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

Dear IASB members,

Re: Disclosure Requirements in IFRS Standards—A Pilot Approach (ED/2021/3)

This letter is the response of the Canadian Accounting Standards Board (AcSB) to the International Accounting Standards Board's (IASB) Exposure Draft, "Disclosure Requirements in IFRS Standards—A Pilot Approach" issued in March 2021.

Our process

As part of our due process for this Exposure Draft, we consulted with over 100 stakeholders across Canada, including discussions with our User Advisory Committee, IFRS® Discussion Group and Academic Advisory Committee. We were pleased to have IASB members join several of our outreach events, which included discussions with broad groups of Canadian users, preparers, and auditors across a variety of industries. We took the results of these discussions into account when developing this letter.

Our view

We commend the IASB for its efforts to improve the usefulness of financial statement disclosures and to address the 'disclosure problem' as defined in the Exposure Draft. We also commend the IASB for working closely with users to better understand their information needs when developing the proposed amendments to the disclosure requirements in IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*. We support the overall intent and objective of the project and the IASB's efforts in being responsive to the disclosure problem. We acknowledge that the use of a checklist approach to disclosure requirements is a significant factor contributing to boilerplate, irrelevant and poor disclosures. We think that the IASB's proposed approach could result in preparers having a better understanding of users' information needs while simultaneously allowing preparers flexibility to exercise judgment and discretion in tailoring their disclosures and eliminating irrelevant and immaterial disclosures.

We think that the IASB's proposed approach to developing disclosure requirements represents a radical change from its current approach. Stimulating changes to current behaviour may prove to be the most significant barrier to achieving effective application of the IASB's proposed amendments. Currently, there is a strong preference towards checklists in facilitating compliance, enforcement and consistency in disclosures among entities. Therefore, we think that the disclosure problem is unlikely to be resolved through standard setting alone. Instead, we encourage the IASB to work with preparers, auditors, regulators and users (hereafter collectively referred to as "all stakeholder groups") to foster the desired behavioural shift away from the current checklist approach to disclosure requirements. If the IASB decides to move ahead with the proposed approach to developing disclosure requirements, we also highly encourage the IASB to remain involved throughout the implementation process by regularly engaging in dialogue with preparers, auditors, and regulators to ensure the success of this initiative. Furthermore, we think that it would be beneficial to engage in early dialogue with the International Auditing and Assurance Standards Board so that the existing auditing requirements and guidance can be assessed in relation to the increased use of judgment to be applied in developing disclosures to satisfy the proposed disclosure objectives.

We acknowledge that transitioning from a checklist approach to preparing disclosures will require increased management judgment as to what information is most useful to financial statement users. We also acknowledge that some users have expressed concerns that disclosures may not be consistent from entity to entity because of the enhanced need for management judgment in determining what information is material and relevant. Auditors also expressed concern that the auditing of disclosures will be more onerous because of the increased application of management judgment and discretion. Furthermore, based on similar rationale, regulators are also concerned about the enforcement issues that may arise from the change in approach to the disclosure requirements.

Notwithstanding these concerns, we do not support the inclusion of comprehensive lists of minimum disclosures because we think that their inclusion will diminish the effectiveness of the IASB's proposals and lead to stakeholders treating them as a checklist. As such, we encourage the IASB to develop comprehensive application guidance to accompany the disclosure objectives and help facilitate the intended shift away from a checklist approach to disclosure requirements. The application guidance may provide deeper insights into users' information needs and may identify the types of disclosures an entity could provide as well as the thought process that preparers may consider when developing relevant and useful disclosures to satisfy the disclosure objectives.

Disclosures over judgment and estimation uncertainty

The proposed approach to developing disclosure requirements places an increased emphasis on the effective application of judgment when determining the information to be disclosed in the financial statements. We think that these proposals interact with the current disclosure requirements in paragraphs IAS 1.122 and 125 which require disclosures about management's judgments and sources of estimation uncertainty, respectively. Therefore, we encourage the IASB to explore whether it should expand the disclosure requirements included in IAS 1 and have the disclosure objectives in the individual IFRS Standards reference these requirements. We think that this approach would help re-emphasize the importance of the IAS 1 disclosure requirements and reduce potential conflicts between IAS 1 and other standards. From an implementation perspective, we think that application guidance could help preparers navigate the standard specific judgment and estimation uncertainty disclosures and reinforce the overarching disclosure requirements in IAS 1.

