# EFRAG Survey on Disclosure Requirements in IFRS Standards – A Pilot Approach

## EFRAG Survey on Disclosure Requirements in IFRS Standards – A Pilot Approach

## Background

EFRAG has developed this questionnaire in order to gather views from constituents on Disclosure Requirements in IFRS Standards - A Pilot Approach both on general guidance and on the proposed amendments to IFRS 13 *Fair Value Measurement* and IAS *19 Employee Benefits*.

The questionnaire is a reaction to the Exposure Draft Disclosure Requirements in IFRS Standards - A Pilot Approach (the ED) which is available [here](https://www.ifrs.org/content/dam/ifrs/project/disclosure-initative/disclosure-initiative-principles-of-disclosure/ed2021-3-di-tslr.pdf). The ED proposes a new approach for the IASB to develop disclosure requirements and tests that approach by applying it to IFRS 13 and IAS 19. The IASB has heard three main concerns about the usefulness of information disclosed in financial statements. Collectively known as the ‘disclosure problem’, these concerns are that financial statements sometimes include too little relevant information, too much irrelevant information and information disclosed ineffectively. The feedback received by the IASB suggested that a significant cause of the disclosure problem is disclosure requirements in IFRS Standards being treated like a checklist without applying effective judgement. In addressing the overall disclosure problem, the new approach would require entities to comply with:

* Overall disclosure objectives that describe the overall information need of users of financial statements; and
* in several selected situations specific disclosure objectives that describe the detailed information needs of users of financial statements.

The ED also identifies items of information to meet each specific disclosure objective. Entities would need to apply judgement to determine the information they should disclose to satisfy the specific disclosure objective instead of applying disclosure requirements like a checklist. The proposed items of information related to specific disclosure objectives are only in some cases required to be disclosed to satisfy that objective. As illustrated in the application of the proposals to IFRS 13 and IAS 19 items of information will be mandated only if they are deemed always necessary to meeting a specific objective. In general items of information are examples that only should be used if relevant to fulfil the specific objectives.

Following the proposed new approach, all objectives (the overall and specific) should be fulfilled but judgement is required with regards to how those objectives are fulfilled best. As a matter of fact, this new approach will make minimum requirements an exception. The proposed approach would require preparers to determine the information that would meet the needs of users of financial statements, whose perspectives may differ from their own, and to determine and justify that they have met the stated objectives. The determination and justification that the needs of the users are met, and the disclosure objectives are reached has to be done at each reporting date. Users’ needs might change over time, similarly the importance and relevance of some information might change over time.

For a brief overview to the pure objective based new approach, the snapshot to the Exposure Draft from the IASB is provided [here](https://www.ifrs.org/content/dam/ifrs/project/disclosure-initative/disclosure-initiative-principles-of-disclosure/snapshot-2021-3-di-tslr.pdf).

In addition to submitting replies to the questionnaire, constituents can provide their input on the topic and ask questions about the survey by writing to the Disclosure Initiative Team (disclosureinitiative-pilot@EFRAG.ORG).

Respondents are encouraged to respond to all questions but are not required to do so. EFRAG will still consider their answers. Respondents may save the questionnaire at a given moment and continue subsequently. This questionnaire is particularly targeted for small and medium entities.

The questionnaire is tailored to avoid questions that are not applicable for you. There are 29 questions in the technical part of the questionnaire. 11 thereoff address the general approach proposed by the IASB. The questions related to IAS 19 and to IFRS 13 are optional, depending on your business.

EFRAG will not publish the survey responses or name respondents; summarised findings of aggregated feedback will be discussed in public on an anonymised basis.

Please complete this survey by 20 November.

## Section A - General questions for fieldwork participants

#### 1) Personal information\*

First name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Last name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

E-mail: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Role in the organisation: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name of your company: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Industry of your company: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Country where you are located: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

#### 2) Is your company a listed entity?\*

( ) Yes

( ) No

#### 2a) Is the market capitalisation/equity of your company (listed entities)\*

( ) < 500.000.000 € or

( ) between 500.000.000 and 1.000.000.000 € or

( ) > 1.000.000.000 €?

