AASB Exposure Draft

ED 309
April 2021

Disclosure Requirements in Australian Accounting Standards—A Pilot Approach

Proposed amendments to AASB 13 and AASB 119

Comments to the AASB by 15 October 2021

Comment deadline changed from 16 August 2021

Australian Government

Australian Accounting Standards Board

How to Comment on this AASB Exposure Draft

Constituents are strongly encouraged to respond to the AASB and the IASB. The AASB is seeking comment by 15 October 2021. This will enable the AASB to consider Australian constituents' comments in the process of formulating its own comments to the IASB, which are due by 12 January 2022.

Formal Submissions

Submissions should be lodged online via the "Work in Progress – Open for Comment" page of the AASB website (www.aasb.gov.au/comment) as a PDF document and, if possible, a Word document (for internal use only).

Other Feedback

Other feedback is welcomed and may be provided via the following methods:

E-mail: standard@aasb.gov.au
Phone: (03) 9617 7600

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

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AASB REQUEST FOR COMMENTS

The Australian Accounting Standards Board's (AASB's) policy is to incorporate International Financial Reporting Standards (IFRS Standards) into Australian Accounting Standards. Accordingly, the AASB is inviting comments on:

(a) any of the proposals in the attached International Accounting Standards Board (IASB) Exposure Draft, including the specific questions on the proposals as listed in the Invitation to Comment section of the attached IASB Exposure Draft; and

(b) the 'AASB Specific Matters for Comment' listed below.

AASB Specific Matters for Comment

The AASB would particularly value comments on the following:

1. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:

    (a) not-for-profit entities; and

    (b) public sector entities, including GAAP/GFS implications;

2. whether the proposals would create any auditing or assurance challenges;

3. whether, overall, the proposals would result in financial statements that would be useful to users;

4. whether the proposals are in the best interests of the Australian economy; and

5. unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

March 2021

IFRS® Standards
Exposure Draft ED/2021/3

Disclosure Requirements in IFRS Standards—A Pilot Approach

Proposed amendments to IFRS 13 and IAS 19

Comments to be received by 12 January 2022

Comment deadline changed from 21 October 2021

IASB®

IFRS®

Exposure Draft

Disclosure Requirements in IFRS Standards—A Pilot Approach

Proposed amendments to IFRS 13 and IAS 19

Comments to be received by 12 January 2022
Comment deadline changed from 21 October 2021

Exposure Draft ED/2021/3 *Disclosure Requirements in IFRS Standards—A Pilot Approach* is published by the International Accounting Standards Board (Board) for comment only. Comments need to be received by **12 January 2022** and should be submitted by email to commentletters@ifrs.org or online at https://www.ifrs.org/projects/open-for-comment/.

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BASIS FOR CONCLUSIONS (see separate booklet)

Introduction

Why is the Board publishing this Exposure Draft?

The International Accounting Standards Board (Board) has developed guidance for itself when developing and drafting disclosure requirements in IFRS Standards in future (proposed Guidance). The Board has applied the proposed Guidance to develop proposed amendments to the disclosure sections of IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*. The Board is publishing this Exposure Draft to obtain feedback on both the proposed Guidance and the proposed amendments to IFRS 13 and IAS 19.

Stakeholders have told the Board they have three main concerns about information disclosed in financial statements. Collectively referred to as the 'disclosure problem', these concerns are that financial statements contain:

(a) not enough relevant information;

(b) too much irrelevant information; and

(c) ineffective communication of the information provided.

The feedback led the Board to establish the Disclosure Initiative, a portfolio of projects exploring how to improve the effectiveness of disclosures in financial statements. In March 2017, the Board issued the Discussion Paper *Disclosure Initiative—Principles of Disclosure* (Discussion Paper) to obtain feedback on possible approaches to address the disclosure problem.

Many respondents to the Discussion Paper agreed with the Board that the disclosure problem is multi-faceted and that addressing it will require the input of all stakeholders. Furthermore, almost all respondents to the Discussion Paper said that one contributor to the disclosure problem is the way the Board develops and drafts disclosure requirements in IFRS Standards.

In response to the feedback, the Board decided to undertake the *Disclosure Initiative—Targeted Standards-level Review of Disclosures* project. The Board developed the proposals in this Exposure Draft as part of that project. The objective of the project is to improve how the Board develops and drafts disclosure requirements in IFRS Standards, so that entities applying those requirements provide more useful information to users of financial statements. The Board decided to take the following approach to meet this objective:

(a) develop the proposed Guidance;

(b) apply the proposed Guidance to the disclosure sections of two test Standards—IFRS 13 and IAS 19—to improve the usefulness of disclosures in financial statements prepared applying those Standards, and to test and improve the proposed Guidance; and

(c) prepare an Exposure Draft of amendments to the test Standards, incorporating the proposed Guidance.

Proposals in this Exposure Draft

This Exposure Draft includes:

(a) the proposed Guidance;

(b) proposed amendments to IFRS 13 that comprise:

  (i) an overall disclosure objective and specific disclosure objectives for assets and liabilities measured at fair value in the statement of financial position;

  (ii) a 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; and

  (iii) items of information to enable an entity to meet the specific disclosure objectives;

(c) proposed amendments to IAS 19 that comprise:

  (i) overall disclosure objectives for employee benefits in the scope of IAS 19;

  (ii) specific disclosure objectives for defined benefit plans; and

  (iii) items of information to enable an entity to meet the specific disclosure objectives for defined benefit plans; and

(d) proposed consequential amendments to IAS 34 *Interim Financial Reporting* and IFRIC 17 *Distributions of Non-cash Assets to Owners*.

This Exposure Draft refers to information needed to meet user needs described in disclosure objectives. An entity applies the definition of material in IAS 1 *Presentation of Financial Statements* to judge whether information is material for inclusion in the financial statements.

Who would be affected by the project proposals?

The proposed Guidance is a document for the Board. The objective of the proposed Guidance is to help the Board develop disclosure requirements that result in more decision-useful information in financial statements in future. If the Board were to apply the approach in the proposed Guidance, all entities, auditors, regulators and users of financial statements prepared applying IFRS Standards could be affected. The Board is therefore interested in feedback from all those interested in financial reporting on the practical effects of the proposed Guidance.

Immediate effects

The Board proposes in this Exposure Draft to amend IFRS 13 and IAS 19 by applying the proposed Guidance. The Board expects these proposals to affect entities that disclose information in financial statements about fair value measurements and employee benefits in accordance with IFRS Standards, and all users of those financial statements. The proposals are also relevant to auditors who audit information about fair value measurements and employee benefits, and regulators who enforce compliance with the disclosure requirements in IFRS 13 and IAS 19.

The Board is currently testing the proposed Guidance only on the disclosure sections of IFRS 13 and IAS 19. The proposed Guidance will therefore have no immediate effect on the disclosure sections of other IFRS Standards.

Future effects

The Board will consider feedback on this Exposure Draft in determining whether to use the proposed Guidance in its standard-setting activities in future. In doing so, the Board will consider the extent to which feedback from its consultations on this Exposure Draft suggests that applying the proposed Guidance contributes to addressing the disclosure problem, and helps stakeholders improve the usefulness of disclosures in the notes for users of financial statements.

If the Board decides to use the proposed Guidance in its standard-setting activities in future, the proposed Guidance may be updated in the light of the feedback on this Exposure Draft. Any resulting Guidance would also be changed over time, drawing on the Board's and stakeholders' experience of its application. Any decision to amend the disclosure sections of other IFRS Standards—or to develop a disclosure section for a new IFRS Standard—using the proposed Guidance will require the Board to go through its normal due process for proposing a new IFRS Standard or an amendment to a Standard.

Next steps

The Board will consider comment letters and other feedback from its consultations on this Exposure Draft before deciding whether to finalise the proposed amendments to the disclosure sections of IFRS 13 and IAS 19. Feedback will also help the Board determine whether, and how, to improve the proposed Guidance if, after testing on IFRS 13 and IAS 19, the Board decides to use the proposed Guidance in its standard-setting activities.

Invitation to comment

The Board invites comments on the proposals in this Exposure Draft, particularly on the questions set out below. Comments are most helpful if they:

(a) address the questions as stated;

(b) indicate the specific paragraph(s) to which they relate;

(c) contain a clear rationale;

(d) identify any wording in the proposals that is difficult to translate; and

(e) include any alternative the Board should consider, if applicable.

The Board is requesting comments only on matters addressed in this Exposure Draft.

The proposed Guidance for developing disclosure requirements in IFRS Standards in future

Paragraphs DG1–DG13 of this Exposure Draft describe the proposed Guidance. Applying the proposed Guidance, the Board would:

(a) require entities to comply with **overall disclosure objectives** that describe the overall information needs of users of financial statements. To comply with those objectives, entities would be required to assess whether information provided in the notes by complying with specific disclosure objectives is sufficient to meet the overall user information needs. If such information is insufficient, entities would need to provide additional information to meet those user information needs.