Proposed amendments to IFRS 13 Fair Value Measurement

Overall, we agree with the proposed disclosure objectives and the other proposed amendments to IFRS 13. We think that these proposed amendments may help entities to tailor their disclosures to provide more relevant and useful information by ensuring preparers have a better understanding of users' fair value measurement information needs. We are supportive of giving preparers discretion to eliminate irrelevant or immaterial fair value disclosures that are currently provided solely to comply with the current Level 3 disclosure requirements. Furthermore, the financial statement users we consulted were supportive of the proposed disclosures on alternative fair value measurements and the potential to receive additional information on items categorized as Level 2. This is because categorizing items within Level 2 or 3 may be a matter of significant judgment and the level of estimation uncertainty can be high for items categorized within Level 2.

Proposed amendments to IAS 19 Employee Benefits

Stakeholders often view accounting for defined benefit plans as highly complex because it involves the use of multiple actuarial assumptions that may be subject to a high degree of uncertainty. Boilerplate and poor defined benefit plan disclosures often impede users' ability to forecast the future cash flow impact of defined benefit plans. We think that the proposed overall and specific disclosure objectives will allow preparers to better assess their disclosures from a user's information needs perspective and to tailor their disclosures to target these needs. The financial statement users we consulted were supportive of the specific disclosure objective on expected future cash flows because they can use this information to assess their own forecasts. However, the users we consulted were concerned about the proposal to remove the explicit requirement to provide a sensitivity analysis on actuarial assumptions because they use this disclosure quite frequently in their analysis. Therefore, we think that the IASB should consider highlighting the usefulness of the sensitivity analysis on actuarial assumptions in its application guidance when the defined benefit plan and its underlying assumptions are material to the financial statements as a whole.

Our responses to your questions

The Appendix to this letter responds to the questions posed in the **Exposure Draft** and expands on the points raised above.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Katharine Christopoulos, Director, Accounting Standards (+1 416 204-3270 or email kchristopoulos@acsbcanada.ca), Jayshal Daya, Principal, Accounting Standards (+1 416 204-3501 or email jrdaya@acsbcanada.ca) or Jamie Goodman, Principal, Accounting Standards (+1 416 204-3294 or email jgoodman@acsbcanada.ca)

Yours truly,

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About the Canadian Accounting Standards Board

We are an independent body with the legal authority to establish accounting standards for use by all Canadian publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans in the private sector. We are comprised of a full-time Chair and volunteer members from a variety of backgrounds, including financial statement users, preparers, auditors and academics; a full-time staff complement supports our work.

Our standards

We have adopted IFRS® Standards as issued by the IASB for publicly accountable enterprises. Canadian securities legislation permits the use of U.S. GAAP in place of IFRS Standards in certain circumstances. We support a shared goal among global standard setters of high-quality accounting standards that result in comparable financial reporting outcomes regardless of the GAAP framework applied.

We developed separate sets of accounting standards for private enterprises, not-for-profit organizations and pension plans. Pension plans are required to use the applicable set of standards. Private enterprises and not-for-profit organizations can elect to apply either the set of standards developed for them, or IFRS Standards as applied by publicly accountable enterprises.

Our role vis-à-vis IFRS Standards

Our responsibility to establish Canadian GAAP necessitates an endorsement process for IFRS Standards. We evaluate and rely on the integrity of the IASB's due process as a whole, and monitor its application in practice. In addition, we perform our own due process activities for each new or amended IFRS Standard to ensure that the standard is appropriate for application in Canada. We reach out to Canadians on the IASB's proposals to understand and consider their views before deciding whether to endorse a final IFRS Standard. A final standard is available for use in Canada only after we have endorsed it as Canadian GAAP.

APPENDIX

Section 1 – Proposed approach to developing disclosure requirements

Question 1—Using overall disclosure objectives
(a) Do you agree that the IASB should use overall disclosure objectives within IFRS Standards in future? Why or why not? (b) Do you agree that overall disclosure objectives would help entities, auditors and regulators determine whether information provided in the notes meets overall user information needs? Why or why not?

