Such a reference would also make it clear that an entity is required to disclose qualitatively or quantitatively material information. Therefore, some respondents suggested the IASB include a cross-reference to paragraph 31 of IAS 1 at the beginning of the disclosure section of each Accounting Standard.

The IASB's response

The IASB decided against including a reference to paragraph 31 of IAS 1 at the beginning of the disclosure section of each Accounting Standard or making overarching references to materiality in the disclosure section of individual IFRS Accounting Standards. This decision has been made because:

- materiality is an overarching concept that applies across all Accounting Standards and across all requirements, including disclosure requirements;
- the inclusion of references to materiality in new Accounting Standards might create confusion about how this concept applies to Accounting Standards that have not been amended to include those references;
- entities might ignore such references, regarding them simply as boilerplate text; and
- if an Accounting Standard were to include well-drafted disclosure objectives and clearly linked items of information that satisfy those objectives, entities, auditors and regulators would be able to understand what information it is that users of financial statements need. In those circumstances, an entity would only be able to satisfy the disclosure objectives by making effective materiality judgements in relation to its disclosures. Auditors and regulators could then question those judgements.

4. Specific disclosure objectives

Exposure Draft proposals

The proposed approach to drafting disclosure requirements would require an entity to comply with specific disclosure objectives that describe the detailed information needs of users of financial statements. To comply with those objectives, an entity would be required to disclose all material information for a transaction, other event or condition needed to meet the detailed user information needs. Specific disclosure objectives would be supplemented with explanations of how users would use the information an entity provides to meet those objectives.

Questions for respondents

The IASB asked stakeholders if they agree that specific disclosure objectives, and supplementary explanations of the users' intended purpose for the disclosed information, would:

- help an entity to apply judgements effectively when preparing its financial statements to provide relevant information, eliminate irrelevant information and communicate information more effectively, and if not, what alternative approach could be used; and
- provide an adequate basis for auditors and regulators to determine whether an entity has applied judgements effectively when preparing its financial statements, and if not, why not.

Feedback

Respondents generally welcomed the idea of specific disclosure objectives drafted as prescriptive requirements in the Exposure Draft. The feedback suggested specific disclosure objectives that precisely describe detailed user information needs would help an entity identify material information.

Citing the proposals in IFRS 13 and IAS 19, respondents expressed concerns about vaguely drafted specific disclosure objectives and explanations. Some respondents suggested the IASB include with each specific disclosure objective an explanation of user assessments that rely on information an entity discloses in meeting the specific disclosure objectives.

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4. Specific disclosure objectives
The IASB's response
The IASB decided: • to use specific disclosure objectives to describe detailed user information needs, and link these specific disclosure objectives to prescriptive items of information; • to use the prescriptive language 'shall' to require an entity to comply with those disclosure objectives; and • to require an entity to use its judgement to identify and disclose material information that satisfies those objectives. The IASB will make every effort to describe precisely the detailed information needs of users of financial statements. A specific disclosure objective will be accompanied by an explanation of user assessments that rely on information an entity discloses in satisfying that specific disclosure objective. The explanation is intended to help an entity identify material information that is required to be disclosed to satisfy the specific disclosure objective. The IASB will ensure the focus of specific disclosure objectives is closely aligned with the objective of financial statements and the purpose of disclosure requirements. This alignment will ensure specific disclosure objectives cover most user information needs that can be satisfied through the financial statements.

5. Items of information

Exposure Draft proposals

The proposed approach to drafting disclosure requirements would:

- use prescriptive language to require an entity to comply with the disclosure objectives.
- 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 encourage an entity to determine if an Accounting Standard's disclosure objectives have been satisfied in the entity's circumstances, instead of using a checklist approach to disclosing information.

The IASB proposed to use this less prescriptive language when identifying items of information: 'While not mandatory, the following information may enable an entity to meet the disclosure objective.'

Questions for respondents

The IASB asked stakeholders if they agreed with the proposed approach, and if not, what alternative approach they would suggest, and why.

The IASB also sought stakeholders' views on if the proposed approach would:

- discourage an entity from using the disclosure requirements in IFRS Accounting Standards like a checklist;
- be operational and enforceable in practice; and
- contribute to alleviating the disclosure problem—for example, by helping an entity provide decision-useful information in financial statements.

Stakeholders were also asked to comment on the cost of this proposed approach, both in the first year of application and in subsequent years.

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5. Items of information

Feedback

Most respondents disagreed with the proposal for less prescriptive language to be used in the Accounting Standards when referring to items of information. These respondents said using less prescriptive language would reduce comparability because entities might meet specific disclosure objectives in various ways.

Respondents also said the proposals would be costly to apply because, to assess user information needs, entities would need to change their financial reporting systems and their governance processes, as well as training or recruiting staff. Furthermore, preparers that commented on the proposals anticipated increased audit fees relating to explaining and examining preparers' judgements.

Respondents said the proposals would be ineffective in discouraging entities from applying the disclosure requirements in IFRS Accounting Standards like a checklist. Factors that would motivate entities to continue using a checklist approach include:

- the obligation to meet the information needs of all primary users of financial statements;
- the desire to avoid challenging discussions with auditors and regulators; and
- the obligation to comply with industry-specific regulations in addition to IFRS Accounting Standards—for example, in the banking and financial services industries.

Some respondents said smaller, or less sophisticated entities may lack the systems and resources required to exercise judgement in their disclosures, and would therefore find it simpler to disclose all items, including those labelled as non-mandatory.

Respondents also took the view that the use of less prescriptive language when referring to items of information would be difficult to apply in practice. Preparers may incur additional cost and effort, and some preparers may lack the expertise and resources, such as staff, systems and processes, to apply judgement effectively. Even preparers with sophisticated financial reporting systems and processes may need to update these systems to accommodate the new approach.

Many respondents also said the proposed approach would be unenforceable because:

- entities, auditors, regulators and users, in applying their judgement, may come to varying conclusions about whether or not user information needs have been met. Different interpretations of the objectives may make it difficult for auditors and regulators to enforce disclosure requirements.
- some entities, especially in highly regulated jurisdictions and industries such as banking and financial services, regard the legal risk of failing to disclose all available information as unacceptably high, because regulators enforce entities' compliance with those disclosure requirements using a template.

A few respondents said the proposals were incompatible with digital reporting, which is increasingly prevalent and valuable. Under the proposals, an entity would not be required to disclose specified items of information, and could instead meet the disclosure objectives with other items of information. The entity would probably use entity-specific tags or extensions. If that were the case, users would find it difficult to extract, compare and analyse the same item of information for multiple entities.

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5. Items of information

Feedback

Respondents suggested specific disclosure objectives, coupled with prescriptive items of information to meet those disclosure objectives, would:

- help achieve comparability between entities, while allowing for more entity-specific information to be disclosed if material;
- help users of financial statements extract, compare and analyse an item of information digitally;
- help entities provide material information by encouraging them to apply materiality principles when complying with specific disclosure objectives; and
- be less time-consuming and costly to apply than the approach proposed in the Exposure Draft, which relied heavily on entities exercising their judgement.

Some respondents suggested the IASB consider complementing every specific disclosure objective with both prescriptive and less prescriptive items of information, with a weighting towards prescriptive items of information.

The IASB's response

The IASB decided to identify items of information and use the prescriptive language 'shall' to require an entity to disclose these items of information to satisfy a specific disclosure objective. The IASB will explicitly link every item of information described in the disclosure section of an Accounting Standard to one or more specific disclosure objectives. Such links will clarify the relationship between a specific disclosure objective and the items of information to be disclosed, and therefore help an entity make effective materiality judgements about what to disclose to satisfy detailed user information needs.

The IASB has explored the possibility of complementing a specific disclosure objective with prescriptive and less prescriptive items of information. The IASB has concluded it may be difficult to draw a clear and consistent distinction between prescriptive and less prescriptive items of information.

When developing items of information, the IASB:

- will require an entity to disclose the items of information typically required to satisfy the linked specific disclosure objective. The application of materiality principles could lead an entity to disclose one, some or all items of information specified in an Accounting Standard, or to disclose additional items of information not specified in the Accounting Standard if those additional items of information are required to satisfy the specific disclosure objective;
- will decide, for each case, the number of items of information to be linked to a specific disclosure objective; and
- may decide to omit items of information for a specific disclosure objective if, for example, the purpose of that objective was to require an entity to disclose entity-specific information.