(b) require entities to comply with **specific disclosure objectives** that describe the detailed information needs of users of financial statements. To comply with those objectives, entities would be required to disclose all material information for a transaction, other event or condition needed to meet the detailed user information needs. Specific disclosure objectives would be supplemented with explanations of what the information provided to meet those objectives is intended to help users of financial statements do.

(c) identify **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. The Board would require entities to provide specific items of information only when the Board has determined that those items of information are essential to meet the specific disclosure objective. Otherwise, and in most cases, the Board would identify specific items of information that entities would not be required to disclose. Instead, those items of information would be examples of what entities may disclose to meet the specific disclosure objective.

Figure 1 uses one of the proposals for IFRS 13 to illustrate the proposed Guidance.[1] This example includes a required item of information; however, such an item of information would be provided only in some cases.

Figure 1—Proposed Guidance for developing disclosure requirements in IFRS Standards in future

Overall disclosure objective An entity **shall** 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.	**Requirement**	To assess whether information provided in the notes meets overall user information needs (eg should additional information be disclosed?)
Specific disclosure objective(s) For recurring fair value measurements, an entity **shall** disclose information that enables users of financial statements to understand the significant reasons for changes in the fair value measurements of each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition, from the beginning of the reporting period to the end of that period.	**Requirement**	To disclose all material information needed to meet detailed user information needs on specific topics
Explanation supporting the specific disclosure objective The information required by [the specific disclosure objective] **is intended to** help users of financial statements evaluate how transactions and other events during the reporting period have affected the entity's financial position and performance, and therefore identify amounts to include in their analyses.	**Explanatory information**	To help entities better understand the specific disclo-sure objective and facilitate their judgement as to whether information is material to disclose
Items of information In meeting [the specific disclosure objective] for recurring fair value measurements categorised in Level 3 of the fair value hierarchy, an entity **shall** disclose a tabular reconciliation from opening balances to closing balances of the significant reasons for changes in the fair value measurements.	**Requirement**	To disclose material information that is essential in order to meet the specific disclosure objective
While not mandatory, the following information **may enable** an entity to meet [the specific disclosure objective]: (a) an explanation of the significant reasons for changes in recurring fair value measurements other than those categorised in Level 3 of the fair value hierarchy. …	**Non-mandatory items**	To identify potentially material information that an entity may disclose to meet the specific disclosure objective, if relevant to the entity's circumstances

1 See paragraphs 100 and 114–117 of the [Draft] Amendments to IFRS 13.

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?

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?

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.

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?

Deadline

The Board will consider all written comments received by 12 January 2022. The deadline was changed from 21 October 2021.

How to comment

Please submit your comments electronically:

Online	https://www.ifrs.org/projects/open-for-comment/
By email	commentletters@ifrs.org

Your comments will be on the public record and posted on our website unless you request confidentiality and we grant your request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. Please see our website for details on this policy and on how we use your personal data.

[Draft] Guidance for the Board to use when developing and drafting disclosure requirements in IFRS Standards

The [Draft] Guidance for the Board is an important part of this Exposure Draft. It proposes a new approach to developing and drafting disclosure requirements in IFRS Standards. The Board used this approach to develop the proposed amendments to IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* set out in this Exposure Draft. The [Draft] Guidance for the Board is not part of the Standards. Instead, it is an internal document that explains how the Board will develop disclosure requirements in future if, after testing on IFRS 13 and IAS 19, the Board decides to use the proposed approach in its standard setting activities.

Overview

DG1 This [Draft] Guidance for the Board explains how the Board will modify disclosure requirements in IFRS Standards to enhance the use of judgement. In summary, the Board will:

(a) require entities to comply with overall disclosure objectives that describe the overall information needs of users of financial statements. To comply with those objectives, entities would be required to assess whether information provided in the notes by complying with the specific disclosure objectives meets the overall user information needs.

(b) require entities to comply with specific disclosure objectives that describe the detailed information needs of users of financial statements. To comply with those objectives, entities would be required to disclose all material information needed to meet the detailed user information needs.

(c) supplement specific disclosure objectives with explanations of what the information provided to meet those objectives is intended to help users of financial statements do.

(d) link each specific disclosure objective with items of information an entity may, or in some cases is required to, disclose to satisfy the objective.

DG2 This approach aims to shift the focus from applying disclosure requirements like a checklist to determining whether a specific disclosure objective has been satisfied by:

(a) using the prescriptive language ‘shall’ to require entities to comply with disclosure objectives in the Standards; and

(b) typically using the following less prescriptive language when referring to items of information in the Standards—‘while not mandatory, the following information may enable an entity to meet the disclosure objective’.

DG3 The language described in paragraph DG2 will require an entity to satisfy disclosure objectives that describe user information needs. An entity could not be regarded as achieving compliance by simply disclosing a 'checklist' of information. Instead, entities, auditors and others will need to apply judgement to determine:

(a) which information is material (see paragraph DG4); and

(b) whether the information provided satisfies disclosure objectives.

DG4 The Board will, to the extent possible, avoid making generic or overarching references to materiality in the disclosure sections of individual IFRS Standards. This is to reinforce materiality as an overarching concept that applies across all Standards, including all disclosure requirements. Multiple or duplicate references to materiality can introduce confusion about how the concept applies to a Standard in which it is not mentioned.

Overall disclosure objectives

DG5 The Board will use overall disclosure objectives within individual IFRS Standards to provide a narrower, more Standard-specific focus than the objectives of general purpose financial reporting and financial statements in the *Conceptual Framework for Financial Reporting* and IAS 1 *Presentation of Financial Statements*.

DG6 Within the context of an individual IFRS Standard, overall disclosure objectives will describe the overall information needs of users of financial statements and require an entity to disclose information that meets those needs. To comply with this requirement, entities will need to consider whether the information provided by complying with the specific disclosure objectives (paragraphs DG8–DG10) meets those overall user information needs. For example, to comply with the overall disclosure objectives in a Standard, an entity might need to provide additional, entity-specific information that is not directly required by the specific disclosure objectives in that Standard.

DG7 Overall disclosure objectives will also provide helpful context, and incorporate other broad considerations, that entities are required to consider when applying the specific disclosure objectives in an IFRS Standard. For example, overall disclosure objectives might incorporate considerations about aggregation and disaggregation specific to the disclosure section of a particular Standard.

Specific disclosure objectives

DG8 Within the context of an individual IFRS Standard, specific disclosure objectives will describe the detailed information needs of users of financial statements and require an entity to disclose all material information that enables the user understanding described in the objectives to be achieved. Specific disclosure objectives will require entities to apply judgement effectively because, in order to comply with the objectives, entities will need to assess whether the information provided is sufficient to meet detailed user information needs.

DG9 The specific disclosure objectives will be accompanied by a separate paragraph that provides context by explaining what the information provided to meet those objectives is intended to help users of financial statements do. For example, the Board might explain that information to satisfy a particular specific disclosure objective is intended to help a user perform a particular analysis, assessment or evaluation. These explanations are intended to help entities better understand the specific disclosure objectives and facilitate their judgement as to whether information is material to their financial statements.

DG10 When developing specific disclosure objectives, the Board will balance entity-specific information with information that is comparable across entities. Users of financial statements consistently highlight the importance of both entity-specific information and comparable information, while also acknowledging some tension between these two types of information. By focusing the compliance requirement on specific disclosure objectives, the Board will require entities to apply judgement and focus their disclosures on information that is material in their own specific circumstances. By identifying specific items of information in the Standards (see paragraphs DG11–DG13), the Board will help to achieve comparability of information between entities for which similar information is material.

Items of information to meet specific disclosure objectives

DG11 The Board will identify items of information that an entity may, or in some cases is required to, disclose to meet each specific disclosure objective. The Board will explicitly link every item of information included in the disclosure section of an IFRS Standard to one or more specific disclosure objectives. This will provide clarity about the relationship between the specific disclosure objectives and items of information and, therefore, help entities to make effective judgements about whether information is material.

DG12 The items of information in paragraph DG11 are to help entities apply judgement and determine how to satisfy the specific disclosure objective. As a result, an entity may need to disclose one, some or all of the items of information identified in the Standard. An entity may also need to disclose information in addition to that identified in the Standard to meet the detailed user information needs described in the specific disclosure objectives. Disclosure of immaterial information will not help an entity to satisfy the specific disclosure objectives because such information will not meet the user information needs described in those objectives.