#### 2b) Please indicate the size of your company (amount in €) (non-listed entities):\*

Total assets: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Annual revenue: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Other comments: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

#### 3) Please indicate whether you want to be contacted for any follow-up questions:\*

( ) Yes, I want to be contacted.

( ) No, I do not want to be contacted.

## Section B - General drafting guidance

Please answer the following questions in section B in relation to the Exposure Draft.

As indicated in the IASB’s ED and snapshot included at the beginning of the survey, IFRS Standards using the proposed guidance will contain the following:

|  |  |
| --- | --- |
| Overall disclosure objectives | * describe the overall information needs of users within an individual IFRS Standard.
* require companies to assess whether the information provided in the notes meets those overall user information needs. If that information is insufficient, companies will need to disclose additional information to meet user’s needs.
 |
| Specific disclosure objectives | * describe the detailed information needs of users within an individual IFRS Standard.
* require companies to disclose all material information to enable those specific user information needs to be met.
* include an explanation of what users may do with the information provided (for example, what analysis will users perform?).
 |
| Items of information | * provide items of information a company may, or in some cases is required to, disclose to satisfy each specific disclosure objective.
* help companies apply judgement and determine how to satisfy specific disclosure objectives.
 |

### 4) Do you think that the new approach would provide information that is more useful to users compared to an approach with a list of prescriptive requirements to disclose particular items of information?

( ) Yes

( ) No

#### Comments

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### 5) Do you think that the amount of time it takes to agree and prepare your disclosures on a recurrent basis would be affected?

( ) Yes

( ) No

#### Comments

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### 6) Are you expecting that a need for changes to your disclosure systems, processes and skills of the involved resources would arise?

( ) Yes, significant changes

( ) Yes, but only minor changes

( ) No

#### Comments

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### 7) What consequences are you expecting as a result of satisfying the disclosure objectives only rather than prescriptive requirements to disclose particular items of information under the current approach? (You can select several responses)

( ) additional/extensive dialogue with users

( ) additional/extensive dialogue with auditors

( ) more useful conversations with auditors

( ) additional interactions with regulators

( ) additional involvement of management in deciding what to disclose

( ) timing to prepare disclosures has to be changed to apply the necessary judgement and allow sufficient discussion with auditors

( ) higher frequency of changes to the presented disclosure items (e.g. should the need of users change from a period to another)

( ) shorter disclosures

( ) none

( ) other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

#### Comments

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#### 8) How would you assess the overall cost of applying the proposed new requirements compared to applying the existing prescriptive requirements to disclose particular items of information?I expect

( ) a significant increase in costs on a yearly basis

( ) one-off costs

( ) one-off costs + minor increase in costs on a yearly basis

( ) no costs at all for the implementation + neutral costs on a yearly basis

( ) reduced costs

( ) other: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

### 9) Do you consider that the IASB should, besides requiring to meet disclosure objectives, also mandate a list of minimum disclosure requirements necessary to meet the disclosure objectives?

( ) Yes, minimum disclosure requirements can help.

( ) No, a pure objective based approach is sufficient.

#### Comments

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#### 10) Is the information that the Exposure Draft provides on the new approach and requirements clear?

( ) Yes

( ) No

( ) No response at the current stage

### If your answer is no, please explain why.

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#### 11) In the Exposure Draft, the IASB proposes to use the language ‘While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph XX…’ to identify items of information.Is the language worded in a way that makes it clear that you need to apply judgement to determine the information to provide in order to meet the specific disclosure objectives?

( ) Yes

( ) No

### If not, what alternative language would you suggest and why?

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### 12) Considering the above described approach do you think that the information to be included in your financial statements would materially change under the new approach?