3 Feedback summary—Proposed amendments to IFRS 13 *Fair Value Measurements*

Background

Users said fair value measurement disclosures made by entities applying IFRS 13 generally contain information that meets their needs. However, users said these disclosures often contain detailed information about immaterial fair value measurements, or limited information about material fair value measurements. For example, entities often provide unnecessarily detailed information about measurements categorised as Level 3 in the fair value hierarchy, but insufficient information about material Level 2 fair value measurements that are closer in terms of measurement uncertainty to Level 3. These disclosures are also costly for entities to provide.

The IASB proposed replacing the disclosure requirements in IFRS 13 with a new set of requirements developed in accordance with the proposed Guidance. These proposals included:

- creating overall and specific disclosure objectives that describe user information needs and require entities to exercise judgement about what to disclose to meet those needs;
- requiring an entity to consider the detail necessary to satisfy the disclosure objectives and to ensure that relevant information is not obscured by irrelevant detail;
- avoiding reference to particular levels of the fair value hierarchy, thereby removing any perception that detailed disclosures are required about particular fair value measurements irrespective of materiality; and
- items of information that users say are useful.

The IASB discussed the feedback on these proposals at its February 2022 and May 2022 meetings.

Summary of feedback and IASB's response

The IASB decided against proceeding with any further work on the disclosure requirements in IFRS 13 because:

- IFRS 13 was selected primarily to test the proposed Guidance and to help the IASB decide if the Guidance should be used for developing and drafting disclosure requirements in future standard-setting activities;
- the Post-implementation Review of IFRS 13 found that disclosures relating to fair value measurements are useful to users;
- if an entity were to conclude that information about its Level 2 measurements that are closer in terms of measurement uncertainty to Level 3 was material to users of its financial statements, then applying the requirements in paragraph 31 of IAS 1 would result in the entity disclosing that information; and
- any work on the disclosure requirements in IFRS 13 was not identified as a priority in the Third Agenda Consultation.

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

Exposure Draft proposals

The IASB proposed an overall disclosure objective requiring an entity to disclose information that enables users of financial statements to evaluate the entity's exposure to uncertainties associated with measurements of assets and liabilities measured at fair value in the statement of financial position after initial recognition. This proposal was intended to enable users to understand:

- how important those asset and liability classes are to the entity's financial position and performance;
- how their fair value measurements have been determined; and
- how changes in those measurements could have affected the entity's financial statements at the end of the reporting period.

Questions for respondents

The IASB asked stakeholders if they agreed that this proposed objective would result in an entity providing useful information that meets overall user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition. If stakeholders disagreed with the proposal, the IASB asked what alternative objective they would suggest and why.

Feedback

Many respondents agreed with the proposed overall disclosure objective. However, some respondents questioned if it would result in an entity providing more useful information than the current requirements, because the proposed objective is generic and similar to the disclosure objective in IFRS 13.

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

Exposure Draft proposals

For assets and liabilities measured at fair value in the statement of financial position after initial recognition, the IASB proposed specific disclosure objectives that require an entity to disclose information about:

- assets and liabilities within each level of the fair value hierarchy;
- measurement uncertainties associated with their fair value measurements;
- reasonably possible alternative fair value measurements (to replace the sensitivity analysis already required by IFRS 13); and
- the reasons for changes in their fair value measurements.

Questions for respondents

The IASB asked stakeholders if they:

- 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, and if not, what changes they would suggest;
- agree that the proposed specific disclosure objectives would result in an entity providing information about material fair value measurements and no longer providing information about immaterial fair value measurements;
- agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them, and if they disagree, how the objectives might be changed so that the benefits justify the costs; and
- have any other comments on the proposed specific disclosure objectives.

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2. Specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition
Feedback
The proposed specific disclosure objectives received a mixed response. A few respondents, including users, said the objectives would result in more relevant information for users about movements and uncertainties in fair value measurements. Users suggested disclosures focus more on Level 2 items that share characteristics and are subject to uncertainty, instead of on Level 3 items. However, many respondents said these disclosures ought to be restricted to Level 3 measurements, or Level 2 measurements that are closer to Level 3, to avoid irrelevant disclosures. Respondents were also concerned that extending the scope of increased disclosures to measurements outside Level 3 would require major process changes—and additional costs—to collate that information. Some respondents asked the IASB for more guidance on which Level 2 fair value measurements would be closer to Level 3. Respondents also raised concerns that the specific disclosure objective for assets and liabilities within each level of the fair value hierarchy was unclear. Respondents' views were mixed on the proposal to replace sensitivity analysis for changes in significant unobservable inputs with reasonably possible alternative fair value measurements. A few users said sensitivity analysis is critical information and ought to be required, whereas a few others commented that their use can be limited. Other respondents said reasonably possible alternative fair value measurements would be difficult and costly to prepare, provide less useful information than a sensitivity analysis, and undermine the credibility of an entity's fair value measurement.

3. Information to meet the specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition

Exposure Draft proposals
The IASB proposed items of information to meet the specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition. These items of information are summarised with each specific disclosure objective. **Assets and liabilities within each level of the fair value hierarchy** The proposals would require an entity to disclose, for each level of the fair value hierarchy, the fair value measurement for each class of assets and liabilities measured at fair value at the end of the reporting period. The rationale for this requirement was that users of financial statements will always need this information to understand the relative subjectivity in an entity's assessments of where the fair value measurements of assets and liabilities belong in the fair value hierarchy. The IASB also proposed including non-mandatory items of information that may enable an entity to meet the specific disclosure objective—such as a description of the characteristics of each class of assets and liabilities within each level of the fair value hierarchy. **Measurement uncertainties associated with their fair value measurements** Under the proposals, an entity would be required to disclose if it has used the exception in paragraph 48 of IFRS 13 to measure the fair value of a group of financial assets and financial liabilities. In the IASB's view, if an entity makes such an accounting policy choice, and the effect of that choice is material, this disclosure would always be relevant to users of financial statements. The proposals would also include non-mandatory items of information that may enable an entity to meet the specific disclosure objective—such as a description of the significant measurement techniques and inputs used in measuring fair value.

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3. Information to meet the specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition

Reasonably possible alternative fair value measurements

The IASB proposed to include non-mandatory items of information that may enable an entity to meet the specific disclosure objective. These comprised:

- a description of the uncertainty caused by the significant inputs used in determining the fair value, if those inputs could reasonably have been different at the end of the reporting period and would have resulted in a significantly higher or lower fair value measurement;
- the range of alternative fair value measurements using inputs that were reasonably possible at the end of the reporting period;
- an explanation of how the range of alternative fair value measurements was calculated; and
- a description of interrelationships between the inputs used, and how those interrelationships magnify or mitigate the effect of using inputs that were reasonably possible at the end of the reporting period on fair value measurements.

The IASB expected that, in some cases, information about reasonably possible changes in an individual input might be relevant if the effect of those changes is individually significant. In other cases, information about movements in individual inputs might be irrelevant, and an entity might meet the specific disclosure objective by disclosing the overall range of possible fair value measurements.

Reasons for changes in fair value measurements

The proposals would require an entity to provide a tabular reconciliation—from opening balances to closing balances—of the significant reasons for changes in fair value measurements. Disclosure of this information would enable users of financial statements to understand movements in fair value measurements.

The IASB also proposed including non-mandatory items of information that may enable an entity to meet the specific disclosure objective. These comprised:

- an explanation of the significant reasons for changes in recurring fair value measurements other than those in Level 3 of the fair value hierarchy. Such information is likely to be necessary if it describes material fair value measurements that are categorised within Level 2 but are closer to Level 3;
- the reasons for transfers between levels of the fair value hierarchy during the reporting period; and
- the entity's policy for determining when transfers between levels are deemed to have occurred.

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3. Information to meet the specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition

Questions for respondents

The IASB asked stakeholders if they agreed that the proposed items of information would help an entity to meet the linked specific disclosure objectives.

