

The Swedish Financial Reporting Board

RFR-rs 2021:10

International Accounting Standards Board  
Columbus Building,  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Board members,

## Re: ED/2021/3 Disclosure Requirements in IFRS Standards - A Pilot Approach

The Swedish Financial Reporting Board is responding to your invitation to comment on the Exposure Draft ED/2021/3 Disclosure Requirements in IFRS Standards - A Pilot Approach.

### **A more objectives-based approach is preferable**

We welcome the IASB's work to develop an objectives-based approach to disclosure requirements. A problem with current disclosures is that both preparers and other stakeholders such as auditors and enforcers, have too much of a check-list approach. There is a tendency to provide information about every item of data that is included in a paragraph on disclosure requirements and in the standards.

This means that too much irrelevant information is provided. Therefore, relevant entity-specific disclosures tailored to an individual entity's facts and circumstances are obscured due to the large volume of information, or even not provided since the information is not included in a paragraph on disclosure requirements in a standard.

Compared to the present situation, we believe that there should be more objectives and less "shall"-rules for disclosure in the standards. We strongly support that the IASB aims at more emphasis on relevance through entity-specific disclosures.

### **The proposed approach must have the intended consequences**

The aim should be to develop a systematic approach that strikes a proper balance between requirements based on objectives where the disclosed information might vary across entities and general information that is required from all entities. Having this in mind, we think that it is important to ensure that the proposed approach will lead to the intended consequences, i.e., to reduce the amount of irrelevant disclosures.

# Rådet *för* **finansiell rapportering**

For objectives-based requirements to be effective, other stakeholders in financial reporting have to accept this premise of basing the requirements on objectives, rather than making all entities disclose the same items of information. Overall, auditors and enforces must aim at the same goal as users and preparers, i.e., the provision of useful information, but they may attach different weights to individual aspects, such as the risk of abuse. If preparers perceive that the uncertainty about what they are required to disclose is too large, this probably leads to more disclosures of information of little or no relevance rather than less, since the uncertainty increases entities' exposure to future challenges of compliance and they also seek to avoid other stakeholders' second-guessing with hindsight. For this reason, it must be clear that when the provided information fulfils the objectives-based requirements no other information is required.

Allowing entities to provide entity-specific information is preferable since it reflects the circumstances of a particular company. When circumstances are different, providing the same information does not contribute to comparability, and a requirement that all entities shall provide a certain item of information might even be misleading.

In relation to the outcome of the application of the pilot approach on IFRS 13 and IAS 19 presented in the ED, additional examples of disclosures that could fulfil the principles-based requirements should be considered to facilitate the evaluation of the new approach.

## **Going forward with field work**

This project has the potential to fundamentally change financial reporting, and it is important to strike the right balance between objectives-based entity-specific disclosures and general requirements that all entities shall provide a certain item of information. We think that the way forward for the IASB should be to conduct additional field work.

There are different kinds of disclosure requirements, such as the disaggregation of an item presented on an own line in a financial statement, information about the accounting method applied, information about inputs and judgements made in the application, information related to a specific area such as climate effects, information about what the reported value would have been if an alternative method had been used instead, reconciliation of opening and closing balance etc. It might be fruitful to consider this when evaluating the approach. Perhaps an approach works better for one kind of disclosure than for another. It could also be that an approach works better for a new standard, starting from a clean sheet, than for amendments of existing standards.

If you have any questions concerning our comments, please address our Executive member Carina Edlund by e-mail to: [Carina.Edlund@radetforfinansiellrapportering.se](mailto:Carina.Edlund@radetforfinansiellrapportering.se).

Stockholm, 8 September 2021

Yours sincerely

  
Anders Ullberg  
Chairman