( ) Yes

( ) For some selected areas only

( ) Not significantly

( ) I do not know

#### Comments

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### 13) Do you think the benefits of implementing this objective-based approach would outweigh its cost?

( ) Yes

( ) No

#### Comments

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### 14) Is there any other view on the discussed objective-based disclosure requirements as opposed to prescriptive requirements to disclose particular items of information that you would like to provide?

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## Section B - IFRS 13 Fair Value Measurement

#### 15) Do you have material assets and/or liabilities recognised at fair value (FV) in your statement of financial position or do you have to disclose FV information for material assets and/or liabilities not measured at FV? (You can select several responses)

( ) Yes, material assets and/or liabilities recognised at fair value in the statement of financial position

( ) Yes, material assets and/or liabilities recognised at amortised cost, but for which FV is disclosed in the notes

( ) No

**If your answer is *“NO”*, skip Section B – IFRS 13 Fair Value Measurement (cont.) and jump to Section B – IAS 19 Employee Benefits.**

## Section B - IFRS 13 Fair Value Measurement (cont.)

**ED’s proposed disclosures objectives for Assets/liabilities measured at FV**

|  |  |
| --- | --- |
| **Overall disclosure objective** | Disclose information to enable users to understand the company’s exposure to uncertainties associated with fair value measurements and understand:* the significance of assets and liabilities for the company’s financial position and performance;
* how their fair value measurements have been determined; and
* how changes in fair value measurements could have affected the financial statements at the reporting period end.
 |

|  |  |  |
| --- | --- | --- |
| **Specific disclosure objectives**Each specific disclosure objective is also accompanied by proposed items of information that a company may, or in some cases is required to, disclose to satisfy that objective | **Disclose information to enable users to understand:** | **Items of information:[[1]](#footnote-2)** |
| the amount, nature and other characteristics of assets and liabilities and how those characteristics relate to categorisation in the fair value hierarchy.[[2]](#footnote-3) | * FV amounts for each class of assets and liabilities by the level of the fair value hierarchy **(mandatory)**
* Description of the nature, risks and other characteristics
 |
| the significant techniques and inputs used in determining fair value measurements. | * Whether the entity uses the exception for measuring the fair value of a group of financial assets and liabilities **(mandatory)**
* Description of the significant valuation techniques used
* Quantitative or narrative information about the significant inputs used in the fair value measurements
 |
| alternative fair value measurements using inputs that were reasonably possible at the reporting period end. | * Description of the uncertainty caused by the significant inputs used if those inputs could have reasonably been different and would have resulted in a significantly higher of lower FVM
* Explanation of how the range of alternative FVM was calculated
 |
| the significant reasons for changes in the fair value measurements during the reporting period. | * Tabular reconciliation from opening balances to closing of the significant reasons for changes in the fair value measurements (for recurring level 3 measurements) **(mandatory)**
* Explanation of the significant reasons for changes recurring fair value measurements other than those categorised in level 3 of the fair value hierarchy
* Reasons for transfers between levels of the fair value hierarchy during the reporting period
 |

#### 16) Do you expect to easily obtain the information needed to meet the specific disclosure objectives for IFRS 13?

( ) Yes

( ) No

### If not, do you expect the information to be unavailable, costly or difficult to obtain and why?

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### 17) Which items currently disclosed would you discontinue under the new approach? Please explain.

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### 18) Which new items would you add to your current disclosure under the new approach? Please explain.

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#### 19) Do you think that all the relevant specific disclosure objectives related to assets/liabilities measured at FV are identified in the ED?

( ) Yes

( ) No

### If not, please explain what should be added or removed.

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#### 20) Do you think that all the relevant specific disclosure objectives related to assets/liabilities not measured at FV but for which FV is disclosed are identified in the ED?