Feedback

Many respondents agreed that an entity be required to provide a tabular reconciliation of the significant reasons for changes in the fair value measurements. This disclosure would allow users to understand significant movements in Level 3 measurements. However, a few banks and financial services entities disagreed with mandating a tabular format or specific requirements on the nature of the information and said an entity ought to be allowed to use its judgement in this regard.

Respondents suggested the IASB specify selected changes that an entity is required to disclose for Level 1 and Level 2 measurements. Information on transfers into and out of the fair value hierarchy would, it was suggested, be more useful than information about changes such as purchases, sales, issues and settlements.

A few respondents recommended making disclosure of the reasons for transfers between levels of the fair value hierarchy mandatory.

A few respondents also said, if an entity is not required to disclose its policy for determining when transfers between levels are deemed to have occurred, the entity may decide against it. This non-disclosure would be inconsistent with the requirement in paragraph 95 of IFRS 13. Furthermore, users would be unable to determine if the same policy applies to transfers into and transfers out of the levels. These respondents suggested the IASB make the proposed item of information a mandatory requirement.

4. 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

Exposure Draft proposals

The IASB proposed a specific disclosure objective requiring an entity to disclose information that enables users of financial statements to understand:

- the amount, nature and other characteristics of each class of assets and liabilities not measured at fair value in the statement of financial position, but for which fair value is disclosed in the notes; and
- how the characteristics of those asset and liability classes affect their categorisation in the fair value hierarchy.

Questions for respondents

The IASB asked stakeholders if they:

- agree that the proposed specific disclosure objectives capture detailed user information needs about assets and liabilities not measured at fair value in the statement of financial position after initial recognition, and if they disagree, what changes they would suggest;
- agree that the proposed specific disclosure objectives would result in an entity providing useful information about assets and liabilities not measured at fair value but for which fair value is disclosed in the notes;
- agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them, and if they disagree, how the objectives might be changed so that the benefits justify the costs; and
- have any other comments on the proposed specific disclosure objectives.

Feedback

Many respondents agreed that the proposed specific disclosure objective captured detailed user information needs and would result in an entity providing useful information. There was also general agreement that the benefits would justify the costs of satisfying the objective. However, some respondents questioned the usefulness of such a disclosure, saying IFRS 7 *Financial Instruments: Disclosures* already requires information about risks arising from the financial instruments. Respondents also said the costs of obtaining this information would outweigh the benefits, particularly for banks.

5. 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

Exposure Draft proposals

The IASB proposed an entity be required to disclose, for each level of the fair value hierarchy, the measurement for each class of assets and liabilities not measured at fair value in the statement of financial position, but for which fair value is disclosed in the notes. The IASB's view was that users of financial statements will always need this information, to understand the subjectivity involved in assessing where the measurements of assets and liabilities belongs in the fair value hierarchy.

The proposals also included a non-mandatory item of information that would enable an entity to meet the specific disclosure objective—a description of the nature, risks and other characteristics of asset and liability classes not measured at fair value in the statement of financial position, but for which fair value is disclosed.

Questions for respondents

The IASB asked stakeholders if they agreed the proposed items of information would help an entity meet the linked specific disclosure objectives.

Feedback

Many respondents agreed the IASB's proposal to require an entity to disclose, for every level of the fair value hierarchy, the fair value measurement for each class of assets and liabilities would provide useful information to users. Such information might include how the market has moved since those assets and liabilities were originated, and further insight into the prospects for future cash flows.

However, a few respondents said the wording used in the proposals was less clear than that used in paragraph 93(b) of IFRS 13. A few respondents also disagreed with making the item mandatory. Such information was primarily used to calculate enterprise value, said these respondents, and information on the nature and other characteristics of the item and the difference between fair value and carrying amount was adequate for this purpose.

Many respondents agreed with the proposed non-mandatory item of information. However, a few respondents said the specific disclosure objective was similar to the non-mandatory item of information, and questioned how an entity could meet the former without disclosing the latter. Therefore, they suggested making this item of information mandatory.

4 Feedback summary—Proposed amendments to IAS 19 *Employee Benefits*

Background

Users said defined benefit plan disclosures made by entities applying IAS 19 are often inadequate to meet their needs. These disclosures often contain insufficient information about how defined benefit plans affect future cash flows, and unnecessarily detailed information of limited use, such as comprehensive sensitivity analysis. Users also highlighted challenges with communication effectiveness.

At the same time, entities said employee benefit disclosures were onerous to prepare. Entities agreed that information about cash flow effects was important and would be less onerous to prepare than many of the detailed disclosures that were of limited relevance to users.

The IASB proposed replacing the disclosure requirements in IAS 19 with a new set of requirements applying the proposed Guidance. These proposals included:

- creating overall and specific disclosure objectives that describe user information needs and require an entity to exercise judgement about what to disclose to meet those needs;
- requiring an entity to disclose quantitative breakdowns of the amounts in the primary financial statements;
- requiring an entity to disclose information about how the defined benefit obligation is expected to affect future cash flows; and
- removing the requirement for a detailed assumption-by-assumption sensitivity analysis.

The IASB discussed the feedback on these proposals at its February 2022 and May 2022 meetings.

Summary of feedback and IASB's response

The IASB decided against proceeding with any further work on the disclosure requirements in IAS 19 because:

- feedback from preparers—including the results of the fieldwork—suggests applying the proposed amendments to IAS 19 would be unlikely to result in significant improvements to the information provided;
- targeted improvements to IAS 19 would necessitate further work—for example, to develop items of information to meet the specific disclosure objectives for short-term employee benefits, defined contribution plans, other long-term employee benefits and termination benefits;
- applying the disclosure requirements in IAS 19 already results in an entity indirectly providing information that helps users assess future cash flows associated with defined benefit plans; and
- any further work on the disclosure requirements in IAS 19 would be unlikely to meet the prioritisation criteria set by the IASB in its Third Agenda Consultation.

1. Overall disclosure objective for defined benefit plans

Exposure Draft proposals

The IASB proposed an overall disclosure objective requiring an entity to disclose information that enables users of financial statements to:

- assess how defined benefit plans affect the entity's financial position, financial performance and cash flows; and
- evaluate the risks and uncertainties associated with the entity's defined benefit plans.

Questions for respondents

The IASB asked stakeholders if they agreed the proposed overall disclosure objective would result in an entity providing useful information that meets overall user information needs about defined benefit plans, and if they disagreed, what alternative objective they would suggest and why.

Feedback

A few respondents agreed with the proposed overall disclosure objective. However, some respondents said the overall disclosure objective was too broad to help an entity to identify user information needs and to determine precisely what information would satisfy those needs.

Some respondents said the disclosures resulting from applying the proposed overall disclosure objective with the proposed specific disclosure objectives would not be much more useful than those resulting from applying the current requirements in IAS 19.

2. Specific disclosure objectives for defined benefit plans

Exposure Draft proposals

The IASB proposed specific disclosure objectives requiring an entity to disclose information about:

- amounts in the primary financial statements relating to defined benefit plans;
- the nature of, and risks associated with, defined benefit plans;
- expected future cash flows relating to defined benefit plans;
- future payments to members of defined benefit plans closed to new members;
- measurement uncertainties associated with the defined benefit obligation; and
- reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans.

Questions for respondents

The IASB asked stakeholders if:

- the proposed specific disclosure objectives captured detailed user information needs for defined benefit plans;
- the proposed specific disclosure objectives would result in an entity providing relevant information about defined benefit plans in financial statements and no longer providing irrelevant information about such plans; and
- the benefits of the specific disclosure objectives would justify the costs of satisfying them.

