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Prezado Sr. Hoogervorst.

Re: Exposure Draft 2021/3 - Disclosure Requirements in IFRS Standards—A Pilot Approach

First of all, we would like to thank you for the opportunity to interact with the IASB and express our opinion and comments on the Exposure Draft - Disclosure Requirements in IFRS Standards—A Pilot Approach.

Our answers to the questions posted in the ED are set out on the next page.

If you would like to discuss any of the issues, please do not hesitate to contact our Executive Superintendent, Mr. Carlos Alberto Wiesbusch Martins, at +55 (11) 3684-6410 or carlos.w.martins@bradesco.com.br.

Best regards.

Carlos Alberto Wiesbusch Martins
General Accounting Superintendent

Questions

Question 1—Using overall disclosure objectives

Paragraphs DG5–DG7 of this Exposure Draft explain how the Board proposes to use overall disclosure objectives in future.

- (a) Do you agree that the Board 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?

Answer Question 1

We agree that the overall disclosure objectives can help all involved, the entities, the auditor and the financial statements users.

Question 2—Using specific disclosure objectives and the disclosure problem

Paragraphs DG8–DG10 of this Exposure Draft explain how the Board proposes to use specific disclosure objectives in future.

- (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 judgements 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 judgements effectively when preparing their financial statements? Why or why not?

Question 3—Increased application of judgement

Paragraphs DG2–DG3 and DG8–DG13 of this Exposure Draft explain why, in future, the Board 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 judgement to determine the information to disclose in its circumstances.

This approach is intended to shift the focus from applying disclosure requirements like a checklist to determining whether disclosure objectives have been satisfied in the entity's own circumstances. Paragraphs BC188–BC191 of the Basis for Conclusions describe the likely effects of this approach on the behaviour of entities, auditors and regulators towards disclosures in financial statements. Paragraphs BC192–BC212 of the Basis for Conclusions describe the likely effects of this approach on the quality of financial reporting, including the cost consequences of the approach.

- (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 judgement, additional audit costs, costs for users in analysing information, or changes for electronic reporting.

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

The Board 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'. Paragraph BC19–BC26 of the Basis for

Conclusions describe the Board's reasons for this language and alternative options that the Board considered.

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

Answer Questions 2 to 4

We note that the standard maintains minimum requirements in specific disclosure objectives with the possibility of non-mandatory in some disclosures, so the entity evaluates this needs through relevance judgments (materiality). Anyway, the entities should comply the overall disclosure objectives requirements.

Therefore, we agree with the proposed changes.

Question 5—Other comments on the proposed Guidance

Paragraphs BC27–BC56 of the Basis for Conclusions describe other aspects of how the Board proposes to develop disclosure requirements in IFRS Standards in future applying the proposed Guidance. Paragraphs BC188–BC212 of the Basis for Conclusions explain the expected effects of any disclosure requirements developed using 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).

Proposed amendments to IFRS 13 Fair Value Measurement
applying the proposed Guidance

Assets and liabilities measured at fair value in the statement of financial position after initial recognition

In paragraphs 100–101 of the [Draft] amendments to IFRS 13, the Board proposes an overall disclosure objective that requires an entity to disclose information that enables users of financial statements to evaluate the entity's exposure to uncertainties associated with fair value measurements of classes of assets and liabilities measured at fair value in the statement of financial position after initial recognition. The information shall enable users of financial statements to understand:

- (a) the significance of those classes of assets and liabilities for the entity's financial position and performance;
- (b) how their fair value measurements have been determined; and

(c) how changes in those measurements could have affected the entity's financial statements at the end of the reporting period.

Question 6—Overall disclosure objective for assets and liabilities measured at fair value in the statement of financial position after initial recognition

Paragraphs BC62–BC73 of the Basis for Conclusions describe the Board's reasons for proposing the 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?

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

- (a) assets and liabilities within each level of the fair value hierarchy (paragraphs 103–106 of the [Draft] amendments to IFRS 13);
- (b) measurement uncertainties associated with their fair value measurements (paragraphs 107–110 of the [Draft] amendments to IFRS 13);
- (c) reasonably possible alternative fair value measurements (paragraphs 111–113 of the [Draft] amendments to IFRS 13); and
- (d) reasons for changes in their fair value measurements (paragraphs 114–117 of the [Draft] 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

Paragraphs BC74–BC97 of the Basis for Conclusions describe the Board's reasons for proposing the specific disclosure objectives about assets and liabilities measured at fair value in the statement of financial position after initial recognition, 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 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.