DG13 At times the Board may identify information that, if material to an entity, is always needed to meet the detailed information needs of users of financial statements described in the specific disclosure objective. In these cases, the Board will, in the first instance, aim to develop a disclosure objective that is specific enough to make clear what information would satisfy the objective. If that is not possible, the Board will use prescriptive language to require disclosure of a particular item of information. In such cases, the Board will explain, in the Basis for Conclusions, why the item is essential to satisfying the specific disclosure objective.

[Draft] Amendments to IFRS 13 *Fair Value Measurement*

Paragraph 4 has not been amended but is included for ease of reference. Paragraphs 91–98 are deleted but, for ease of reading, the deleted text of these paragraphs is not included. Paragraph 99 is amended. Paragraphs 100–121 and their related headings are added. New text is underlined and deleted text is struck through.

Objective

...

4 The definition of fair value focuses on assets and liabilities because they are a primary subject of accounting measurement. In addition, this IFRS shall be applied to an entity's own equity instruments measured at fair value.

...

Disclosure

[Refer: Basis for Conclusions paragraphs BC183–BC224]

91 **[Deleted]**

92 [Deleted]

93 [Deleted]

94 [Deleted]

95 [Deleted]

96 [Deleted]

97 [Deleted]

98 [Deleted]

99 An entity shall provide the quantitative information needed to meet the disclosure objectives in ~~present the quantitative disclosures required by~~ this IFRS in a tabular format unless another format is more appropriate.

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

Overall disclosure objective

100 **An entity shall 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. This information shall enable users of financial statements to understand:**

(a) **the significance of those classes of assets and liabilities (see paragraphs B48–B50) 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.**

101 An entity shall consider the level of detail necessary to satisfy the disclosure objectives set out in this IFRS and ensure that relevant information is not obscured by the inclusion of insignificant detail.

102 For the purposes of applying paragraphs 103–117 of this IFRS, recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position in particular circumstances (eg when an entity measures an asset held for sale at fair value less costs to sell in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* because the asset's fair value less costs to sell is lower than its carrying amount).

Specific disclosure objectives

Assets and liabilities within each level of the fair value hierarchy

103 For recurring and non-recurring fair value measurements, an entity shall disclose information that enables users of financial statements to understand:

(a) **the amount, nature and other characteristics of each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition; and**

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

104 The information required by paragraph 103 is intended to help users of financial statements assess the relative subjectivity in the entity's assessment of where the fair value measurements of the assets and liabilities are in the fair value hierarchy, and evaluate the effect of those measurements on the entity's financial position at the end of the reporting period.

105 In meeting the disclosure objective in paragraph 103, an entity shall disclose the fair value measurement for each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition by the level of the fair value hierarchy within which those measurements are categorised in their entirety (Level 1, 2 or 3).

106 While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 103:

(a) a description of the nature, risks and other characteristics of the classes of assets and liabilities in each level of the fair value hierarchy (or a cross-reference to where that information is disclosed elsewhere in the financial statements).

(b) a description of inseparable third-party credit enhancement for a liability and whether such an enhancement is reflected in the fair value measurement.

Measurement uncertainties associated with fair value measurements

107 **For recurring and non-recurring fair value measurements, an entity shall disclose information that enables users of financial statements to understand the significant techniques and inputs used in determining the fair value measurements for each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition.**

108 The information required by paragraph 107 is intended to help users of financial statements assess the sources of measurement uncertainties in the entity's determination of the fair value measurements.

109 In meeting the disclosure objective in paragraph 107, an entity shall disclose whether it makes the accounting policy decision to use the exception in paragraph 48 for measuring the fair value of a group of financial assets and financial liabilities.

110 While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 107:

(a) a description of the significant valuation techniques used in the fair value measurements.

(b) a description of a change in the valuation techniques and the reason(s) for making the change.

(c) quantitative or narrative information about the significant inputs used in the fair value measurements.

(d) a statement when the highest and best use of a non-financial asset differs from its current use, and an explanation of why.

Reasonably possible alternative fair value measurements

111 **For recurring fair value measurements, an entity shall disclose information that enables users of financial statements to understand the alternative fair value measurements for each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition, using inputs that were reasonably possible at the end of the reporting period.**

112 The information required by paragraph 111 is intended to help users of financial statements evaluate the possible outcomes of the fair value measurements at the end of the reporting period, and evaluate how those possible outcomes might affect the future cash flows of the entity.

113 While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 111:

(a) a description of the uncertainty caused by the significant inputs used in determining the fair value, if those inputs could have reasonably been different at the end of the reporting period and would have resulted in a significantly higher or lower fair value measurement.

(b) the range of alternative fair value measurements using inputs that were reasonably possible at the end of the reporting period.

(c) an explanation of how the range of alternative fair value measurements in (b) was calculated.

(d) a description of interrelationships between the inputs used and how those interrelationships magnify or mitigate the effect of using inputs that were reasonably possible at the end of the reporting period on the fair value measurements.

Reasons for changes in fair value measurements

114 For recurring fair value measurements, an entity shall disclose information that enables users of financial statements to understand the significant reasons for changes in the fair value measurements of each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition, from the beginning of the reporting period to the end of that period.

115 The information required by paragraph 114 is intended to help users of financial statements evaluate how transactions and other events during the reporting period have affected the entity's financial position and performance, and therefore identify amounts to include in their analyses.

116 In meeting the disclosure objective in paragraph 114 for recurring fair value measurements categorised in Level 3 of the fair value hierarchy, an entity shall disclose a tabular reconciliation from opening balances to closing balances of the significant reasons for changes in the fair value measurements. Reasons for changes that might be appropriate include, but are not limited to, the following:

(a) total gains or losses for the reporting period recognised in profit or loss that are attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period. In such a case, the entity identifies the line item(s) in which those gains or losses are recognised.

(b) total gains or losses for the reporting period recognised in profit or loss that are attributable to realised gains or losses. In such a case, the entity identifies the line item(s) in which those gains or losses are recognised.

(c) total gains or losses for the reporting period recognised in other comprehensive income. In such a case, the entity identifies the line item(s) in which those gains or losses are recognised.

(d) purchases.

(e) sales.

(f) issues.

(g) settlements.

(h) the effect of foreign exchange rate differences.

(i) the amount of transfers into and out of the level of the fair value hierarchy.

117 While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 114:

(a) an explanation of the significant reasons for changes (see paragraph 116) in recurring fair value measurements other than those categorised in Level 3 of the fair value hierarchy.

(b) the reasons for transfers between levels of the fair value hierarchy during the reporting period.

(c) the entity's policy for determining when transfers between levels are deemed to have occurred. Examples of the policy for the timing of those transfers include the date of the event or change in circumstances that caused the transfer, the beginning of the reporting period and the end of the reporting period.

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

118 **An entity shall disclose information that enables users of financial statements to understand:**

(a) the amount, nature and other characteristics of each class of assets and liabilities (see paragraphs B48–B50) 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.

119 The information required by paragraph 118 is intended to help users of financial statements assess the relative subjectivity in the entity's assessment of where the fair value measurements of the assets and liabilities are in the fair value hierarchy, and evaluate the effect of those measurements on the entity's financial position and financial performance.

120 In meeting the disclosure objective in paragraph 118, an entity shall disclose the fair value measurement for each class of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed by the level of the fair value hierarchy within which those measurements are categorised in their entirety (Level 1, 2 or 3).

121 While not mandatory, a description of the nature, risks and other characteristics of the classes of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed may enable an entity to meet the disclosure objective in paragraph 118. This information can be provided by cross-reference to where that information is disclosed elsewhere in the financial statements.

[Draft] Amendments to Appendix B—Application guidance for IFRS 13

The note in italic type immediately following the title of the Appendix is amended. Paragraph B1 has not been amended but is included for ease of reference. Paragraphs B48–B50 and their related heading are added. New text is underlined and deleted text is struck through.

This appendix is an integral part of the IFRS. It describes the application of paragraphs <u>1–121</u> ~~1–99~~ and has the same authority as the other parts of the IFRS.

B1 The judgements applied in different valuation situations may be different. This appendix describes the judgements that might apply when an entity measures fair value in different valuation situations.

...

<u>Determining classes of assets and liabilities for disclosures about fair value measurements</u>

<u>B48</u> <u>Determining the appropriate classes of assets and liabilities for which disclosures about fair value measurements should be made requires judgement. An entity considers:</u>

<u>(a)</u> <u>the nature, risks and other characteristics of the asset or liability; and</u>

<u>(b)</u> <u>the level of the fair value hierarchy within which the fair value measurement is categorised.</u>

<u>B49</u> <u>The number of classes may need to be greater for fair value measurements categorised within Level 3 of the fair value hierarchy than for fair value measurements in other levels because those measurements are subject to a greater degree of uncertainty and subjectivity. Information provided about a class of assets and liabilities in the notes to the financial statements will often require greater disaggregation than the line items presented in the statement of financial position. However, in complying with the disclosure objectives in this IFRS, an entity shall provide enough information to permit reconciliation to the line items presented in the statement of financial position.</u>

<u>B50</u> <u>If another IFRS specifies the class for an asset or a liability, an entity may use that class to provide information to meet the disclosure objectives in this IFRS if that class is consistent with the guidance in paragraphs B48–B49.</u>

[Draft] Amendments to Appendix C—Effective date and transition for IFRS 13

Paragraph C7 is added. New text is underlined.