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2. Specific disclosure objectives for defined benefit plans
Feedback
Many respondents were in favour of the proposed specific disclosure objectives in IAS 19, for the reasons explained in the Exposure Draft. However, some respondents said the specific disclosure objectives for defined benefit plans were too broad to help an entity determine precisely what information would satisfy these objectives. A few of those respondents, citing similar wording in the specific disclosure objective on amounts in primary financial statements and the overall disclosure objective, said specific disclosure objectives ought to be precise, instead of duplicating the overall disclosure objective. A few preparers had concerns about the proposed explanation that information required by the specific disclosure objective was intended to help users identify amounts to include in their analysis. These preparers said they would find it difficult to apply the specific disclosure objective without knowing what analysis users do and what inputs users require in the analysis. A few respondents said the expected benefits from applying specific disclosure objectives for defined benefit plans would justify the costs of satisfying them, for the reasons outlined by the IASB. These respondents took the view that most information necessary to satisfy the proposed disclosure objectives would already be collected when an entity applies the disclosure requirements in IAS 19. However, some respondents were doubtful that the benefits would justify the costs because the proposals showed little improvement on the requirements already contained in IAS 19.

3. Information to meet the specific disclosure objectives for defined benefit plans

Exposure Draft proposals

The IASB proposed items of information to meet the specific disclosure objectives for defined benefit plans. These are summarised with each specific disclosure objective.

Amounts in the primary financial statements relating to defined benefit plans

Under the proposals, entities would be required to disclose:

- the defined benefit cost included in the statement of profit or loss, identifying its components—including current and past service cost, gain or loss on settlement, and net interest on the net defined benefit liability;
- the defined benefit cost included in the statement presenting comprehensive income, identifying its components—including actuarial gains and losses and return on plan assets;
- the net defined benefit liability or asset in the statement of financial position, identifying its components—including fair value of the plan assets, present value of the defined benefit obligation and the effect of the asset ceiling;
- the deferred tax asset or liability arising from the defined benefit plans; and
- the amounts in the statement of cash flows, identifying their components—including the entity's contributions to the defined benefit plans.

In the IASB's view, information about the amounts relating to defined benefit plans recognised in each primary financial statement, and the components of those amounts, would always be necessary to enable users of financial statements to understand the amounts in the primary financial statements arising from defined benefit plans.

The nature of, and risks associated with, defined benefit plans

The IASB proposed non-mandatory items of information that may enable an entity to meet the specific disclosure objective. These comprised:

- a description of the benefits provided by the plans;
- the status of the defined benefit plans, such as if the plans are open or closed to new members;
- a description of plan amendments, curtailments and settlements in the reporting period;
- a description of how the plans are governed and managed, including any regulatory framework that affects how the plans operate;

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3. Information to meet the specific disclosure objectives for defined benefit plans
• a description of plan-specific investment risks, including significant risk concentrations. For example, if plan assets were primarily invested in one investment class, the entity would provide an explanation of the risks it would be exposed to from such a concentration; • a description of the policies and processes that the entity—or the plans' trustees or managers—uses to manage the identified risks; • a description of the investment strategies for the plans, such as the use of asset-liability matching strategies; • a breakdown of the fair value of plan assets by asset class that distinguishes the assets' risks and characteristics. Such a breakdown could include the fair value of the entity's transferable financial instruments held as plan assets and the fair value of plan assets used by the entity, such as property occupied by the entity; and • the expected return on the plan assets. **Expected future cash flows relating to defined benefit plans** The IASB proposed non-mandatory items of information that may enable an entity to meet the specific disclosure objective. These comprised: • a description of funding agreements or policies that affect expected future contributions required to settle the defined benefit obligation recognised at the end of the reporting period. Such agreements could include those reached with the plan's trustees or managers; • quantitative information about expected future contributions required to settle the defined benefit obligation recognised at the end of the reporting period. Such information could include expected future contributions to the plan for funded plans, or expected payments to plan participants for unfunded plans; • a description of regulatory or other agreements that affect expected future contributions. Information about such agreements could include known minimum funding requirements, or agreed funding commitments in appropriate time bands; and • information about the expected pattern or rate of expected future contributions. For example, if expected future contributions are expected to be similar to, or greater or less than contributions made in the current reporting period, and why. **Future payments to members of defined benefit plans that are closed to new members** The IASB proposed non-mandatory items of information that may enable an entity to meet the specific disclosure objective. These comprised: • the weighted average duration of the defined benefit obligation; and • the number of years over which the benefits payable under the defined benefit plans are expected to be paid.

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3. Information to meet the specific disclosure objectives for defined benefit plans

Measurement uncertainties associated with the defined benefit obligation

The IASB proposed non-mandatory items of information that may enable an entity to meet the specific disclosure objective. These comprised:

- the significant demographic and financial actuarial assumptions used to determine the defined benefit obligation;
- the entity's approach to determining the actuarial assumptions used, such as how the inflation rate was assessed, or the model used to determine longevity assumptions;
- the reasons actuarial assumptions significantly changed during the reporting period;
- alternative actuarial assumptions that were reasonably possible at the end of the reporting period and could have significantly changed the defined benefit obligation; and
- a description of how measurement uncertainty has affected measurement of the defined benefit obligation.

Reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans

The proposals would require an entity to provide a tabular reconciliation—from opening balances to closing balances—of the significant reasons for changes in the net defined benefit liability or asset. The IASB also provided a non-exhaustive list of the reasons for changes.

The IASB proposed non-mandatory items of information that may enable an entity to meet the specific disclosure objective. These comprised:

- a narrative explanation or tabular reconciliation of the significant reasons for changes in reimbursement rights; and
- a description of the relationship between reimbursement rights and the associated defined benefit obligation.

Questions for respondents

The IASB asked stakeholders if they agreed the proposed items of information would help an entity to meet the linked specific disclosure objectives.

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3. Information to meet the specific disclosure objectives for defined benefit plans

Feedback

A few respondents said the proposed non-mandatory items of information ought to be mandatory because:

- those items of information were similar to the disclosure requirements in the issued IAS 19; and
- an entity could satisfy the proposed specific disclosure objectives only by disclosing, if material, those items of information.

Amounts in the primary financial statements relating to defined benefit plans

Most respondents disagreed with the proposed requirements for an entity to disclose the deferred tax asset or liability arising from defined benefit plans. These respondents said they were unsure of the reason for the IASB's proposal because an entity is already required to disclose these amounts as part of its income tax disclosures.

Nature of, and risks associated with, defined benefit plans

A few respondents explicitly said the disclosure requirements in IAS 19 relating to the nature of, and risks associated with, defined benefit plans result in lengthy boilerplate narrative information. These respondents agreed the proposed specific disclosure objective would help limit this narrative information and ensure more useful information. However, other respondents said the proposed items of information may still lead entities to disclose boilerplate information.

A few respondents expressed concerns about the proposed disclosure of expected return on plan assets. These respondents said it would be difficult for an entity to determine a meaningful number that would provide useful information.

Expected future cash flows relating to defined benefit plans

A few respondents said the information about how defined benefit plans affect future expected cash flows would help users in making cash flow projections. However, respondents pointed out that the proposals were similar to the requirements already contained in IAS 19, and questioned if the proposals would improve the information that users receive.

A few respondents suggested the IASB further clarify what is meant by the term 'future contributions.' These respondents said it was unclear whether future contributions would include contributions to the plan as well as benefit payments to plan participants. Paragraph 147 of IAS 19 requires disclosure of the expected contributions to the plan for the next annual reporting period and a maturity analysis of the benefit payments.

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3. Information to meet the specific disclosure objectives for defined benefit plans

A few respondents opposed the proposal to allow an entity to provide consolidated information about how a defined benefit plan affects expected future cash flow. There were concerns that users would be unable to compare the information across entities, unless an entity distinguished the expected future cash flows required to settle the defined benefit obligation recognised at the end of the reporting period from other expected future cash flows.

A few respondents suggested the IASB prohibit an entity from including contributions for future services in the expected future contributions. They also suggested the IASB clarify that future contributions are: contributions to the fund for a wholly funded plan; benefit payments to plan participants for an unfunded plan; and both contributions to the funds and benefit payments to plan participants for a partly funded plan.

Another suggestion from a few respondents was that the IASB specify the period over which an entity is required to disclose future cash flows. These respondents also suggested the IASB develop an example showing how, under a defined benefit plan's rules and regulations, the measurement of the net defined benefit liability (asset) could be different from how the funded status of a defined benefit plan is measured and how expected future contributions are determined.

Future payments to members of defined benefit plans that are closed to new members

Most respondents disagreed with the proposed disclosure objective and items of information. They questioned the benefit of an entity disclosing the proposed information only for closed plans, and the usefulness of an entity disclosing the period over which amounts are expected to be paid without disclosing the amounts involved.