1. We support the IASB's future use of overall disclosure objectives within IFRS Standards. We think that this approach will allow preparers to better understand users' information needs and to tailor their disclosures to target the information users are most interested in. The current checklist approach used in the preparation of financial statement disclosures is a significant factor contributing to irrelevant boilerplate disclosures. We agree that the use of overall disclosure objectives will equip entities, auditors and regulators with a better understanding of users' information needs.

2. Notwithstanding our support for the use of disclosure objectives, the IASB's proposed approach to developing disclosure requirements represents a radical change from the current approach to developing disclosure requirements. Several stakeholders informed us that among other challenges, stimulating changes to the current behaviour towards disclosure requirements may prove to be the most significant barrier to achieving effective application of the proposed disclosure amendments. Currently, there is a strong preference towards checklists in facilitating compliance, enforcement and consistency in disclosures among entities. Therefore, we think that it is likely that without strong commitment from all stakeholder groups to solve the disclosure problem, checklists outside of the standard setting environment may be developed to maintain current behavioural patterns towards disclosure requirements. Moreover, we think that the disclosure problem is unlikely to be resolved through standard setting alone. Instead, we encourage the IASB to work with all stakeholder groups to foster the desired behavioural shift away from the current checklist approach to disclosure requirements. If the IASB decides to move ahead with the proposed approach to developing disclosure requirements, we also highly encourage the IASB to remain involved throughout the implementation process by regularly engaging in dialogue with preparers, auditors, and regulators to ensure the success of this initiative. Furthermore, we think that it would be beneficial to engage in early dialogue with the International Auditing and Assurance Standards Board so that the existing auditing requirements and guidance can be assessed in relation to the increased use of judgment to be applied in developing disclosures to satisfy the proposed disclosure objectives. We understand that the proposed change to disclosure requirements represents an ambitious undertaking and hence continuous dialogue and monitoring of the implementation may be better suited to this instance. This is because waiting until completion of the Post Implementation Review to address any shortcomings may be too late and may jeopardize the required change in current behaviour towards the disclosure requirements.

3. The following additional concerns raised by stakeholders further emphasize the need for the IASB to engage with stakeholders during the implementation process. Several users we consulted expressed concern that disclosures may not be consistent from entity to entity because of the enhanced need for

management judgment in determining what information is material and relevant. Auditors expressed concern that the auditing of disclosures will be more onerous because of the increased application of management judgment and discretion. Furthermore, based on similar rationale, regulators are also concerned about the enforcement issues that may arise from the change in approach to the disclosure requirements. Therefore, we think that the IASB is in the best position to ensure all stakeholders' concerns are considered and addressed during the implementation period.

Question 2—Using specific disclosure objectives and the disclosure problem
(a) Do you agree that specific disclosure objectives, and the explanation of what the information is intended to help users do, would help entities apply judgments effectively when preparing their financial statements to: (i) provide relevant information; (ii) eliminate irrelevant information; and (iii) communicate information more effectively? Why or why not? If not, what alternative approach would you suggest and why? (b) Do you agree that specific disclosure objectives, and the explanation of what the information is intended to help users do, would provide a sufficient basis for auditors and regulators to determine whether an entity has applied judgments effectively when preparing their financial statements? Why or why not?

4. We think the standard requires specific disclosure objectives to ensure the proposed disclosure approach is operational. The specific disclosure objectives are also essential to help entities provide disclosures that target the detailed user information needs. Furthermore, we think that the specific disclosure objectives and the explanation of what the information is intended to help users do will allow entities to tailor their disclosures specific to their entity's circumstances and their users' information needs and to eliminate irrelevant disclosures.

5. Notwithstanding our support for the use of specific disclosure objectives, our concerns are consistent with those discussed in our response to question 1.

Question 3—Increased application of judgment
Paragraphs DG2–DG3 and DG8–DG13 of this Exposure Draft explain why, in future, the IASB proposes to: (a) use prescriptive language to require an entity to comply with the disclosure objectives. (b) typically use less prescriptive language when referring to items of information to meet specific disclosure objectives. An entity, therefore, would need to apply judgment to determine the information to disclose in its circumstances. (a) Do you agree with this approach? Why or why not? If not, what alternative approach do you suggest and why? (b) Do you agree that this approach would be effective in discouraging the use of disclosure requirements in IFRS Standards like a checklist? Why or why not?

