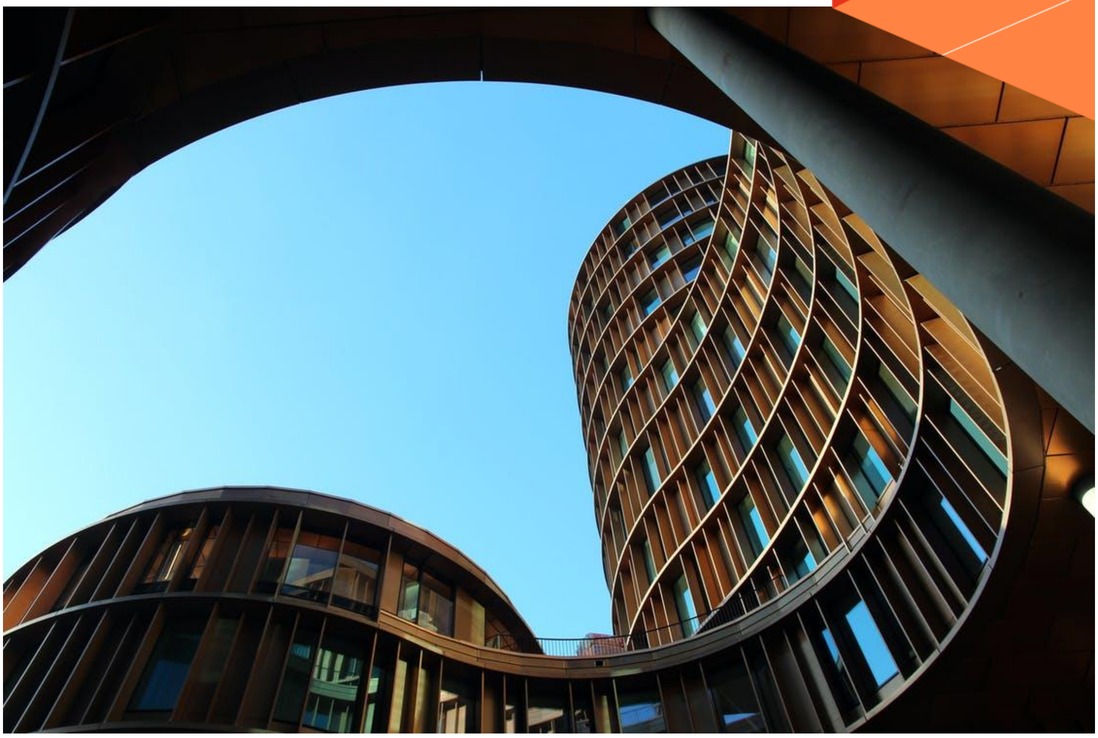
# DISCLOSURE REQUIREMENTS IN IFRS STANDARDS

## PERSPECTIVES FROM DENMARK

## SUMMARY REPORT

5 October 2021



*This report has been prepared for the convenience of European constituents by the EFRAG Secretariat and has not been subject to review by either the EFRAG Board or the EFRAG Technical Expert Group. The views expressed in this presentation are those of the presenter, except where indicated otherwise.*

## Introduction

To receive input from Danish constituents and to stimulate the discussion on the IASB® ED *Disclosure Requirements in IFRS Standards – A Pilot Approach* and the IASB® ED *Subsidiaries without Public Accountability: Disclosures*, EFRAG organised a joint outreach event with the Confederation of Danish Industry (DI), FSR – Danish Auditors (FSR) and the IFRS Foundation on 5 October 2021. This report has been prepared for the convenience of European constituents to summarise the event and will be considered by the relevant organisations in their respective due processes on the IASB's proposals.

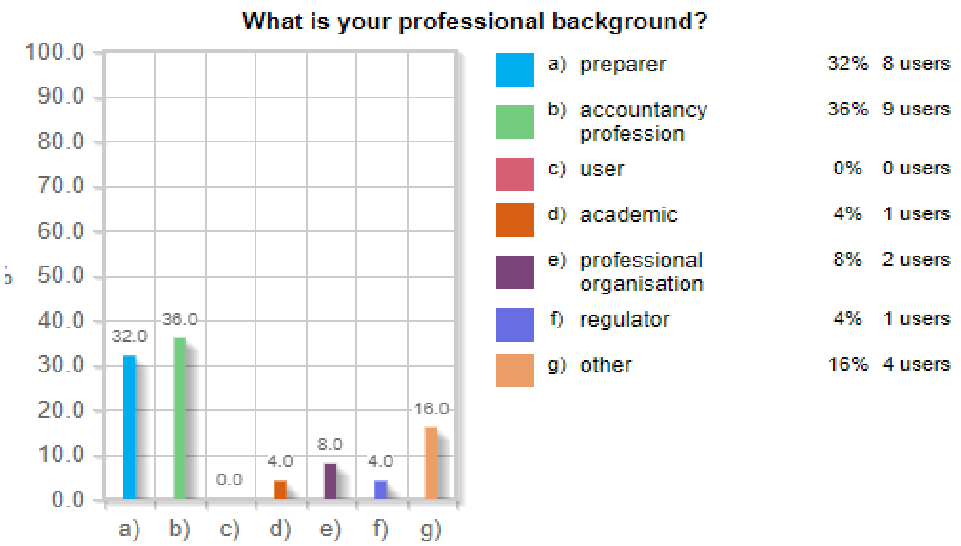
**The program of the event and the speaker's biographies can be consulted here.**