Measurement uncertainties associated with the defined benefit obligation

Most respondents who commented suggested the IASB require an entity to disclose significant actuarial assumptions to meet the specific disclosure objective. A few respondents suggested the IASB prescribe a minimum set of actuarial assumptions that all entities are required to disclose, to enable users to compare inputs across entities.

A few respondents also suggested the IASB explicitly require an entity to disclose the assumptions it had made in determining the discount rate because, in practice, these assumptions are subjective and require the entity to exercise its judgement.

It was the view of a few respondents that some proposed items of information—for example, alternative actuarial assumptions reasonably possible at the end of the reporting period—were too broad and imprecise about what information is expected from entities.

Most respondents, including many users who commented, disagreed with the proposal to remove sensitivity analysis as a mandatory item of information. They viewed the analysis as essential to understanding the risk exposures associated with defined benefit pension plans and comparing those plans between entities.

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3. Information to meet the specific disclosure objectives for defined benefit plans
Reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans Almost all respondents who commented agreed with the proposed items of information, for the reasons explained by the IASB. It was suggested by a few respondents that the IASB integrate the proposed items of information with the proposed executive summary because these elements are interrelated. A few respondents suggested the IASB clarify if an entity is required to disclose one reconciliation of the net defined benefit liability or asset, or separate reconciliations for each component of the liability or asset—namely, plan assets, the defined benefit obligation and the effect of the asset ceiling.

4. Defined contribution plans
Exposure Draft proposals
The IASB proposed an overall disclosure objective requiring an entity to disclose information that enables users of financial statements to understand how defined contribution plans affect an entity's financial performance and cash flows.
Questions for respondents
The IASB asked stakeholders if they agreed the proposed disclosure objective would result in an entity providing useful information that meets overall user information needs about defined contribution plans and other types of employee benefit plans.
Feedback
Some respondents agreed with the proposed overall disclosure objective. A few respondents disagreed with the proposal and suggested retaining the IAS 19 disclosure requirements as issued.

5. Disclosures for multi-employer plans and defined benefit plans that share risks between entities under common control

Exposure Draft proposals

The IASB proposed that an entity comply with the overall disclosure objective for defined contribution plans if the entity classifies its multi-employer plan as a defined contribution plan.

The IASB proposed that an entity comply with the overall disclosure objective for defined contribution plans and the specific disclosure objective about the nature of, and risks associated with, defined benefit plans if the entity:

- accounts for a multi-employer defined benefit plan as if it were a defined contribution plan; or
- participates in a defined benefit plan that shares risks between entities under common control and accounts for the contribution payable for the period in accordance with paragraph 41 of IAS 19.

The IASB proposed that an entity comply with the overall disclosure objective and specific disclosure objectives for defined benefit plans if the entity:

- accounts for a multi-employer defined benefit plan as a defined benefit plan; or
- participates in a defined benefit plan that shares risks between entities under common control and accounts for an allocation of the net defined benefit cost in accordance with paragraph 41 of IAS 19.

? Questions for respondents

The IASB asked stakeholders if they agreed the proposals would result in an entity providing useful information that meets overall user information needs about these plans.

Feedback

A few respondents agreed with the proposals, but some respondents expressed concerns about the IASB combining the overall disclosure objective for defined contribution plans with the specific disclosure objective for defined benefit plans. It was suggested the IASB either develop application guidance to help an entity satisfy the proposed objectives or develop separate disclosure objectives for multi-employer plans and defined benefit plans that share risks between entities under common control.

6. Disclosures for other types of employee benefit plans

Exposure Draft proposals

The IASB proposed overall disclosure objectives requiring an entity to disclose information that enables users of financial statements to understand:

- the effect of short-term employee benefits on the entity's financial performance and cash flows;
- the nature of other long-term employee benefits, and how those benefits affect the entity's financial position, financial performance and cash flows; and
- the nature of termination benefits, and how those benefits affect the entity's financial position, financial performance and cash flows.

Questions for respondents

The IASB asked stakeholders if they agreed the proposals would result in an entity providing useful information that meets overall user information needs about these plans.

Feedback

Some respondents agreed with the proposed overall disclosure objective. A few respondents said the proposed objective was generic and suggested the IASB develop items of information that would enable an entity to satisfy the proposed objective.

Appendix A

A summary of the IASB's Disclosure Initiative

In 2013, in response to stakeholder concerns about the quality of disclosures, the IASB launched its Disclosure Initiative, a portfolio of projects aimed at improving the effectiveness of disclosures in financial statements.

At the date of the Project Summary and Feedback Statement, the IASB has completed six other Disclosure Initiative projects that examine aspects of the disclosure problem. These projects are summarised in the table.

Project	Objective	Outcome
Disclosure Initiative—Amendments to IAS 1	To remove barriers to an entity using its judgement in preparing financial statements.	The amendments address some stakeholder concerns about presentation and disclosure requirements. For example, the amendments clarify that: • materiality applies to the whole of the financial statements, and the inclusion of immaterial information can reduce the usefulness of financial disclosures; and • an entity should use its professional judgement to determine where and in what order information is presented in the notes. The amendments were issued in December 2014 and became effective for annual reporting periods beginning on or after 1 January 2016.

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Project	Objective	Outcome
Disclosure Initiative—Amendments to IAS 7	To improve an entity's disclosures about financing activities in its financial statements.	The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments were issued in January 2016 and became effective for annual reporting periods beginning on or after 1 January 2017.
Disclosure Initiative—Definition of Material Amendments to IAS 1 and IAS 8	To help an entity make better materiality judgements when preparing its financial statements.	The amendments: • clarify the definition of material and how to apply this concept; • improve the explanations accompanying the definition of material; and • ensure the definition of material is consistent for all IFRS Accounting Standards. The amendments were issued in October 2018 and became effective for annual reporting periods beginning on or after 1 January 2020.

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Project	Objective	Outcome
Disclosure Initiative—Accounting Policies **Amendments to IAS 1 and IFRS Practice Statement 2**	To help stakeholders improve accounting policy disclosures for users of financial statements.	The amendments: • require an entity to disclose material accounting policy information, instead of significant accounting policies; and • add guidance and examples to IFRS Practice Statement 2 *Making Materiality Judgements* (Materiality Practice Statement) on how to apply materiality to accounting policy disclosures. The amendments were issued in February 2021 and the amendments to IAS 1 became effective for annual reporting periods beginning on or after 1 January 2023.
Materiality Practice Statement	To provide an entity with guidance on making materiality judgements when preparing its financial statements.	The Materiality Practice Statement provides: • an overview of the general characteristics of materiality; • a four-step process that an entity may follow in making materiality judgements; and • guidance and examples of how to make materiality judgements in specific circumstances. IFRS Practice Statement 2 was issued in September 2017.

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Project	Objective	Outcome
Better Communication in Financial Reporting—Making disclosures more meaningful Case Studies	To inspire an entity to improve communication in its financial statements when applying IFRS Accounting Standards.	The Case Studies document how six entities improved the way they communicate information in their financial statements when applying IFRS Accounting Standards. The entities' experiences show that relatively small changes can greatly enhance the usefulness of financial statements. The Case Studies were published in October 2017.

With the conclusion of the project on Targeted Standards-level Review of Disclosures, only one Disclosure Initiative project remains open—*Subsidiaries without Public Accountability: Disclosures*.

Appendix B

Guidance for developing and drafting disclosure requirements in IFRS Accounting Standards

A link to the latest version of the Guidance for Developing and Drafting Disclosure Requirements can be found here.

Introduction

1 This Guidance was developed as part of the IASB's project Disclosure Initiative—Targeted Standards-level Review of Disclosures. The Guidance provides the IASB with a framework for developing and drafting disclosure requirements in IFRS Accounting Standards. The rationale of the Guidance is that such disclosure requirements, when applied by an entity, provide users of financial statements with useful information at a cost that does not exceed the benefits of its provision.

2 The IASB might need to adapt its application of this Guidance to the specific circumstances of the individual projects. For example, it might be difficult for the IASB to apply the Guidance in full when amending the disclosure requirements in an Accounting Standard issued before the Guidance was developed.