( ) Yes

( ) No

### If not, please explain what should be added or removed.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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### 21) Do you think that providing alternative fair values as described in [paragraph 111 and 113(c)](https://www.ifrs.org/content/dam/ifrs/project/disclosure-initative/disclosure-initiative-principles-of-disclosure/ed2021-3-di-tslr.pdf#page=26) of the ED is promoting a reasonable cost/benefit trade-off when compared to the sensitivity information currently required for level 3 instruments?

( ) Yes, as alternative fair values would meet users’ needs in a simpler and less costly way than the current sensitivity analysis.

( ) Yes, the benefit to users will outweigh the additional costs for corporates.

( ) Yes, the benefit to users will outweigh the additional costs for financial institutions or insurance companies.

( ) No, as the resulting information (presenting different possible values of fair value) would not be useful/understandable and sensitivity is more meaningful.

( ) No, if it is required for level 2 financial instruments as well. Otherwise, it would be the same level of work than currently required.

#### Comments

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### 22) Do you see any challenges from disclosing alternative fair values that you would like to address to us?

( ) Yes

( ) No

#### Comments

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### 23) Do you have any other comments on the proposed amendments to IFRS 13 in this Exposure Draft?

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## Section B - IAS 19 Employee Benefits

#### 24) Do you have material defined benefit plans and/or material defined contribution plans?

( ) Yes

( ) No

**If your answer is “*NO”*, skip Section B – IAS 19 Employee Benefits (cont.). You have completed the survey. Thank you for your participation.**

## Section B - IAS 19 Employee Benefits (cont.)

**Defined benefit plans**

|  |  |
| --- | --- |
| **Overall disclosure objective** | Disclose information that enables users to assess the effect of defined benefit plans on the company’s financial position, financial performance and cash flows and evaluate the risks and uncertainties associated with the company’s defined benefit plans.As in existing IAS 19, an entity shall aggregate or disaggregate information based on the nature, risks and other characteristics of its defined benefit plans. |

|  |  |  |
| --- | --- | --- |
| **Specific disclosure objectives**Each specific disclosure objective is also accompanied by proposed items of information that a company may, or in some cases is required to, disclose to satisfy that objective. | **Disclose information to enable users to understand:** | **Items of information:[[3]](#footnote-4)** |
| the amounts and components of amounts in the statements of financial position, financial performance and cash flows. | * Amount of cost included in P&L/OCI identifying its components **(mandatory)**
* Amount in the statement of cash flows identifying its components **(mandatory)**
* Amount in the statement of financial position identifying its components **(mandatory)**
* DTA or DTL arising from the defined benefit plan **(mandatory)**
 |
| the nature of the benefits provided, nature and extent of risks the company is exposed to, and the company’s strategies for managing the plans and identified risks. | * Status of the plans (open or closed to new members)
* How the plans are governed and managed, including any regulatory framework that affects how the plans operate
* Plan-specific investment risks, including concentrations of risks
* Description of the nature of the benefits
 |
| expected effects of the defined benefit obligation on the company’s future cash flows and nature of those effects. | * Information about expected future contributions such as funding agreements, policies, and description of other agreements
 |
| period for making future payments to members of plans that are closed to new members. | * Weighted average duration of the DB obligation
 |
| the significant actuarial assumptions used in determining the defined benefit obligation. | * Significant demographic and financial actuarial assumptions used to determine the defined benefit obligation
* The entity’s approach to determining the actuarial assumptions used (inflation rate, longevity assumptions)
 |
| the significant reasons for changes in the amounts in the statement of financial position during the reporting period. | * Tabular reconciliation from opening balances to closing balances of the significant reasons for changes in the net defined benefit liability (asset) **(mandatory)**
* A description of the relationship between reimbursement rights and the related defined benefit obligation.
 |

**Defined contribution plans**

|  |  |
| --- | --- |
| **Overall disclosure objective** | Disclose information that enables users of financial statements to understand the effect of defined contribution plans on the entity’s financial performance and cash flows. |

#### 25) Do you expect to easily obtain the information needed to meet the specific disclosure objectives for IAS 19?

( ) Yes

( ) No

### If not, do you expect the information to be unavailable, costly or difficult to obtain and why?

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### 26) Which items currently disclosed would you discontinue under the new approach? Please explain.