(c) Do you agree that this approach would be effective in helping to address the disclosure problem? For example, would the approach help entities provide decision-useful information in financial statements? Why or why not?

(d) Do you agree that this approach would be operational and enforceable in practice? Why or why not?

(e) Do you have any comments on the cost of this approach, both in the first year of application and in subsequent years? Please explain the nature of any expected incremental costs, for example, changes to the systems that entities use to produce disclosures in financial statements, additional resources needed to support the increased application of judgment, additional audit costs, costs for users in analyzing information, or changes for electronic reporting.

6. We agree with the IASB's proposed approach to use prescriptive language to require an entity to comply with the disclosure objectives and less prescriptive language when referring to items of information to meet specific disclosure objectives. The use of prescriptive language is essential to shift the emphasis away from the items of information and to stimulate changes to the current behaviour towards disclosure requirements. Furthermore, the use of less prescriptive language will allow for increased application of judgment when determining the items of information to disclose. In turn, this may ensure that entities provide more relevant and useful information and that entities have more discretion to eliminate irrelevant or immaterial boilerplate disclosures.

7. However, the shift away from mandating items of information towards compliance with disclosure objectives represents a radical change from current practice which may give rise to several challenges. In addition to the challenges discussed in our response to question 1, we think that there is a risk that the increased emphasis on judgment may result in less comparability and preparers reaching different conclusions about the relevance or usefulness of information based on similar facts and circumstances.

8. Some preparers we consulted expected minimal changes to their current disclosures and therefore did not foresee any significant costs from adopting the proposed approach to disclosure requirements. However, other stakeholders that we consulted anticipated that this approach would lead to increased audit costs arising from additional deliberations and senior audit team involvement because of the increased application of judgment. We therefore encourage the IASB to consider whether the benefits of changing the approach to developing disclosure requirements will outweigh the costs of undertaking standard setting should there be limited changes to current disclosures.

Question 4—Describing items of information to promote the use of judgment

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

Do you agree that the proposed language is worded in a way that makes it clear that entities need to apply judgment to determine how to meet the specific disclosure objective? If not, what alternative language would you suggest and why?

9. We do not agree with the proposal to use the phrase "*while not mandatory*". We think that this phrase may result in the items of information being approached as a checklist because overcoming the presumption that the information is needed will require more effort than disclosing these items. Stakeholders have noted that the proposed language "while not mandatory" may lead entities to disclose these items of information to prevent litigation arising from inadequate disclosure and to prevent challenging communications with auditors and regulators.

10. Furthermore, we think that it is also likely that stakeholders such as industry bodies, auditors or regulators may develop checklists including these items of information to mitigate the risk of inadequate disclosures, facilitate enforcement and to help entities that may not have robust financial reporting functions to develop sound disclosures. It is our understanding that the development of checklists outside of the formal standard setting environment would further hinder the possibility of stimulating the required behavioural change required to successfully implement the IASB's proposed approach to disclosure requirements.

11. We encourage the IASB to explore the use of the following phrase "*to comply with the disclosure objective an entity may consider disclosing the following items of information*". We think that this phrase may encourage increased judgment and discretion when any entity is assessing items of information for disclosure. This is because it places the primary emphasis on the need to comply with the disclosure objectives and the use of the verb "consider" encourages the exercise of judgment. We also encourage the IASB to engage in dialogue with all stakeholder groups to seek their commitment and support for transitioning to the proposed approach to disclosure requirements.

12. We do not support the inclusion of comprehensive lists of minimum disclosures because we think that their inclusion will diminish the effectiveness of the IASB's proposals and lead to stakeholders treating them as a checklist. As such, we encourage the IASB to develop comprehensive application guidance to accompany the disclosure objectives and help facilitate the intended shift away from a checklist approach to disclosure requirements. The application guidance may provide deeper insights into users' information needs and may identify the types of disclosures an entity could provide as well as the thought process that preparers may consider when developing relevant and useful disclosures to satisfy the disclosure objectives. Furthermore, the use of application guidance may allow for the provision of additional sector specific considerations that may help preparers address users' sector specific information needs.