...

C7 [Draft] *Disclosure Requirements in IFRS Standards—A Pilot Approach* which amended IFRS 13 and IAS 19, issued in [the publication date of the final amendments], deleted paragraphs 91–98, amended paragraph 99 and added paragraphs 100–121 and B48–B50. An entity shall apply those amendments from the first annual reporting period beginning on or after [effective date]. Earlier application of the amendments is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

[Draft] Amendments to IAS 19 *Employee Benefits*

Paragraphs 24, 33–34, 36, 42, 118, 150 and 173 are amended. Paragraphs 25, 53–54, 135–147, 148, 149, 151–152, 158 and 171 are deleted but, for ease of reading, the deleted text of these paragraphs is not included. Paragraphs 25A, 54A, 147A–147W, 148A–148D, 149A–149D, 158A, 171A and 180 and related headings are added. Paragraph 41 has not been amended but is included for ease of reference. The headings above paragraphs 139, 140, 145 and 151 are deleted. New text is underlined and deleted text is struck through.

...

Short-term employee benefits

...

Recognition and measurement

...

Profit-sharing and bonus plans

...

24 If profit-sharing and bonus payments are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, those payments are other long-term employee benefits (see paragraphs 153–<u>158A</u>~~158~~).

Disclosure

25 <u>[Deleted]</u>

<u>Overall disclosure objective</u>

<u>25A</u> <u>An entity shall disclose information that enables users of financial statements to understand the effect of short-term employee benefits on the entity's financial performance and cash flows.</u>

Post-employment benefits: distinction between defined contribution plans and defined benefit plans

...

Multi-employer plans

...

33 **If an entity participates in a multi-employer defined benefit plan, unless paragraph 34 applies, it shall:**

(a) **account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan; and**

(b) **disclose ~~the~~ information to meet the requirements in the disclosure objectives in paragraph 148C ~~required by paragraphs 135–148 (excluding paragraph 148(d))~~.**

34 **When sufficient information is not available to use defined benefit accounting for a multi-employer defined benefit plan, an entity shall:**

(a) **account for the plan in accordance with paragraphs 51 and 52 as if it were a defined contribution plan; and**

(b) **disclose ~~the~~ information to meet the requirements in the disclosure objectives in paragraph 148A ~~required by paragraph 148~~.**

...

36 Where sufficient information is available about a multi-employer defined benefit plan, an entity accounts for its proportionate share of the defined benefit obligation, plan assets and post-employment cost associated with the plan in the same way as for any other defined benefit plan. However, an entity may not be able to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes. This may occur if:

(a) the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan; or

(b) the entity does not have access to sufficient information about the plan to satisfy the requirements of this Standard.

In those cases, an entity accounts for the plan as if it were a defined contribution plan and discloses ~~the~~ information to meet the requirements in the disclosure objectives in paragraph 148A ~~required by paragraph 148~~.

...

Defined benefit plans that share risks between entities under common control

...

41 An entity participating in such a plan shall obtain information about the plan as a whole measured in accordance with this Standard on the basis of assumptions that apply to the plan as a whole. If there is a contractual agreement or stated policy for charging to individual group entities the net defined benefit cost for the plan as a whole measured in accordance with this Standard, the entity shall, in its separate or individual financial statements, recognise the net defined benefit cost so charged. If there is no such agreement or policy, the net defined benefit cost shall be recognised in the separate or individual financial statements of the group entity that is legally the sponsoring employer for the plan. The other group entities shall, in their

separate or individual financial statements, recognise a cost equal to their contribution payable for the period.

42 Participation in such a plan is a related party transaction for each individual group entity. An entity that recognises a cost equal to its contribution payable for the period shall therefore, in its separate or individual financial statements, disclose ~~the~~ information to meet the requirements in the disclosure objectives in paragraph 149A ~~required by paragraph 149~~. An entity that recognises a net defined benefit cost shall, in its separate or individual financial statements, disclose information to meet the requirements in the disclosure objectives in paragraph 149C.

...

Post-employment benefits: defined contribution plans

...

Disclosure

53 **[Deleted]**

54 [Deleted]

Overall disclosure objective

54A **An entity shall 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.**

Post-employment benefits: defined benefit plans

...

Recognition and measurement: plan assets

...

Reimbursements

...

118 When an insurance policy held by an entity is not a qualifying insurance policy, that insurance policy is not a plan asset. Paragraph 116 is relevant to such cases: the entity recognises its right to reimbursement under the insurance policy as a separate asset, rather than as a deduction in determining the defined benefit deficit or surplus. A description of the relationship ~~Paragraph 140(b) requires the entity to disclose a brief description of the link~~ between the reimbursement right and the related defined benefit obligation may enable the entity to meet the requirements in the disclosure objective in paragraph 147T.

...

Disclosure

135 **[Deleted]**

136 [Deleted]

137 [Deleted]

138 [Deleted]

~~Characteristics of defined benefit plans and risks associated with them~~

139 [Deleted]

~~Explanation of amounts in the financial statements~~

140 [Deleted]

141 [Deleted]

142 [Deleted]

143 [Deleted]

144 [Deleted]

~~Amount, timing and uncertainty of future cash flows~~

145 [Deleted]

146 [Deleted]

147 [Deleted]

Overall disclosure objective

147A **An entity shall 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.**

147B An entity shall aggregate or disaggregate information provided to meet the disclosure objectives about defined benefit plans set out in this Standard. In doing so, an entity ensures that relevant information is not obscured by either the inclusion of insignificant detail or the aggregation of items that have substantially different features or characteristics.

147C In applying paragraph 147B to aggregate or disaggregate information to meet the disclosure objectives about defined benefit plans in this Standard:

- (a) an entity shall consider the nature, risks and other characteristics of its defined benefit obligation. For example, an entity might distinguish between amounts owed to active members, deferred members and pensioners.

(b) an entity shall assess whether disclosures should be disaggregated to distinguish plans or groups of plans with different risks. Features an entity may use to disaggregate disclosures about plans include, but are not limited to:

   (i) geographical region;

   (ii) characteristics of the plan (for example, flat salary pension plans, final salary pension plans or post-employment medical plans);

   (iii) regulatory environment;

   (iv) reporting segment; and

   (v) funding arrangement (for example, wholly unfunded, wholly funded, or partly funded).

Specific disclosure objectives

Amounts in the primary financial statements relating to defined benefit plans

147D **An entity shall disclose information that enables users of financial statements to understand the amounts, and components of those amounts, arising from defined benefit plans during the reporting period in the statements of financial position, financial performance and cash flows.**

147E The information required by paragraph 147D is intended to help users of financial statements:

(a) navigate detailed disclosures about defined benefit plans and reconcile them to the aggregated amounts presented in the primary financial statements; and

(b) identify amounts to include in their analyses.

147F In meeting the disclosure objective in paragraph 147D, an entity shall disclose:

(a) the amount of the defined benefit cost included in the statement of profit or loss, identifying its components, including current service cost, past service cost, gain or loss on settlement, and net interest on the net defined benefit liability;

(b) the amount of the defined benefit cost in the statement presenting comprehensive income, identifying its components, including actuarial gains and losses and return on plan assets excluding amounts included in (a);

(c) the amount of the net defined benefit liability (asset) in the statement of financial position, identifying its components, including fair value of the plan assets, present value of the defined benefit obligation, and the effect of the asset ceiling;

(d) the deferred tax asset or liability arising from the defined benefit plans (or a cross-reference to where that information is disclosed elsewhere in the financial statements); and

(e) the amounts in the statement of cash flows, identifying their components, including contributions by the entity into the defined benefit plans.

Nature of, and risks associated with, defined benefit plans

147G **An entity shall disclose information that enables users of financial statements to understand the:**

(a) nature of the benefits provided by the defined benefit plans;

(b) nature and extent of the risks, in particular the investment risks, to which the defined benefit plans expose the entity; and

(c) strategies that the entity has in place to manage the defined benefit plans and the identified risks.

147H The information required by paragraph 147G is intended to help users of financial statements assess how an entity intends to deliver the benefits promised to members of the defined benefit plans, and evaluate how the risks associated with those plans may affect the entity's ability to deliver those benefits in future periods.

147I While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 147G:

(a) a description of the nature of the benefits provided by the plans.

(b) the status of the defined benefit plans, such as whether the plans are open or closed to new members.