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

Paragraphs BC74–BC97 of the Basis for Conclusions describe the Board’s reasons for proposing the items of information to meet the specific disclosure objectives about assets and liabilities measured at fair value in the statement of financial position after initial recognition, 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 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?

Assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes

In paragraph 118 of the [Draft] amendments to IFRS 13, the Board proposes a specific disclosure objective that requires an entity to disclose information that enables users of financial statements to understand:

(a) 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

(b) how the characteristics relate to the categorisation of those classes of assets and liabilities in the fair value hierarchy.

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

Paragraphs BC98–BC99 of the Basis for Conclusions describe the Board’s reasons for proposing 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.

(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?

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

Paragraph BC100 of the Basis for Conclusions describes the Board’s reasons for proposing the items of information to meet the specific disclosure objective 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.

(a) 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?

Other

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?

Proposed amendments to IAS 19 Employee Benefits applying the proposed Guidance

Defined benefit plans

In paragraphs 147A–147C of the [Draft] amendments to IAS 19, the Board proposes an overall disclosure objective that requires an entity to disclose information that enables users of financial statements to:

- (a) assess the effect of defined benefit plans on the entity's financial position, financial performance and cash flows; and
- (b) evaluate the risks and uncertainties associated with the entity's defined benefit plans.

Answer Questions 5 to 11 - IFRS 13

We are not expecting any significant changes in the current disclosure carried out by Banco Bradesco.

One of the most important changes that we verified is reduce of level 3 assets and liabilities disclosure, which usually represents a very low volume of financial instruments position. Today, for level 2 instruments, which is the vast majority of financial instruments position the disclosure requirements is much less detailed.

However, we do not see additional disclosures that could require further work.

Question 10 asks whether *"Agree that entities should be required to disclose the items of information proposed in paragraph 120 (fair value measurement disclosure for each class of assets and liabilities not measured at fair value in the statement of financial position). ..."*

Defined as a specific disclosure objective, we believe that it would be important for paragraph 120 to be approached as a non-mandatory disclosure to be evaluating by judgment for its relevance (Materiality) for the financial statements.

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?

The Board proposes specific disclosure objectives that require an entity to disclose information about:

- (a) amounts in the primary financial statements relating to defined benefit plans (paragraphs 147D–147F of the [Draft] amendments to IAS 19);
- (b) the nature of, and risks associated with, defined benefit plans (paragraphs 147G–147I of the [Draft] amendments to IAS 19);
- (c) expected future cash flows relating to defined benefit plans (paragraphs 147J–147M and A2–A7 of the [Draft] amendments to IAS 19);
- (d) future payments to members of defined benefit plans that are closed to new members (paragraphs 147N–147P of the [Draft] amendments to IAS 19);
- (e) measurement uncertainties associated with the defined benefit obligation (paragraphs 147Q–147S of the [Draft] amendments to IAS 19); and
- (f) reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans (paragraphs 147T–147W of the [Draft] amendments to IAS 19).

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.

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?

Defined contribution plans

In paragraph 54A of the [Draft] amendments to IAS 19, the Board proposes an overall disclosure objective that requires an entity to 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.

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?

Multi-employer plans and defined benefit plans that share risks between entities under common control

The Board proposes 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 (paragraph 54A of the [Draft] amendments to IAS 19).

The Board proposes 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:

(a) accounts for a multi-employer defined benefit plan as if it were a defined contribution plan (paragraph 148A of the [Draft] amendments to IAS 19); or

(b) 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 (paragraph 149A of the [Draft] amendments to IAS 19).

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

(a) accounts for a multi-employer defined benefit plan as a defined benefit plan (paragraph 148C of the [Draft] amendments to IAS 19); or

(b) 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 (paragraph 149C of the [Draft] amendments to IAS 19).

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?

Other types of employee benefit plans

The Board proposes overall disclosure objectives that require an entity to disclose information that enables users of financial statements to understand:

- (a) the effect of short-term employee benefits on the entity's financial performance and cash flows (paragraph 25A of the [Draft] amendments to IAS 19);
- (b) the nature of other long-term employee benefits and the effect of those benefits on the entity's financial position, financial performance and cash flows (paragraph 158A of the [Draft] amendments to IAS 19); and
- (c) the nature of termination benefits and the effect of those benefits on the entity's financial position, financial performance and cash flows (paragraph 171A of the [Draft] amendments to IAS 19).

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?

Other

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?

Answer Questions 12 to 18 - IAS 19

We agree with the proposed changes. It brings improvements for the preparer and user of financial statements in the presentation of significant items. There are some new disclosure requirements, for example, disaggregation and estimating future impacts that we already inform in our financial statements.