Question 5—Other comments on the proposed Guidance
Do you have any other comments on these aspects? Please indicate the specific paragraphs or group of paragraphs to which your comments relate (if applicable).

Disclosures over judgment and estimation uncertainty

13. The proposed approach to developing disclosure requirements places an increased emphasis on the effective application of judgment when determining the information to be disclosed in the financial statements. Furthermore, the proposed disclosure objectives in IFRS 13 and IAS 19 requires disclosures to help users better understand and assess the sources of measurement uncertainty. We think that these proposals interact with the current disclosure requirements in paragraphs IAS 1.122 and 125 which require disclosures about management judgments and sources of estimation uncertainty respectively. Given the pervasive nature of judgments and sources of measurement and estimation uncertainty, we encourage the

IASB to explore whether it should expand the disclosure requirements included in IAS 1 and have the disclosure objectives in the individual IFRS Standards reference these requirements. We think that this approach would help re-emphasize the importance of the IAS 1 disclosure requirements and reduce potential conflicts between IAS 1 and other standards. From an implementation perspective, we think that application guidance could help preparers navigate the standard specific judgment and estimation uncertainty disclosures and reinforce the overarching disclosure requirements under IAS 1.

Application of materiality

14. The stakeholders that we consulted noted that having disclosure objectives will not necessarily help entities provide more relevant and useful disclosures because it is unclear how materiality can be applied and enforced consistently when dealing with objective-based disclosure requirements. We encourage the IASB to explore how it can reinforce the requirements in paragraph IAS 1.31 and the proposed disclosure requirements in the individual IFRS Standards.

Section 2 – IFRS 13

Question 6—Overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition
Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition? If not, what alternative objective do you suggest and why?

15. We agree with the proposed overall disclosure objective, because we think that this objective may help entities tailor their disclosures to provide more relevant and useful information, by ensuring preparers have a better understanding of users' information needs regarding fair value measurements.

16. The users we consulted supported the emphasis of the overall disclosure objective on an entity's exposure to uncertainties associated with fair value measurements and how the fair value measurements have been determined. We think that satisfying the overall disclosure objective will benefit users when determining whether adjustments should be made to the fair value measurements used in their own valuation models.

17. Notwithstanding the above, the general concerns raised in our response to question 1 remain relevant in relation to the proposed amendments to IFRS 13.

Question 7—Specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition
(a) Do you agree that the proposed specific disclosure objectives capture detailed user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition? Why or why not? If not, what changes do you suggest? (b) Do you agree that the proposed specific disclosure objectives would result in the provision of information about material fair value measurements and the elimination of information about immaterial fair value measurements in financial statements? Why or why not?

(c) Do you agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them? Why or why not? If you disagree, how should the objectives be changed so that the benefits justify the costs? Please indicate the specific disclosure objective(s) to which your comments relate. (d) Do you have any other comments on the proposed specific disclosure objectives? Please indicate the specific disclosure objective(s) to which your comments relate.

18. Overall, we agree with the proposed specific disclosure objectives because we think that these proposals focus on the critical user information needs about assets and liabilities measured at fair value in the statement of financial position after initial recognition. Furthermore, we think that shifting the requirements to focus on the specific disclosure objectives will provide preparers with more discretion to eliminate irrelevant and/or immaterial fair value disclosures. The users we consulted appreciated the proposed specific disclosure objectives, particularly the information on alternate fair value measurements and the possibility of receiving additional information on items categorized as Level 2. This is because categorizing items within Level 2 or 3 may be a matter of significant judgment and the level of estimation uncertainty can be high for items categorized within Level 2.

19. Some stakeholders we consulted were generally supportive of the proposals and did not consider the proposals to be overly onerous or cost prohibitive. From their perspective, the proposed amendments did not result in any significant changes from their current disclosures.

Question 8—Information to meet the specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position after initial recognition
(a) Do you agree that entities should be required to disclose the proposed items of information in paragraphs 105, 109 and 116 of the [Draft] amendments to IFRS 13? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective? (b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet each specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?

20. We agree with the proposal for entities to disclose information in paragraphs 105, 109 and 116 of the draft amendments to IFRS 13 for the reasons provided in the Basis for Conclusions. Furthermore, we appreciate the proposals encourage management, through satisfying the disclosure objectives, to assess if any additional information would be useful to users.