3 Although this Guidance is based on the requirements in the *Due Process Handbook*, it does not form part of the IASB's due process.[1]

4 The IASB will use its experience of developing and drafting disclosure requirements across different projects, and its understanding of the effects of applying those disclosure requirements, to update the Guidance as and when required.

Purpose of disclosure requirements

5 The *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) says that the objective of financial statements is to provide financial information about a reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the reporting entity and in assessing management's stewardship of the entity's economic resources.

6 That financial information is provided:

(a) in the statement of financial position, by recognising assets, liabilities and equity;

(b) in the statement(s) of financial performance, by recognising income and expenses;

(c) in other statements and notes, by presenting and disclosing information about:

(i) recognised assets, liabilities, equity, income and expenses, including information about their nature and about the risks arising from those recognised assets and liabilities;

(ii) unrecognised assets and liabilities, including information about their nature and about the risks arising from them;

(iii) cash flows;

1 In its October 2022 meeting, the IASB discussed the reasons for not including the Guidance in the *Conceptual Framework for Financial Reporting* or the *Due Process Handbook*.

(iv) contributions from holders of equity claims and distributions to them; and

(v) the methods, assumptions and judgements used in estimating the amounts presented or disclosed, and changes in those methods, assumptions and judgements.

7 Disclosures in the financial statements also include information about:

(a) transactions and other events that have occurred after the end of the reporting period if providing that information is necessary to meet the objective of financial statements; and

(b) possible future transactions and other possible future events (forward-looking information) if that information:

(i) is useful to users of financial statements; and

(ii) relates to an entity's assets or liabilities—including unrecognised assets or liabilities—or equity that existed during or at the end of the reporting period, or to income or expenses for the reporting period.

8 As part of the *Primary Financial Statements* project, the IASB is developing descriptions of the roles of the primary financial statements and the notes. Primary financial statements—statement(s) of financial performance, statement of financial position, statement of changes in equity and statement of cash flows—provide a structured summary of a reporting entity's recognised assets, liabilities, equity, income, expenses and cash flows. Such a summary is useful because it enables users of those financial statements:

(a) to obtain an understandable overview of the entity's assets, liabilities, equity, income, expenses and cash flows;

(b) to make comparisons between entities, and between reporting periods for the same entity; and

(c) to identify items or areas about which users of financial statements may wish to seek additional information in the notes.

9 The role of the notes is:

(a) to provide further information that is necessary for users of financial statements to understand the items included in the primary financial statements; and

(b) to supplement the primary financial statements with other information that is necessary to meet the objective of financial statements.

10 An implication of the roles of the primary financial statements and the notes is that the amount of information required in the notes typically will be different from that required in the primary financial statements, namely:

(a) to provide the summary of information about the entity's assets, liabilities, equity, income, expenses and cash flows, information presented in the primary financial statements is more aggregated than information disclosed in the notes; and

(b) to meet the objective of financial statements, more detailed information about the entity's assets, liabilities, equity, income, expenses and cash flows—including disaggregation of information presented in the primary financial statements—may be required in the notes.

11 Therefore—given the objective of financial statements and the different roles of the primary financial statements and the notes—the purpose of the disclosure requirements in an Accounting Standard can be stated as to require an entity to disclose the following types of information in the notes, if such information is useful to users of financial statements:

(a) information that supplements the information presented in the primary financial statements, including:

(i) disaggregation of information presented in the primary financial statements;

(ii) information about the nature of, and the risks arising from, recognised assets and liabilities;

(b) information about unrecognised assets and liabilities, including information about their nature and about the risks arising from them;

(c) the methods, assumptions and judgements used in estimating the amounts presented or disclosed, and changes in those methods, assumptions and judgements;

(d) information about transactions and other events that have occurred after the end of the reporting period; and

(e) forward-looking information relating to the entity's assets or liabilities—including unrecognised assets or liabilities—or equity that existed during or at the end of the reporting period, or to income or expenses for the reporting period.

12 Not every Accounting Standard will require the disclosure of every type of information described in the preceding paragraph.

13 Similarly, it is unnecessary for each Accounting Standard to explicitly refer to the need to make materiality judgements when applying disclosure requirements because:

(a) materiality is an overarching concept that applies across all Accounting Standards and across all requirements, including disclosure requirements;

(b) the inclusion of references to materiality in new Accounting Standards might create confusion about how this concept applies to Accounting Standards that have not been amended to include those references;

(c) entities might ignore such references, regarding them as mere boilerplate text; and

(d) if an Accounting Standard were to include well-drafted disclosure objectives and clearly linked items of information that satisfy those objectives, then entities, auditors and regulators would be able to understand what information users of financial statements need. In those circumstances, an entity would only be able to satisfy the disclosure objectives by making effective materiality judgements in relation to its disclosures. Auditors and regulators could then question those judgements.

Components of the disclosure requirements in an Accounting Standard

14 The disclosure requirements of an Accounting Standard that have been drafted in accordance with this Guidance will typically comprise three main components:

(a) an overall disclosure objective that describes the overall information needs of users of financial statements;

(b) specific disclosure objectives that describe the detailed information needs of users; and

(c) a description of the items of information that satisfy the specific disclosure objectives.

15 However, the disclosure requirements in every Accounting Standard need not include all three components. For example, the IASB could decide not to specify items of information if the purpose of a specific disclosure objective were to require an entity to disclose entity-specific information.

16 To enable entities to make effective materiality judgements, the IASB, when drafting disclosure requirements, will typically:

(a) include an overall disclosure objective that provides context of the overall user information needs to enable an entity to make materiality judgements and apply the requirements about specific disclosure objectives and items of information;

(b) require an entity to comply with specific disclosure objectives;

(c) support each specific disclosure objective with explanations of user assessments that rely on information an entity would disclose in satisfying the specific disclosure objective; and

(d) link a specific disclosure objective with items of information that an entity is required to disclose to satisfy that specific disclosure objective.

Overall disclosure objective

17 The IASB uses an overall disclosure objective in an Accounting Standard to provide an Accounting Standard-specific context of the overall user information needs to enable an entity to make materiality judgements and apply the requirements about specific disclosure objectives and items of information. Paragraph 31 of IAS 1 *Presentation of Financial Statements* says that an entity:

(a) need not provide a specified disclosure required by an Accounting Standard if the information resulting from that disclosure is not material; and

(b) should also consider if additional disclosures are necessary if compliance with the specified requirements in an Accounting Standard is insufficient to enable users of financial statements to understand the effect of particular transactions, other events and conditions on the entity's financial position and financial performance.

18 The overall disclosure objective prompts an entity to consider whether applying the requirements about the specific disclosure objectives and items of information would result in disclosing material information to enable users of financial statements to understand the effect of particular transactions, other events and conditions on the entity's financial position and financial performance.

19 The IASB will ensure that the focus of an overall disclosure objective is closely aligned with the objective of financial statements and the purpose of disclosure requirements. (See section *Purpose of disclosure requirements*.)

20 Example 1 illustrates a context-setting non-prescriptive overall disclosure objective drafted in accordance with this Guidance.[2]

> *Example 1—Overall disclosure objective*
>
> A The overall objective of paragraphs B–H is for an entity to disclose in the notes information that enables users of financial statements:
>
> (a) to assess the effects of the net defined benefit liability (asset), and changes in it, on the entity's financial position, financial performance, and cash flows; and
>
> (b) to evaluate the risks and uncertainties arising from the net defined benefit liability (asset).

21 IAS 1 includes the general principles for aggregation or disaggregation of information. It is unnecessary to repeat those general principles in every Accounting Standard containing a disclosure objective drafted in accordance with this Guidance. However, the IASB might use overall disclosure objectives in an Accounting Standard to provide guidance on how an entity applies the general principles of aggregation or disaggregation of information to the disclosure requirements in that Accounting Standard.

2 Examples 1–4 in this Guidance are based on the amendments to IAS 19 *Employee Benefits* proposed in the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*. These examples do not represent the requirements in IAS 19 and simply illustrate how the requirements could be drafted in accordance with this Guidance.