(c) a description of plan amendments, curtailments and settlements in the reporting period.

(d) a description of how the plans are governed and managed, including any regulatory framework that affects how the plans operate.

(e) a description of plan-specific investment risks, including significant concentrations of risks. For example, if plan assets are primarily invested in one class of investments, an explanation of the risks to which such a concentration exposes the entity.

(f) a description of the policies and processes used by the entity, or the trustees or managers of the plans, to manage the identified risks.

(g) a description of the investment strategies for the plans, such as the use of asset-liability matching strategies.

(h) a breakdown of the fair value of plan assets by classes of assets that distinguish the risks and characteristics of those assets. Such a breakdown could include the fair value of the entity's transferable financial instruments held as plan assets and the fair value of plan assets used by the entity, such as property occupied by the entity.

(i) the expected return on the plan assets.

Expected future cash flows relating to defined benefit plans

147J **An entity shall disclose information that enables users of financial statements to understand the expected effects of the defined benefit obligation recognised at the end of the reporting period on the entity's future cash flows and the nature of those effects.**

147K The information required by paragraph 147J is intended to help users of financial statements:

(a) assess the effect of the defined benefit obligation on the entity's future cash flows; and

(b) evaluate how the defined benefit obligation may affect the entity's economic resources, for example, its ability to pay dividends.

147L While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 147J:

(a) a description of funding agreements or policies that affect expected future contributions to meet the defined benefit obligation recognised at the end of the reporting period. Such agreements could include those reached with trustees or managers of the plans.

(b) quantitative information about expected future contributions to meet the defined benefit obligation recognised at the end of the reporting period. Such information could include expected future contributions to the plan for funded plans or expected payments to plan participants for unfunded plans.

(c) a description of regulatory or other agreements that affect expected future contributions. Information about such agreements could include known minimum funding requirements or agreed funding commitments in appropriate time bands.

(d) information about the expected pattern or rate of expected future contributions. For example, whether expected future contributions are expected to be greater than, similar to or less than contributions made in the current reporting period, and why.

147M An entity provides information about the expected cash flow effects of its defined benefit obligation recognised at the end of the reporting period to meet the disclosure objective in paragraph 147J. However, an entity may provide information about the expected future cash flow effects for the defined benefit plan as a whole, without differentiating between those that meet the defined benefit obligation recognised at the end of the reporting period and other expected future cash flows, if the entity believes such information would better meet the disclosure objective. An entity shall explain the method used in determining the information to provide to meet the disclosure objective in paragraph 147J. Paragraphs A2–A7 of IAS 19 provide related application guidance.

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

147N **An entity shall disclose information that enables users of financial statements to understand the period over which payments will continue to be made to members of defined benefit plans that are closed to new members.**

147O The information required by paragraph 147N is intended to help users of financial statements understand the length of time over which the defined benefit obligation associated with plans that are closed to new members will continue to affect the entity's financial statements.

147P While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 147N:

(a) the weighted average duration of the defined benefit obligation.

(b) the number of years over which the benefits payable by the defined benefit plans are expected to be paid.

Measurement uncertainties associated with the defined benefit obligation

147Q **An entity shall disclose information that enables users of financial statements to understand the significant actuarial assumptions used in determining the defined benefit obligation.**

147R The information required by paragraph 147Q is intended to help users of financial statements assess the sources of measurement uncertainties in the entity's determination of the defined benefit obligation.

147S While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 147Q:

(a) the significant demographic and financial actuarial assumptions used to determine the defined benefit obligation.

(b) the entity's approach to determining the actuarial assumptions used, such as how the inflation rate was assessed, or the model used to determine longevity assumptions.

(c) the reasons why actuarial assumptions significantly changed during the reporting period.

(d) alternative actuarial assumptions reasonably possible at the end of the reporting period that could have significantly changed the defined benefit obligation.

(e) a description of how measurement uncertainty has affected measurement of the defined benefit obligation.

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

147T An entity shall disclose information that enables users of financial statements to understand the significant reasons for changes in the amounts recognised in the statement of financial position that relate to the defined benefit plans from the beginning of the reporting period to the end of that period.

147U The information required by paragraph 147T is intended to help users of financial statements evaluate how transactions and other events during the reporting period that relate to the defined benefit plans have affected the entity's financial position and performance, and therefore identify amounts to include in their analyses.

147V In meeting the disclosure objective in paragraph 147T, an entity shall disclose a tabular reconciliation from opening balances to closing balances of the significant reasons for changes in the net defined benefit liability (asset). Reasons for changes that might be appropriate include, but are not limited to, the following:

(a) current and past service costs;

(b) interest income or expense;

(c) gains and losses from settlements;

(d) contributions into the plan by the entity;

(e) contributions into the plan by plan participants;

(f) benefits paid out to plan participants;

(g) the effect of changes in foreign exchange rates;

(h) the return on plan assets;

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

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

(k) the effect of business combinations and disposals; and

(l) changes in the effect of limiting a net defined benefit asset to the asset ceiling.

147W While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph 147T:

(a) a narrative explanation or tabular reconciliation of the significant reasons for changes in reimbursement rights.

(b) a description of the relationship between reimbursement rights and the related defined benefit obligation.

Multi-employer plans

148 [Deleted]

148A An entity that accounts for its participation in a multi-employer defined benefit plan as if it were a defined contribution plan shall comply with the overall disclosure objective for defined contribution plans in paragraph 54A and the specific disclosure objective on the nature of, and risks associated with, defined benefit plans in paragraph 147G.

148B While not mandatory, the following information, in addition to that in paragraph 147I, may enable the entity referred to in paragraph 148A to meet the disclosure objective in paragraph 147G:

(a) a statement that the plan is a defined benefit plan.

(b) information about any deficit or surplus in the plan that may affect the amount of future contributions to be paid by the entity.

(c) a description of the agreed allocation of a deficit or surplus on the wind-up of the plan or on the entity's withdrawal from the plan.

(d) a description of the level of participation of the entity in the plan compared to other participating entities.

(e) a description of the stated policy to determine the contribution to be paid by the entity into the plan.

(f) a description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the plan.

148C An entity that accounts for its participation in a multi-employer defined benefit plan as a defined benefit plan shall comply with the overall disclosure objective for defined benefit plans in paragraphs 147A–147C and the specific disclosure objectives for defined benefit plans in paragraphs 147D, 147G, 147J, 147N, 147Q and 147T.

148D While not mandatory, the following information, in addition to that in paragraph 147I, may enable the entity referred to in paragraph 148C to meet the disclosure objective in paragraph 147G:

(a) a description of the agreed allocation of a deficit or surplus on the wind-up of the plan or on the entity's withdrawal from the plan.

(b) a description of the level of participation of the entity in the plan compared to other participating entities.

(c) a description of the stated policy to determine the contribution to be paid by the entity into the plan.

(d) a description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the plan.

Defined benefit plans that share risks between entities under common control

149 [Deleted]

149A An entity that 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 shall comply with the overall disclosure objective for defined contribution plans in paragraph 54A and the specific disclosure objective on the nature of, and risks associated with, defined benefit plans in paragraph 147G.

149B While not mandatory, the following information, in addition to that in paragraph 147I, may enable the entity referred to in paragraph 149A to meet the disclosure objective in paragraph 147G:

(a) information about any deficit or surplus in the plan that may affect the amount of future contributions to be paid by the entity.

(b) a description of the level of participation of the entity in the plan compared to other participating entities.

(c) a description of the stated policy to determine the contribution to be paid by the entity into the plan.

(d) a description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the plan.

149C An entity that 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 shall comply with the overall disclosure objective for defined benefit plans in paragraphs 147A–147C and the specific disclosure objectives for defined benefit plans in paragraphs 147D, 147G, 147J, 147N, 147Q and 147T.

149D While not mandatory, the following information, in addition to that in paragraph 147I, may enable the entity referred to in paragraph 149C to meet the disclosure objective in paragraph 147G:

(a) the contractual agreement or stated policy for charging the net defined benefit cost to individual group entities.

(b) a description of the level of participation of the entity in the plan compared to other participating entities.

(c) a description of the stated policy to determine the contribution to be paid by the entity into the plan.

(d) a description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the plan.

150 The information provided to meet the required disclosure objectives in paragraphs 149A and 149C ~~required by paragraph 149(c) and (d)~~ can be disclosed by cross-reference to disclosures in another group entity's financial statements if the other group entity's financial statements are available to users of financial statements on the same terms and at the same time as the entity's financial statements.~~:~~

~~(a) that group entity's financial statements separately identify and disclose the information required about the plan; and~~

~~(b) that group entity's financial statements are available to users of the financial statements on the same terms as the financial statements of the entity and at the same time as, or earlier than, the financial statements of the entity.~~

~~Disclosure requirements in other IFRSs~~

151 <u>[Deleted]</u>

152 <u>[Deleted]</u>

Other long-term employee benefits

...