21. For the reasons provided in the Basis for Conclusions, we also agree that the proposed items of information that are not mandatory are relevant and useful and may therefore enable entities to meet each specific disclosure objective. However, as noted in our response to question 4, we think that these disclosures may still be approached as a checklist by some entities.[1]

[1] Refer to our response to question 4 for our suggested alternate phrase.

Question 9—Specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes
(a) Do you agree that the proposed specific disclosure objective captures detailed user information needs about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes? Why or why not? If not, what changes do you suggest? (b) Do you agree that this proposed specific disclosure objective would result in the provision of useful information about assets and liabilities not measured at fair value but for which fair value is disclosed in the notes? Why or why not? (c) Do you agree that the benefits of the specific disclosure objective would justify the costs of satisfying it? Why or why not? If you disagree, how should the objective be changed so that the benefits justify the costs? (d) Do you have any other comments about the proposed specific disclosure objective?

22. We agree that the proposed specific disclosure objective captures detailed user information needs about assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes. We agree that the focus of the objectives should be on the nature and characteristics of these classes of assets to help users to understand and assess the subjectivity of these fair value measurements.

23. The stakeholders we consulted expected minimal changes to their current IFRS 13 disclosures and therefore did not foresee any significant costs from adopting the proposed approach to disclosure requirements. However, as noted in our response to question 3, some stakeholders that we consulted anticipated that this approach would lead to increased audit costs arising from additional deliberations and senior audit team involvement.

Question 10—Information to meet the specific disclosure objective for assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes
Do you agree that entities should be required to disclose the proposed items of information in paragraph 120 of the Draft amendments to IFRS 13? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective? (b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet the specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?

24. We agree with the requirement to disclose the fair value measurements for each class of assets and liabilities by level of the fair value hierarchy in which those measurements are categorized for the reasons provided in the Basis for Conclusions.

25. We also agree with the option that permits the description of the nature, risks and other characteristics of these classes of assets and liabilities to be provided by cross-reference to where that information is

disclosed elsewhere in the financial statements. However, as noted in our response to question 4, although information may vary depending on an entity's particular fair value measurements and circumstances, these disclosures may still be approached as a checklist by some entities.

Question 11—Other comments on the proposed amendments to IFRS 13
Do you have any other comments on the proposed amendments to IFRS 13 in this Exposure Draft, including the analysis of the effects (paragraphs BC214–BC215 of the Basis for Conclusions) and the Illustrative Examples accompanying the Exposure Draft?

26. We have no additional comments in relation to the IFRS 13 proposals.

Section 3 – IAS 19

Question 12—Overall disclosure objective for defined benefit plans
Paragraphs BC107–BC109 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for defined benefit plans. Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about defined benefit plans? If not, what alternative objective do you suggest and why?

27. We agree that the proposed objective may result in the provision of useful information that meets the overall user information needs about defined benefit plans. We think that the proposed overall disclosure objective for defined benefit plans adequately captures users' information needs. Stakeholders often view the accounting for defined benefit plans as highly complex because it requires entities to make several assumptions about future economic conditions. Depending on the size of the plan and relative sensitivity of each assumption, a small change to a single variable can potentially have a significant impact on the net pension obligation and the future cash flows of an entity. The users we consulted are primarily concerned about how defined benefit plans will impact the future cash flows of an entity. They also noted that they need information about the variables and conditions that could cause material changes. We think that the proposed overall disclosure objective for defined benefit pension plans adequately captures these user needs.

28. Many stakeholders we consulted noted that the current disclosures often contain irrelevant information. Furthermore, they commented that many entities with small or immaterial defined benefit plans provide irrelevant and boilerplate disclosures. We think that the proposed amendments will encourage preparers to reassess their disclosures from a user information needs perspective and tailor their disclosures to target these needs

29. However, given the complexity in accounting for defined benefit pension plans, it may be difficult for financial statement preparers to judge which disclosures are relevant to their users. As a result, entities may be increasingly reluctant to make changes to their current disclosures to avoid inadvertently removing relevant and useful information. We think that this may result in preparers reverting to disclosure checklists to avoid the risk of litigation for failing to provide material information in their financial

statements. We think that a robust user consultation process reduces this risk by helping the IASB articulate user needs within the standard. Furthermore, we think that detailed application guidance as discussed in our response to question 4, may help preparers better navigate the proposed defined benefit pension plan disclosures.