22 Example 2 illustrates specific guidance on the aggregation or disaggregation of information.[3]

> *Example 2—Guidance on aggregation or disaggregation*
>
> B The appropriate level of aggregation or disaggregation may vary for different items of information, and may depend on the nature of the information and on the disclosure objective that information would contribute to satisfying. Characteristics that could result in aggregation or disaggregation of information about defined benefit plans include:
>
> (a) geographical region;
>
> (b) regulatory environment;
>
> (c) characteristics of the plan (for example, flat salary pension plans, final salary pension plans, or post-employment medical plans);
>
> (d) composition of the plan participants (for example, active members, deferred members, or pensioners);
>
> (e) funding arrangement (for example, wholly unfunded, wholly funded, or partly funded); and
>
> (f) reporting segment.

Specific disclosure objectives

23 The IASB uses specific disclosure objectives to describe the detailed information needs of users of financial statements and uses the prescriptive language 'shall' to require an entity to comply with those disclosure objectives. To comply with specific disclosure objectives, an entity is required to use its judgement in order to identify and disclose material information that satisfies those objectives.

24 The IASB will make every effort to describe precisely the detailed information needs of users of financial statements. A specific disclosure objective will be accompanied by an explanation of user assessments that rely on information an entity discloses in satisfying that specific objective. The explanation is intended to help an entity identify material information that is required to be disclosed to satisfy the specific disclosure objective.

25 The IASB will ensure that the focus of specific disclosure objectives is closely aligned with the objective of financial statements and the purpose of disclosure requirements. (See section *Purpose of disclosure requirements*.)

26 Example 3 illustrates a specific disclosure objective drafted in accordance with this Guidance.[4]

> *Example 3—Specific disclosure objective*
>
> C An entity shall disclose information that enables users of financial statements to understand:
>
> (a) the amounts, and the components of those amounts, associated with the net defined benefit liability (asset) included in the reported financial performance, reported financial position and reported cash flows; and
>
> (b) the reasons for change in the net defined benefit liability (asset) from the beginning of the reporting period to the end of that period.
>
> D That information is intended to:
>
> (a) help navigate detailed disclosures about defined benefit plans, and reconcile the amounts disclosed to the aggregated amounts included in the primary financial statements;
>
> (b) help understand how the entity's financial performance was affected because of the different components of defined benefit cost; and
>
> (c) provide insights into the entity's prospects for future cash flows.

3 See Footnote 2.

4 See Footnote 2.

27 Users of financial statements seek entity-specific information in addition to information that is comparable across entities. To that end, the purpose of some specific disclosure objectives—such as those requiring an entity to disclose information about the nature of, and risks arising from, recognised assets and liabilities—is to require disclosure of entity-specific information.

Items of information

28 The IASB identifies items of information and uses the prescriptive language 'shall' to require an entity to disclose those items of information to satisfy a specific disclosure objective. In deciding whether to require disclosure of an item of information, the IASB will consider whether such information is likely to be useful to users of financial statements—that is whether the information is relevant and faithfully represents what it purports to represent.

29 The IASB explicitly links every item of information described in the disclosure section of an Accounting Standard to one or more specific disclosure objectives. Such links clarify the relationship between a specific disclosure objective and the items of information to be disclosed; and, therefore, they help an entity make effective materiality judgements about the information that it needs to disclose in order to satisfy the detailed information needs of users (as explained in the specific disclosure objective).

30 The items of information the IASB requires an entity to disclose are those typically required to satisfy the linked specific disclosure objective. The application of materiality could lead an entity to disclose one, some or all items of information specified in an Accounting Standard, or to disclose additional items of information not specified in the Accounting Standard if those additional items are required to satisfy the specific disclosure objective. The IASB decides, on a case-by-case basis, the number of items of information to be linked to a specific disclosure objective. As explained in paragraph 15, the IASB could decide it is unnecessary to complement a specific disclosure objective with items of information if, for example, the purpose of the specific disclosure objective was to make an entity disclose entity-specific information.

31 Example 4 illustrates requirements about items of information drafted in accordance with this Guidance.[5]

Example 4—Items of information

E In satisfying the objective in paragraph C, an entity shall apply paragraphs F–H.

F An entity shall disclose in the notes a tabular reconciliation from the opening to the closing carrying amounts of the net defined benefit liability (asset)—identifying its components, which include plan assets, defined benefit obligation and the effect of the asset ceiling—grouping the changes into:

(a) those included in the statement of profit or loss;

(b) those included in the statement presenting comprehensive income;

(c) those included in the statement of cash flows; and

(d) other changes.

G Changes in the net defined benefit liability (asset) that an entity shall disclose in the reconciliation include:

(a) current service cost;

(b) past service cost;

(c) interest income or expense;

(d) the return on plan assets, excluding amounts included in interest income in subparagraph (c);

(e) actuarial gains or losses from changes in actuarial assumptions;

(f) actuarial gains or losses from changes in experience adjustments;

(g) gains and losses from settlements;

5 See Footnote 2.

- (h) contributions into the plan by the entity;
- (i) contributions into the plan by plan participants;
- (j) benefits paid out to plan participants;
- (k) changes in the effect of limiting a net defined benefit asset to the asset ceiling;
- (l) the effect of business combinations and disposals; and
- (m) the effect of changes in foreign exchange rates.

H An entity shall also disclose additional information to achieve the objective in paragraph C. That additional information shall include a description of:

- (a) the nature of the benefits provided by the defined benefit plans;
- (b) plan amendments, curtailments and settlements in the reporting period; and
- (c) minimum funding requirements or agreed funding commitments, if any.

Developing disclosure requirements

32 Understanding the information needs of users of financial statements informs both the development of disclosure requirements in an IFRS Accounting Standard and the Accounting Standard's recognition and measurement requirements. The IASB works closely with users of financial statements and other stakeholders early in the standard-setting process to understand what information users want financial statements to contain, and what assessments they would do using that information. Gaining a good understanding of the information needs of users helps the IASB develop sufficiently specific disclosure objectives, clear explanations of the assessments that users make, and descriptions of the items of information that are required to be disclosed.

33 In developing disclosure proposals, the IASB is guided by the *Conceptual Framework*. User information needs are converted into disclosure proposals to the extent that those information needs are within the remit of the objective of financial statements (see section *Purpose of disclosure requirements*). The *Conceptual Framework* says general purpose financial reports, such as financial statements, do not and cannot provide all of the information that primary users need. Those users need to consider pertinent information from other sources, for example, general economic conditions and expectations, political events and political climate, and industry and company outlooks.

34 The IASB integrates the development of disclosure requirements with the development of recognition and measurement requirements. The IASB applies a consistent approach to developing disclosure requirements, particularly specific disclosure objectives and items of information. The approach involves:

- (a) understanding the information needs of users of financial statements;
- (b) discussing user information needs with preparers and other stakeholders;
- (c) understanding the disclosures that are required to support recognition and measurement requirements;
- (d) performing a cost–benefit analysis;
- (e) understanding and documenting the effects of disclosure proposals and requirements; and
- (f) considering the digital reporting implications when developing disclosure requirements.

Understanding the information needs of users of financial statements

35 During the research phase of a project, through its outreach meetings with users of financial statements and its consultation documents such as a request for information, research paper or discussion paper, the IASB typically seeks:

(a) to understand whether the information that users of financial statements already receive is sufficient;

(b) if the information is insufficient, to understand whether:

(i) the recognition and measurement models do not support the information needs of users;

(ii) the existing disclosure requirements are inadequate, or are not being applied as intended; and

(c) to stimulate discussion about possible approaches to filling any information gaps identified.

36 In developing a discussion paper or an exposure draft, the IASB typically seeks:

(a) to identify and understand, and then to clearly explain the information needs of primary users of financial statements;

(b) to gather initial feedback on the potential costs and benefits of disclosing information that satisfies those needs; and

(c) to develop proposals that effectively respond to the information needs of users and feedback on the cost of disclosing the information.

37 The IASB gets feedback from users through their comment letters on consultation documents. The IASB also seeks input from the international community of users by engaging with, for example:

(a) its consultative body, the Capital Markets Advisory Committee;

(b) user-consultative bodies of national standard-setters;

(c) user-representative groups around the world; and

(d) rating agencies, buy-side and sell-side analysts, portfolio managers and other investment professionals.