Disclosure

158 <u>[Deleted]</u>

<u>Overall disclosure objective</u>

<u>**158A**</u> <u>**An entity shall disclose information that enables users of financial statements to understand 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.**</u>

Termination benefits

...

Disclosure

171 <u>[Deleted]</u>

<u>Overall disclosure objective</u>

<u>**171A**</u> <u>**An entity shall disclose information that enables users of financial statements to understand the nature of the termination benefits and the effect of those benefits on the entity's financial position, financial performance and cash flows.**</u>

Transition and effective date

...

173 An entity shall apply this Standard retrospectively, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, except that <u>an entity need not adjust the carrying amount of assets outside the scope of this Standard for changes in employee benefit costs that were included in the carrying amount before the date of initial application. The date of initial</u>

application is the beginning of the earliest prior period presented in the first financial statements in which the entity adopts this Standard.~~:~~

~~(a)~~ ~~an entity need not adjust the carrying amount of assets outside the scope of this Standard for changes in employee benefit costs that were included in the carrying amount before the date of initial application. The date of initial application is the beginning of the earliest prior period presented in the first financial statements in which the entity adopts this Standard.~~

~~(b)~~ ~~in financial statements for periods beginning before 1 January 2014, an entity need not present comparative information for the disclosures required by paragraph 145 about the sensitivity of the defined benefit obligation.~~

...

180 [Draft] *Disclosure Requirements in IFRS Standards—A Pilot Approach*, which amended IFRS 13 and IAS 19 issued in [the publication date of the final amendments], amended paragraphs 24, 33–34, 36, 42, 118, 150 and 173, deleted paragraphs 25, 53–54, 135–147, 148, 149, 151–152, 158 and 171, and added paragraphs 25A, 54A, 147A–147W, 148A–148D, 149A–149D, 158A, 171A and A2–A7. An entity shall apply those amendments from the first annual reporting period beginning on or after [effective date]. Earlier application of the amendments is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

[Draft] Amendments to Appendix A—Application guidance for IAS 19

The note in italic type immediately following the title of the Appendix is amended. The heading before paragraph A1 is added. Paragraphs A2–A7 and their related heading are added. New text is underlined.

This appendix is an integral part of IAS 19 *Employee Benefits* ~~*the IFRS*~~. *It describes the application of paragraphs 92–93* and 147J *and has the same authority as the other parts of the* Standard ~~IFRS~~.

Contribution from employees or third parties (paragraphs 92–93)

A1 The accounting requirements for contributions from employees or third parties are illustrated in the diagram below.

...

Expected future cash flows relating to defined benefit plans (paragraph 147J)

A2 When determining information to disclose about expected cash flow effects of defined benefit obligations, an entity shall consider the nature of the plans, how the plans are managed and the jurisdiction in which the plans operate. An entity may also consider the information about future cash flows that is regularly reviewed by trustees or managers of the plans.

A3 To assist users of financial statements in assessing the effect of defined benefit obligations on an entity's future cash flows and in evaluating how the obligations may affect the entity's economic resources, the disclosure objective in paragraph 147J of this Standard requires an entity to provide information about the expected effects of the defined benefit obligation recognised at the end of the reporting period on the entity's future cash flows.

A4 An entity would normally meet the disclosure objective by disclosing *only* the expected future cash flows that the entity will contribute to the plans to meet the defined benefit obligation recognised at the end of the reporting period. The information provided through this approach would directly meet the requirement in the disclosure objective. Examples of factors an entity considers in taking this approach include:

(a) whether its expected future contributions are limited only to addressing the defined benefit obligation at the end of the reporting period. This might be the case, for example, if the entity's defined benefit plans are closed to new members and to the further accrual of benefits to current members.

(b) whether the entity determines future contributions to address the defined benefit obligation at the end of the reporting period separately from other future contributions for future employee services.

A5 The items of information described in paragraphs 147L(a)–147L(b) of this Standard may enable an entity to meet the disclosure objective in the circumstances described in paragraph A4.

A6 However, for some entities, an alternative way to satisfy the disclosure objective in paragraph 147J could be to disclose the expected future cash flows for the defined benefit plans as a whole, without differentiating between expected future cash flows to meet the defined benefit obligation recognised at the end of the reporting period and other expected future cash flows. The information provided through this approach would go beyond the requirement in the disclosure objective. In assessing whether to take this approach, an entity considers whether it cannot reasonably determine future contributions to address the defined benefit obligation recognised at the end of the reporting period separately from future contributions for future employee services. This might be the case, for example, if:

(a) the entity's defined benefit plans are still open to new members or to the accrual of benefits to current members; or

(b) the specific laws or regulations governing expected future contributions are specified for the plans as a whole.

A7 The items of information described in paragraphs 147L(c)–147L(d) of this Standard may enable an entity to meet the disclosure objective in the circumstances described in paragraph A6.

[Draft] Amendments to other IFRS Standards

IAS 34 *Interim Financial Reporting*

Paragraph 16A is amended and paragraph 60 is added. New text is underlined and deleted text is struck through.

...

Content of an interim financial report

...

Other disclosures

16A **In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements or elsewhere in the interim financial report. The following disclosures shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete. The information shall normally be reported on a financial year-to-date basis.**

...

(j) **for financial instruments, information ~~the disclosures~~ about fair value to meet the requirements in the disclosure objectives in paragraphs 100–101, 103, 107, 111 and 114 ~~required by paragraphs 91–93(h), 94–96, 98 and 99~~ of IFRS 13 *Fair Value Measurement* and the disclosures about fair value in paragraphs 25, 26 and 28–30 of IFRS 7 *Financial Instruments: Disclosures*.**

...

Effective date

...

60 [Draft] *Disclosure Requirements in IFRS Standards—A Pilot Approach*, which amended IFRS 13 and IAS 19, issued in [the publication date of the final amendments], amended paragraph 16A. An entity shall apply that amendment from the first annual reporting period beginning on or after [effective date]. Earlier application of the amendment is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

IFRIC 17 *Distribution of Non-cash Assets to Owners*

Paragraph 17 is amended and paragraph 21 is added. New text is underlined and deleted text is struck through.

...

Consensus

...

Presentation and disclosures

...

17 If, after the end of a reporting period but before the financial statements are authorised for issue, an entity declares a dividend to distribute a non-cash asset, it shall disclose:

…

(c) the fair value of the asset to be distributed as of the end of the reporting period, if it is different from its carrying amount, and the information about the method(s) used to measure that fair value to meet the requirements in the disclosure objectives in paragraphs 103 and 107 ~~required by paragraphs 93(b), (d), (g) and (i) and 99~~ of IFRS 13.

Effective date

...

21 [Draft] *Disclosure Requirements in IFRS Standards—A Pilot Approach*, which amended IFRS 13 and IAS 19, issued in [the publication date of the final amendments], amended paragraph 17. An entity shall apply that amendment from the first annual reporting period beginning on or after [effective date]. Earlier application of the amendment is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

Approval by the Board of Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach* published in March 2021

The Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*, which proposes amendments to IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*, was approved for publication by 10 of 13 members of the International Accounting Standards Board. Ms Lloyd, and Messrs Edelmann and Gast voted against its publication. Their alternative view is set out after the Basis for Conclusions.

Hans Hoogervorst	Chairman
Suzanne Lloyd	Vice-Chair
Nick Anderson	
Tadeu Cendon	
Martin Edelmann	
Françoise Flores	
Zach Gast	
Jianqiao Lu	
Bruce Mackenzie	
Thomas Scott	
Rika Suzuki	
Ann Tarca	
Mary Tokar	

[Draft] Amendments to Illustrative Examples accompanying IFRS 13

Paragraph IE1 has not been amended but is included for ease of reference.
Paragraph IE59 is amended. In Example 15: the illustrative example's title and paragraph IE60 are amended, the table illustrating assets measured at fair value is deleted and a new table illustrating assets and liabilities measured at fair value is added. In Example 16: paragraph IE61 is amended. In Example 17: paragraph IE63 is amended and paragraph IE64 is deleted. In Example 18: the illustrative example's title and paragraph IE65 are deleted. For ease of reading, the deleted text of paragraphs IE64 and IE65 is not included. In Example 19: the illustrative example's title and paragraph IE66 are amended. New text is underlined and deleted text is struck through.

These examples accompany, but are not part of, IFRS 13. They illustrate aspects of IFRS 13 but are not intended to provide interpretative guidance.

IE1 These examples portray hypothetical situations illustrating the judgements that might apply when an entity measures assets and liabilities at fair value in different valuation situations. Although some aspects of the examples may be present in actual fact patterns, all relevant facts and circumstances of a particular fact pattern would need to be evaluated when applying IFRS 13.