Question 13—Specific disclosure objectives for defined benefit plans
Paragraphs BC110–BC145 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objectives about defined benefit plans, and discuss approaches that the Board considered but rejected. (a) Do you agree that the proposed specific disclosure objectives capture detailed user information needs about defined benefit plans? Why or why not? If not, what changes do you suggest? (b) Do you agree that the proposed specific disclosure objectives would result in the provision of relevant information and the elimination of irrelevant information about defined benefit plans in financial statements? Why or why not? (c) Do you agree that the benefits of the specific disclosure objectives would justify the costs of satisfying them? Why or why not? If you disagree, how should the objectives be changed so that the benefits justify the costs? Please indicate the specific disclosure objective(s) to which your comments relate. (d) Do you have any other comments on the proposed specific disclosure objectives? Please indicate the specific disclosure objective(s) to which your comments relate.

30. We agree that the proposed specific disclosure objectives capture detailed user information needs about defined benefit plans. As mentioned in our response to question 12, defined benefit plan disclosures often contain information that is not useful to users. We think that by requiring entities to meet specific disclosure objectives that are aligned to users' information needs preparers will have more discretion to tailor their disclosures and to eliminate irrelevant and/or immaterial disclosures.

31. The users we consulted were supportive of the specific disclosure objective on expected future cash flows because they can use this information to assess their own forecasts. Due to the complexity of defined benefit accounting, users are often uncertain about their cash flow projections surrounding defined benefit plans, and management's expectation of future cash flows can serve as a useful validation that their projections are reasonable. Several stakeholders noted that most entities have future cash flow information for defined benefit plans for the following year readily available. However, cash flow information for defined benefit plans more than one year into the future can be difficult and costly to provide. Furthermore, cash flow information projected more than one year into the future may lack accuracy and reliability. Despite these concerns, the users we consulted noted that this information would still be helpful in their analysis. Therefore, we think that disclosures of future cash flows beyond one year should be accompanied by adequate explanation of the judgment management exercised and the uncertainties inherent in these disclosures. We also encourage the IASB to consider developing additional

illustrative examples of this disclosure to help preparers better understand how they can satisfy this disclosure objective.

Question 14—Information to meet the specific disclosure objectives for defined benefit plans
Paragraphs BC110–BC145 of the Basis for Conclusions describe the Board's reasons for proposing the items of information to meet the specific disclosure objectives about defined benefit plans, and discuss information that the Board considered but decided not to include. (a) Do you agree that entities should be required to disclose the proposed items of information in paragraphs 147F, 147M and 147V of the [Draft] amendments to IAS 19? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objectives? (b) Do you agree with the proposed items of information that are not mandatory but may enable entities to meet each specific disclosure objective? Why or why not? If not, what changes do you suggest and how would they help an entity to meet the specific disclosure objective?

32. We agree that the disclosure objectives for defined benefit plans can only be met if entities provide the items of information in paragraphs 147F, 147M and 147V. With regard to paragraphs 147F and 147V, we think that quantifying both the amounts in the primary financial statements and well as providing a tabular reconciliation from opening to closing balances allows users to understand the impact of the defined benefit plan on the entity's financial statements without significant costs or undue efforts by the entity. With regard to paragraph 147M, we agree that entities should be required to specify whether the expected future cash flow effects for the defined benefit plan relates to the defined benefit plan as a whole or the obligation recognized at the end of the reporting period. Since entities have a choice which method to use, this is critical information for understanding the expectation provided.

33. Stakeholders expressed concerns about the removal of the explicit requirement to provide a sensitivity analysis on actuarial assumptions. The users we consulted generally use this disclosure to assess the sensitivity of their own analysis and to assess other reasonably possible outcomes. Users indicated that this is often the most useful item of information that they receive on defined benefit pension plans. The accounting for defined benefit plans is highly complex because it involves the use of multiple actuarial assumptions that may be subject to a high degree of uncertainty. We think that the most effective way for preparers to highlight the potential impact of this uncertainty is by quantifying the effect of changes to the most sensitive and uncertain actuarial assumptions. Therefore, to satisfy the proposed disclosure objectives, some entities may need to provide a sensitivity analysis on the actuarial assumptions. The IASB may consider releasing application guidance which highlights the usefulness of the sensitivity analysis on the actuarial assumptions when the defined benefit plan and its underlying assumptions are material to the financial statements as a whole.