38 In all its outreach activities with users or through its consultation documents, the IASB typically seeks to understand:

(a) what information users of financial statements want an entity to disclose in the notes;

(b) why they are interested in that information;

(c) what assessments they make, or would make, using the information;

(d) what level of detail is required to meet their needs; and

(e) of the items of information they want, what information is central to the making of their assessments.

39 The IASB seeks to obtain sufficient feedback from its outreach activities to be able to develop and clearly explain specific disclosure objectives and the user assessments that rely on information an entity would disclose in satisfying the specific disclosure objectives.

Discussing user information needs with preparers and other stakeholders

40 The IASB seeks to understand from preparers and other stakeholders—such as auditors, regulators, national standard-setters and accountancy bodies—the potential costs, benefits and effects of disclosure requirements or disclosure proposals. To obtain input from those stakeholders, the IASB engages with, for example:

(a) its consultative groups, including the Global Preparers Forum and project-specific consultative groups;

(b) preparers and preparer-representative groups around the world;

(c) the Accounting Standards Advisory Forum, the Emerging Economies Group, national standard-setters, standard-setting bodies and accountancy bodies;

(d) accounting firms; and

(e) regulators and enforcement bodies.

41 In these outreach activities, or through its consultation documents, the IASB typically seeks to understand:

(a) whether and why applying a disclosure requirement or a disclosure proposal is, or would be, unduly onerous;

(b) whether the information needs addressed by a proposed requirement could be satisfied by requiring the disclosure of alternative items of information that would be less costly to prepare;

(c) what information entities typically disclose in the notes beyond that explicitly required by Accounting Standards—and, if so, why they do so;

(d) whether a disclosure requirement or a disclosure proposal is worded in a way that makes it possible, or would make it possible, for preparers, auditors, regulators and enforcement bodies to assess whether information disclosed, or that would be disclosed, is sufficient, or would be sufficient, to satisfy the disclosure objectives; and

(e) what jurisdictional disclosure requirements that are not required by Accounting Standards are considered useful.

Understanding the disclosures that are required to support recognition and measurement requirements

42 As well as considering user information needs when developing disclosure requirements, the IASB also considers disclosures that may be required to support recognition and measurement requirements. As it develops the recognition and measurement requirements, the IASB identifies:

(a) disclosure requirements that are required for users to understand the information resulting from applying the recognition and measurement requirements; and

(b) disclosures that provide useful information to users that cannot be provided through the recognition, measurement and presentation requirements in an Accounting Standard.

43 In many cases, feedback from stakeholders informs the IASB's discussions about disclosures that may be required to support recognition and measurement requirements. The IASB considers whether to hold further discussions with its advisory bodies, consultative groups or others if any clarification or additional feedback is necessary.

Performing a cost–benefit analysis

44 In analysing and developing any project proposals, including those related to disclosure, it is important for the IASB to consider their likely effects. This includes understanding the costs of disclosure proposals versus their expected benefits.

45 The IASB formalises and documents its analysis as part of an effects analysis developed for publication. The IASB considers the likely costs and benefits of disclosure proposals throughout the life of the project, and typically includes a question in an exposure draft requesting views on disclosure proposals and their potential costs and benefits.

Understanding and documenting the effects of disclosure proposals and requirements

46 The IASB draws on the knowledge it has acquired throughout the standard-setting process when preparing an effects analysis for inclusion in consultation documents and Accounting Standards. The purpose of this step is to communicate to stakeholders the IASB's expectations about:

(a) the benefits of the disclosure proposals or requirements, including the benefits of improved information for users;

(b) the likely effects and costs of disclosure proposals or requirements for entities, users and other stakeholders; and

(c) any other effects, such as the expected digital reporting or regulatory consequences of disclosure proposals or requirements.

47 Work performed earlier in a project often provides most of the information necessary for the IASB to document its effects analysis. However, the IASB considers whether further consultation with stakeholders is required to ensure it has a comprehensive understanding of the likely effects of disclosure proposals or requirements.

Considering the digital reporting implications when developing disclosure requirements

48 The IFRS Accounting Taxonomy is a system for classifying and structuring financial data in a manner which:

(a) allows tagging to make that data computer-readable; and

(b) helps users find, understand and compare large amounts of financial information to facilitate efficient financial analysis.

49 The IFRS Accounting Taxonomy:

(a) lists the computer codes (elements) that preparers can use to identify (tag) disclosures in financial statements prepared using IFRS Accounting Standards;

(b) describes the accounting meaning of each element and provides references to the Accounting Standards; and

(c) organises elements into groups and defines relationships between them, to help preparers and users of tagged financial statements find those elements more easily.

50 The IASB seeks to develop disclosure requirements that are worded in a manner that facilitates the digital consumption of the information that entities provide by applying those disclosure requirements. In developing disclosure requirements that can be applied effectively in both a digital reporting format and a paper-based format, the IASB seeks to understand whether:

(a) proposed disclosure requirements can be incorporated into the IFRS Accounting Taxonomy and taxonomy elements can be easily created from the wording in disclosure proposals;

(b) developing the IFRS Accounting Taxonomy highlights opportunities to improve disclosure proposals—for example, by more clearly specifying the information required to be disclosed; and

(c) common digital reporting practice highlights opportunities to improve the wording of items of information or to develop illustrative examples, and thereby to improve the IFRS Accounting Taxonomy elements, potentially leading to entities providing more comparable information and creating fewer extensions.

51 IFRS Accounting Taxonomy elements would only be created for information required by an Accounting Standard or items of information included in the illustrative examples that accompany the Accounting Standard. In accordance with this Guidance, IFRS Accounting Taxonomy elements would typically be created for: an overall disclosure objective; each specific disclosure objective; each item of information linked to a specific disclosure objective; and any additional items of information included in illustrative examples.

52 The IFRS Digital Reporting team reviews the drafting of proposed disclosure requirements and provides input for effects analysis before the publication of an exposure draft. Following the publication of an exposure draft, during the comment period and redeliberation phase of a project, proposals to update the IFRS Accounting Taxonomy are discussed with the IASB and the IFRS Taxonomy Consultative Group. Once the IASB has issued an Accounting Standard, the IFRS Accounting Taxonomy is updated, subject to consultation on the proposed changes.

Other drafting matters

Using consistent language

53 The consistent use of language can contribute to the consistent application of Accounting Standards. To help maximise the use of consistent language, the IASB:

(a) considers defining terms and concepts introduced in the disclosure requirements of an Accounting Standard.

(b) works with the IFRS Foundation's Translations, Adoption and Copyright team to consider how a term or concept is, or would be, defined when translated.

(c) avoids using the same words to signify different terms or concepts, and avoids using different words to signify the same term or concept. If the use of the same term with different meanings is unavoidable, the IASB considers if additional interpretative guidance, such as an explanatory paragraph, should be provided to explain why the term or concept has been used in a particular context; and clearly links each use of the term or concept to the related explanation.

(d) makes clear the intended location of information when using the terms 'present' and 'disclose' in an Accounting Standard. The IASB will use 'present in the primary financial statements' and 'disclose in the notes'.

Linking related requirements and guidance across Accounting Standards and other publications

54 Linking information across Accounting Standards and other IASB publications, such as IFRS practice statements:

(a) promotes the consistent drafting of disclosure requirements in Accounting Standards; and

(b) ensures the relationship between individual disclosure objectives and requirements in Accounting Standards, and the concept of materiality, is consistent and clear.

55 To minimise inconsistencies and any confusion about the intended relationships between disclosure requirements in different Accounting Standards, the IASB seeks to minimise duplication when developing disclosure requirements, for example by cross-referring between Accounting Standards. However, the IASB will do so only if that practice does not adversely affect the clarity of the disclosure requirements for preparers or the understandability of the resulting information for users.

Important information

The Project Summary and Feedback Statement has been compiled by the staff of the IFRS Foundation for the convenience of interested parties. The views in this document are those of the staff who prepared this document and are not the views or the opinions of the IASB and should not be considered authoritative in any way. The content of this Project Summary and Feedback Statement does not constitute any advice.

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