...

Fair value disclosures

IE59 Examples 15–17 and 19 illustrate the disclosures an entity may provide to meet the requirements in the disclosure objectives in ~~required by~~ paragraphs 103, 107, 111 and 114 ~~92, 93(a), (b) and (d)–(h)(i) and 99~~ of the IFRS.

Example 15—Assets and liabilities measured at fair value

IE60 For an entity to meet the disclosure objective in paragraph 103 of the IFRS, paragraph 105 of the IFRS ~~For assets and liabilities measured at fair value at the end of the reporting period, the IFRS~~ requires quantitative disclosures about the fair value measurements of each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition by the level of the fair value hierarchy ~~for each class of assets and liabilities~~. An entity might disclose the following for assets and liabilities to comply with that requirement ~~paragraph 93(a) and (b) of the IFRS~~:

(CU in millions)		Fair value measurements at the end of the reporting period using		
Description	31/12/X9	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
RECURRING FAIR VALUE MEASUREMENTS				
Assets				
Trading securities:[a]				
Real estate industry	73	50	23	
Oil and gas industry	45	45		
Other	35			35
Total trading securities	153	95	23	35
Investment properties	58			58
Total investment properties	58			58
Debt securities:				
Residential mortgage-backed securities[b]	149		124	25
Commercial mortgage-backed securities[c]	150		127	23
Collateralised debt obligations	35			35
Sovereign debt securities	33	33		
Corporate bonds	45	9	36	
Total debt securities	412	42	287	83
Derivatives:[d]				
Interest rate contracts	17		17	
Foreign exchange contracts	43		43	
Credit contracts	38			38
Commodity futures contracts	21	21		
Commodity forward contracts	20		20	
Total derivatives	139	21	80	38
Liabilities				
Trading securities:[a]				
Real estate industry	(60)	(42)	(18)	
Oil and gas industry	(24)	(24)		
Total trading securities	(84)	(66)	(18)	

continued...

...continued

(CU in millions)		Fair value measurements at the end of the reporting period using		
Description	31/12/X9	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Contingent consideration payable[(e)]	(80)			(80)
Total contingent consideration payable	(80)			(80)
Derivatives:				
Interest rate contracts	(60)		(60)	
Foreign exchange contracts	(15)		(15)	
Index-linked swaps	(35)		(35)	
Commodity forward contracts	(29)		(29)	
Total derivatives	(139)		(139)	
NON-RECURRING FAIR VALUE MEASUREMENTS				
Assets held for sale[(f)]	26		26	
Total non-recurring fair value measurements	26		26	

(a) The entity has analysed the nature, risks and other characteristics of the trading securities, and has determined that presenting the trading equity securities by industry provides users of financial statements with relevant information about the effect of the securities on the entity.

(b) The fair value of residential mortgage securities is based on quoted market prices, where available, purchase commitments and bid information from market participants. The prices are adjusted as necessary to include the embedded servicing value in the securities and to take into consideration the specific characteristics of such securities. These adjustments represent unobservable inputs to the valuation but are not considered significant, given the relative insensitivity of the fair value of the loans to changes in these inputs.

(c) The fair value of commercial mortgage securities is based on the benchmark interest rate swap curve, whole loan sales and agency sales transactions. The significant unobservable input for these loans, excluding those to be sold to agencies, is management's assumptions about the spread applied to the benchmark rate. Based on the significance of the unobservable input, the entity classified this portfolio as Level 3. For commercial mortgage securities to be sold to agencies with servicing retained, the fair value is adjusted for the estimated servicing cash flows, which is an unobservable input. This adjustment is not considered significant, given the relative insensitivity of the fair value of the loans to changes in this input.

(d) The majority of derivatives that the entity enters into are executed over the counter. Therefore, these derivatives are primarily classified as Level 2, as the readily observable market inputs to these models are corroborated through recent trades, dealer quotes, yield curves, implied volatility or other market-related data.

(e) Contingent consideration payable of CU80 million relates to the acquisition in 20X7 of the ABC Enterprise business. This consideration is expected to be paid over the next five to seven years. It will vary, based on the total revenue for the relevant products and movements in foreign currencies. Measurement of the contingent consideration payable requires the use of significant unobservable inputs. Therefore, it is categorised in Level 3. Further information is provided in Note X 'Contingent consideration liabilities'.

(f) In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, assets held for sale with a carrying amount of CU35 million were written down to their fair value of CU26 million, less costs to sell of CU6 million (or CU20 million), resulting in a loss of CU15 million, which was included in profit or loss for the period.

~~(CU in millions)~~		~~Fair value measurements at the end of the reporting period using~~			
~~Description~~	~~31/12/X9~~	~~Quoted prices in active markets for identical assets (Level 1)~~	~~Significant other observable inputs (Level 2)~~	~~Significant unobservable inputs (Level 3)~~	~~Total gains (losses)~~
~~Recurring fair value measurements~~					
~~Trading equity securities:~~[(a)]					
~~Real estate industry~~	~~93~~	~~70~~	~~23~~		
~~Oil and gas industry~~	~~45~~	~~45~~			
~~Other~~	~~15~~	~~15~~			
~~Total trading equity securities~~	~~153~~	~~130~~	~~23~~		
~~Other equity securities:~~[(a)]					
~~Financial services industry~~	~~150~~	~~150~~			
~~Healthcare industry~~	~~163~~	~~110~~		~~53~~	
~~Energy industry~~	~~32~~			~~32~~	
~~Private equity fund investments~~[(b)]	~~25~~			~~25~~	
~~Other~~	~~15~~	~~15~~			
~~Total other equity securities~~	~~385~~	~~275~~		~~110~~	
~~Debt securities:~~					
~~Residential mortgage-backed securities~~	~~149~~		~~24~~	~~125~~	
~~Commercial mortgage-backed securities~~	~~50~~			~~50~~	
~~Collateralised debt obligations~~	~~35~~			~~35~~	
~~Risk-free government securities~~	~~85~~	~~85~~			
~~Corporate bonds~~	~~93~~	~~9~~	~~84~~		
~~Total debt securities~~	~~412~~	~~94~~	~~108~~	~~210~~	

continued...

...continued

~~(CU in millions)~~		~~Fair value measurements at the end of the reporting period using~~			
~~Description~~	~~31/12/X9~~	~~Quoted prices in active markets for identical assets (Level 1)~~	~~Significant other observable inputs (Level 2)~~	~~Significant unobservable inputs (Level 3)~~	~~Total gains (losses)~~
~~Hedge fund investments:~~					
~~Equity long/short~~	~~55~~		~~55~~		
~~Global opportunities~~	~~35~~		~~35~~		
~~High-yield debt securities~~	~~90~~			~~90~~	
~~Total hedge fund investments~~	~~180~~		~~90~~	~~90~~	
~~Derivatives:~~					
~~Interest rate contracts~~	~~57~~		~~57~~		
~~Foreign exchange contracts~~	~~43~~		~~43~~		
~~Credit contracts~~	~~38~~			~~38~~	
~~Commodity futures contracts~~	~~78~~	~~78~~			
~~Commodity forward contracts~~	~~20~~		~~20~~		
~~Total derivatives~~	~~236~~	~~78~~	~~120~~	~~38~~	
~~Investment properties:~~					
~~Commercial—Asia~~	~~31~~			~~31~~	
~~Commercial—Europe~~	~~27~~			~~27~~	
~~Total investment properties~~	~~58~~			~~58~~	
~~Total recurring fair value measurements~~	~~1,424~~	~~577~~	~~341~~	~~506~~	

continued...

...continued

~~(CU in millions)~~		~~Fair value measurements at the end of the reporting period using~~			
~~Description~~	~~31/12/X9~~	~~Quoted prices in active markets for identical assets (Level 1)~~	~~Significant other observable inputs (Level 2)~~	~~Significant unobservable inputs (Level 3)~~	~~Total gains (losses)~~
~~Non-recurring fair value measurements~~					
~~Assets held for sale~~[c]	~~26~~		~~26~~		~~15~~
~~Total non-recurring fair value measurements~~	~~26~~		~~26~~		~~15~~

~~(Note: A similar table would be presented for liabilities unless another format is deemed more appropriate by the entity.)~~

(a) ~~On the basis of its analysis of the nature, characteristics and risks of the securities, the entity has determined that presenting them by industry is appropriate.~~

(b) ~~On the basis of its analysis of the nature, characteristics and risks of the investments, the entity has determined that presenting them as a single class is appropriate.~~

(c) ~~In accordance with IFRS 5, assets held for sale with a carrying amount of CU35 million were written down to their fair value of CU26 million, less costs to sell of CU6 million (or CU20 million), resulting in a loss of CU15 million, which was included in profit or loss for the period.~~

Example 16—Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy

IE61 For an entity to meet the disclosure objective in paragraph 114 of the IFRS, paragraph 116 of the IFRS ~~For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the IFRS~~ requires a reconciliation from the opening balances to the closing balances of the significant reasons for changes in the fair value measurements for recurring measurements categorised in Level 3 of the fair value hierarchy ~~for each class of assets and liabilities~~. An entity might disclose the following for assets to comply with that requirement ~~paragraph 93(e) and (f) of the IFRS~~:

...