Question 15—Overall disclosure objective for defined contribution plans
Paragraphs BC156–BC158 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objective for defined contribution plans.

Do you agree that this proposed objective would result in the provision of useful information that meets the overall user information needs about defined contribution plans? If not, what alternative objective do you suggest and why?

34. We agree that the proposed overall disclosure objective for defined contribution plans would result in the provision of useful information that meets the overall user information needs for the reasons described in the Basis for Conclusion. Financial statement users generally understand how defined contributions plans impact the financial statements. They also generally understand the risks associated with defined contribution plans. We think that a specific disclosure objective is not required in this instance because the overall disclosure objective adequately captures the detailed user information needs.

Question 16—Disclosures for multi-employer plans and defined benefit plans that share risks between entities under common control
Paragraphs BC159–BC166 of the Basis for Conclusions describe the Board's reasons for proposing which disclosure objectives should apply for multi-employer plans and defined benefit plans that share risks between entities under common control. Do you agree that these proposals would result in the provision of useful information that meets the overall user information needs about these plans? If not, what alternative approach do you suggest and why?

35. We do not agree that the proposed disclosure objectives for multi-employer plans and defined benefit plans that share risks between entities under common control would result in useful information that meets overall user information needs. We think that the IASB should undertake a broader standard setting project for these types of plans before new disclosure requirements are drafted. Multi-employer and shared risk pension plans are becoming more pervasive, and we think that the current accounting for such plans does not fit into the traditional pension accounting model. We also think that further guidance on accounting for these plans is needed to better reflect their economic characteristics and to reduce diversity in practice. Therefore, we encouraged the IASB to undertake a project to improve the accounting standards for Employee Benefits as part of our response to the IASB's Request for Information – Third Agenda Consultation. Once these accounting issues are addressed, users will be in a better position to provide reliable feedback on what disclosure requirements will be needed.

Question 17—Disclosures for other types of employee benefit plans
Paragraphs BC167–BC170 of the Basis for Conclusions describe the Board's reasons for proposing the overall disclosure objectives for other types of employee benefit plans. Do you agree that these proposals would result in the provision of useful information that meets the overall user information needs about these plans? If not, what alternative approach do you suggest and why?

36. We agree that the proposed overall disclosure objectives for other types of employee benefits would result in the provision of useful information that meets the overall user information needs for the reasons described in the Basis for Conclusion.

37. Short-term employee benefits are not complex and do not impact an entity's future cash flows beyond 12 months. As stated in BC167, financial statement users also generally understand short-term employee benefits. Therefore, we think that a specific disclosure objective for short-term employee benefits is not required since this overall objective adequately captures detailed user information needs.

38. Regarding termination benefits and other long-term employee benefits, we think that the nature of these benefits can be wide ranging. Therefore, we agree that entities should disclose information that allows users to understand their nature. We also agree that entities should disclose the impact of these benefits on the statement of financial position because their future cash flows extend beyond 12 months. The impact of these benefits on the statement of financial position helps users understand the expected future cash flows. We think that a specific disclosure objective is not required since this overall objective adequately captures detailed user information needs.

Question 18—Other comments on the proposed amendments to IAS 19
Do you have any other comments on the proposed amendments to IAS 19 in this Exposure Draft, including the analysis of the effects (paragraph BC216 of the Basis for Conclusions) and the Illustrative Examples accompanying the Exposure Draft?

39. Some of the stakeholders we consulted, said that the work effort involved with assessing current employee benefits disclosures is quite significant and time consuming. These stakeholders also indicated that the changes to their disclosures as a result of this assessment would be minimal. Some preparers indicated that they already assess their employee benefits disclosures from a materiality perspective and remove or modify disclosures that are not useful to their financial statement users. Other preparers noted that they will continue to provide some of the non-mandatory disclosures, such as the sensitivity analysis, because they view these disclosures as useful to their users