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### 27) Which new items would you add to your current disclosure under the new approach? Please explain.

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#### 28) Do you think that all the relevant specific disclosure objectives related to defined benefit plans are identified in the ED?

( ) Yes

( ) No

### If not, please explain what should be added or removed.

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#### 29) In the case of defined contribution plans the ED only requires an overall disclosure objective. Do you think that this is sufficient information to cover the main risks related to this pension plans? Please consider the emerging hybrid pension plans when responding to this question.

( ) Yes

( ) No

( ) Not sure about the hybrid pension plans

### If not, please explain what should be added or removed.

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| IAS 19 currently requires the disclosure of detailed sensitivity information. The IASB considered developing a specific disclosure objective within the ED that would require an entity to provide information that enables users of financial statements to understand the sensitivity of the defined benefit obligation to different assumptions. However, feedback collected by the IASB from different stakeholders suggested that detailed sensitivity information is typically costly to prepare and is not the most useful information for users. The IASB concluded that entities would meet the primary information needs of users of financial statements (those relating to measurement uncertainty) by complying with the specific disclosure objective of the proposed amendments that requires an entity to disclose information that enables users to understand the significant actuarial assumptions used in determining the defined benefit obligation. In the IASB’s view, that information will give users a reasonable idea of the range of possible values for the defined benefit obligation and enable users to compare the level of measurement uncertainty in defined benefit obligations between entities. In the light of the feedback received, the IASB decided that the benefits provided by more detailed sensitivity information would not outweigh the cost to entities of providing that information. Consequently, in contrast to existing IAS 19 disclosure requirements, the IASB decided not to develop a specific disclosure objective about sensitivity of an entity’s defined benefit obligation to different assumptions. However, if an entity considers that a sensitivity analysis is needed to meet any of the disclosure objectives (either specific or overall), they might provide such a disclosure. |

### 30) Do you agree with the IASB’s proposal that benefits provided by the current sensitivity analysis would not outweigh the cost to entities of providing that information and, therefore, should not be required?

( ) Yes

( ) No

#### Comments

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#### 31) Do you consider that the information about future cash outflows of defined benefit obligations is more important to users than detailed sensitivity analysis?

( ) Yes

( ) No, sensitivity information is more important to users.

( ) The timing of cash outflows and sensitivity information are both equally important and should be provided.

### 32) Do you have any other comments on the proposed amendments to IAS 19 in this Exposure Draft?

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## Thank You!

1. Note that not all non-mandatory items of information that could satisfy specific disclosure objectives and that are provided in the ED are included in the table above. All the remaining items can be found in paragraphs 106, 110, 113 and 117 of the ED ([here](https://www.ifrs.org/content/dam/ifrs/project/disclosure-initative/disclosure-initiative-principles-of-disclosure/ed2021-3-di-tslr.pdf#page=25)) [↑](#footnote-ref-2)
2. Identical specific objective for assets/liabilities not measured at FV but for which FV is disclosed. Non-mandatory items of information that could satisfy specific disclosure objectives can be found in paragraphs 121 of the ED ([here](https://www.ifrs.org/content/dam/ifrs/project/disclosure-initative/disclosure-initiative-principles-of-disclosure/ed2021-3-di-tslr.pdf#page=29)). [↑](#footnote-ref-3)
3. Note that not all non-mandatory items of information that could satisfy specific disclosure objectives and that are provided in the ED are included in the table above. All the remaining items can be found in paragraphs 147I, 147L, 147P, 147S and 147W of the ED ([here](https://www.ifrs.org/content/dam/ifrs/project/disclosure-initative/disclosure-initiative-principles-of-disclosure/ed2021-3-di-tslr.pdf#page=37)) [↑](#footnote-ref-4)