Example 17—Valuation techniques and inputs

IE63 To meet the disclosure objective in paragraph 107 of the IFRS, an entity that has assessed the significant valuation techniques and inputs used in its ~~For fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, the IFRS requires an entity to disclose a description of the valuation technique(s) and the inputs used in the fair value measurement. For~~ fair value measurements as those categorised within Level 3 of the fair value hierarchy~~, information about the significant unobservable inputs used must be quantitative. An entity~~ might disclose the following for assets ~~to comply with the requirement to disclose the significant unobservable inputs used in the fair value measurement in accordance with paragraph 93(d) of the IFRS~~:

...

IE64 [Deleted]

~~Example 18—Valuation processes~~

IE65 [Deleted]

Example 19—Reasonably possible alternative fair value measurements~~Information about sensitivity to changes in significant unobservable inputs~~

IE66 To meet the disclosure objective in paragraph 111 of this IFRS, an ~~For recurring fair value measurements categorised within Level 3 of the fair value hierarchy , the IFRS requires an entity to provide a narrative description of the sensitivity of the fair value measurement to changes in significant unobservable inputs and a description of any interrelationships between those unobservable inputs. An~~ entity might disclose the following about its residential mortgage-backed securities classified within Level 3 of the fair value hierarchy ~~to comply with paragraph 93(h)(i) of the IFRS~~:

> The significant unobservable inputs used in the fair value measurement of the entity's residential mortgage-backed securities are prepayment rates, probability of default and loss severity in the event of default. The estimated fair value would increase if the probability of default and loss severity were higher or the prepayment rate were lower. As at 31 December 20X9, the alternative fair values were determined by assuming a change (increase and decrease) of 10% for the probability of default and loss severity and a change of 4% for the prepayment rate. On the basis of applying these alternative assumptions simultaneously, using the same valuation models, there would be an increase in fair values by up to CU5.6 million or a decrease in fair values by up to CU6.9 million. ~~Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.~~

[Draft] Illustrative Examples accompanying IAS 19

Paragraphs IE1–IE3, their related headings and illustrative disclosures are added. For ease of reading, these paragraphs have not been underlined.

These examples accompany, but are not part of, IAS 19. They illustrate aspects of IAS 19 but are not intended to provide interpretative guidance.

IE1 These examples portray hypothetical situations illustrating how an entity might apply some of the requirements in IAS 19 to employee benefit arrangements. The analysis in each example is not intended to represent the only way those requirements could be applied. Although some aspects of the examples may be present in actual fact patterns, all relevant facts and circumstances of a particular fact pattern would need to be evaluated when applying IAS 19.

Amounts in the primary financial statements relating to defined benefit plans

IE2 For an entity to meet the requirement in the disclosure objective in paragraph 147D of the Standard, paragraph 147F of the Standard requires disclosure of the amounts included in the statements of financial position, profit or loss and other comprehensive income, cash flows, as well as any deferred tax asset or liability, relating to defined benefit plans. Example 1 illustrates how an entity could comply with that requirement:

Example 1—Amounts in the primary financial statements relating to defined benefit plans

Facts

At 31 March 20X3, the Group operated a number of plans for the benefit of its employees throughout the world. The Group operates defined benefit plans in the United States, United Kingdom, Germany, Greece and Zimbabwe. The defined benefit plans with the largest membership are in the United States and the United Kingdom.

Example disclosure

Group statement of financial performance

The cost of all defined benefit arrangements recognised in the group statement of financial performance is shown below:

		CU[(a)]
	20X3	**20X2**
Current service cost	33	45
Past service cost	7	6
Net interest charge	39	26
Recognised in the statement of profit or loss	**79**	**77**
Actuarial loss (gain) arising from changes in financial assumptions	64	(50)
Actuarial loss arising from changes in demographic assumptions	10	–
Return on plan assets excluding amounts in the net interest charge	6	10
Recognised in the statement presenting comprehensive income	**80**	**(40)**
Total recognised in the statement of financial performance	**159**	**37**

(a) In these illustrative examples, currency amounts are denominated in 'currency units' (CU).

Group statement of financial position

The net defined benefit obligation in respect of defined benefit plans recognised in the group statement of financial position is analysed as follows:

				CU
		20X3		
	UK plan	US plan	Other plans	**Total**
Fair value of plan assets	3,479	1,088	46	**4,613**
Present value of defined benefit obligation	(3,923)	(1,329)	(24)	**(5,276)**
Surplus (deficit)	**(444)**	**(241)**	**22**	**(663)**

continued...

...continued

				CU
		20X2		
	UK plan	US plan	Other plans	**Total**
Fair value of plan assets	3,326	1,017	20	**4,363**
Present value of defined benefit obligation	(3,750)	(1,226)	(40)	**(5,016)**
Surplus (deficit)	**(424)**	**(209)**	**(20)**	**(653)**

The Group held a deferred tax asset relating to its defined benefit obligations of CU112 million in 20X3 and CU109 million in 20X2. More information about the Group's deferred tax balances can be found in Note Y.

Group statement of cash flows

Included in the group statement of cash flows are CU125 million of regular contributions and CU208 million of contributions to reduce the deficit as at 20X3.

Expected future cash flows relating to defined benefit plans

IE3 Examples 2–4 illustrate the information an entity may disclose to comply with the requirement in the disclosure objective in paragraph 147J of the Standard.

Example 2—Expected future contributions to meet the defined benefit obligation at the end of the reporting period based on management expectations

Facts

The Group operates a number of defined benefit plans that provide pension and other post-retirement benefits to most employees. These plans were closed to new employees on 31 January 20X1 and closed to future accrual for current employees on 30 September 20X2. At 31 December 20X3, the net defined benefit liability was CU663 million, demonstrating that the fair value of the plan assets is insufficient to meet the expected future benefit payments.

Example disclosure

The Group has no specific arrangements with the plan trustees on how to address the deficit as at the end of the current reporting period. However, the Group expects to reduce that deficit by making additional total contributions of approximately CU120 million each year over the next six annual reporting periods. This estimate reflects only the expected future contributions to meet the deficit at the end of the current reporting period. This estimate of future contributions, which will only be made to the extent the deficit remains at the end of each reporting period, has been developed upon the advice of professional advisers and in-house experts.

Example 3—Expected future contributions to meet the defined benefit obligation at the end of the reporting period based on agreements with plan trustees or managers

Facts

The Group operates a number of defined benefit plans that provide pension and other post-retirement benefits to most employees. These plans were closed to new employees on 31 January 20X1 and closed to future accrual for current employees on 30 September 20X2. At 31 December 20X3, the net defined benefit liability was CU663 million, demonstrating that the fair value of the plan assets is insufficient to meet the expected future benefit payments.

Example disclosure

The Group has specific arrangements with the plan trustees to address the deficit as at the end of the current reporting period. The Group expects to reduce that deficit over six years:

						CU
	20X4	**20X5**	**20X6**	**20X7**	**20X8**	**20X9**
Expected contributions to reduce the deficit	103	133	133	133	133	85

The expected contributions to reduce the deficit have been calculated using actuarial assumptions agreed with plan trustees based on an assessment performed on 31 March 20X3. This estimate reflects only the expected future contributions to meet the deficit that exists at the end of the current reporting period. Those expected future contributions will only be required to be paid to the extent that the deficit remains at the end of each reporting period. The plan trustees will perform the next funding assessment no later than 30 June 20X7.

Example 4—Pattern of expected future contributions based on regulatory requirements

Facts

The Group operates a number of defined benefit plans that provide pension and other post-retirement benefits to most employees. These plans were closed to new employees on 31 January 20X1 but continue to accrue future benefits for current employees. At 31 December 20X3, the net defined benefit liability was CU663 million, demonstrating that the fair value of the plan assets is insufficient to meet the expected future benefit payments.

Example disclosure

The Group's policy is to contribute annually at least the amounts required by applicable laws and regulations. In 20X3, the Group contributed CU125 million, most of which were mandatory regulatory contributions to its defined benefit plans. Based on current assumptions, including the number of employees eligible for benefits, over the next three annual reporting periods, the Group expects no significant changes to the mandatory contributions rate for its plans. Therefore, the Group expects to contribute about CU125 million into the defined benefit plans for each of the next three annual reporting periods. This estimate reflects the expected future contributions into the defined benefit plans to meet the future funding obligations for the totality of the plans.

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