- **Tina Aggerholm**, IFRS Expert, Financial consultant
- **Galina Borisova**, EFRAG Technical Manager
- **Chiara Del Prete**, EFRAG TEG Chairwoman
- **Kathryn Donkersley**, IASB Technical Staff
- **Fredré Ferreira**, EFRAG Senior Technical Manager
- **Torben Johansen**, Chairman of the Danish Accounting Standards Committee of FSR – Danske Revisorer
- **Kristian Koktvedgaard,** head of VAT, auditing, accounting and reporting with the Confederation of Danish Industries – Moderator
- **Jan Peter Larsen**, International Liasons DASC
- **Bruce Mackenzie**, IASB Board Member
- **Thomas Ryttersgaard**, Head of Technical Accounting, Mærsk A/S
- **Michelle Sansom**, IASB Technical Staff
- **Kim Tang Lassen**, Global IFRS PwC partner

**Torben Johansen** welcomed participants and panel members of the Danish event. He also provided an overview of the agenda, which focused on two topics:

- *Topic 1 – Disclosure Requirements in IFRS Standards – A Pilot Approach*
- *Topic 2 – Subsidiaries without Public Accountability: Disclosures*

**Kristian Koktvedgaard** introduced the panel members and launched the first polling question on the participants' profile.



The IASB representatives introduced the proposals, the EFRAG representatives presented EFRAG's preliminary position, and the panellists participated in the discussion and provided their views. The IASB's and EFRAG's slide presentation can be consulted here.

The audience provided their views on the proposals as illustrated below through polling questions and asked questions to the panel members.

## Discussion

### Topic 1 – Disclosure requirements in IFRS Standards – A Pilot approach

**Kathryn Donkersley, IASB Technical Staff** provided a brief overview of the IASB's preliminary views included in the ED. She described the disclosure problem and the importance of effective application of materiality in reaching appropriate disclosure outcomes instead of applying disclosure requirements like a checklist – an approach that is used by many stakeholders. The IASB has received the message that it can help address the disclosure problem by improving the way it sets disclosure requirements in the Standards to give stakeholders the tools they need to make effective materiality judgements. Investor engagement should be enhanced to understand investors' information needs in detail, to clearly explain those needs in the Standards and to give more prominence to disclosure objectives. The proposals intend to bring a cultural change when preparing disclosures. The IASB has tested its proposed approach by applying it to IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits.* **Kathryn Donkersley** emphasised the importance of the topic and the potential for change beyond the two Standards selected for testing. Finally, she welcomed input from stakeholders and feedback from the panellists.

**Fredré Ferreira** presented EFRAG's tentative positions on the IASB's preliminary views. She expressed EFRAG's support of the IASB's attempt at creating a more rigorous approach to improve the relevance of disclosures, but also mentioned the challenges around the application of materiality and digitalisation. Then, she referred to the ongoing field test and conveyed gratitude to the current participants. The field test aims, among other points, to answer the question whether there is need to define an appropriate set of minimum requirements. Furthermore, **Fredré Ferreira** highlighted the important roles of auditors and regulators to promote the use of judgement. She also referred to a short questionnaire for small and medium sized entities and promoted the possibilities of interviews with the Disclosure Initiative Team of the IASB and EFRAG. To get feedback on the proposals and the judgement involved from entities with less resources is paramount for the project. On the proposed changes to IFRS 13 and IAS 19, concerns were raised around the sensitivity analysis, alternative fair values, and comparability. EFRAG received feedback that information on sensitivity is useful to illustrate measurement uncertainty for both Standards. Alternative fair values might be hard to understand and raise questions why a specific fair value is reported out of the range indicated. She raised the question on what would happen if the information-needs of the users change over time. She asked whether that would always require providing comparative information in respect of the preceding period.

**Kristian Koktvedgaard** moderated the panel discussion on *Topic 1 – Disclosure requirements in IFRS Standards – A Pilot Approach.*

*What do you think about the proposed objective-based approach by the IASB?*

**Thomas Ryttersgaard, Head of Technical Accounting, Mærsk A/S,** thanked DI, FSR, IASB and EFRAG for the opportunity to comment on this topic quite early in the process. He expressed his appreciation for the approach since assessment of the disclosure objectives has been lacking in many of the recent Standards. This lack of an underlying principle has caused a variety in the disclosure requirements in individual Standards, has driven the current checklist approach and contributed to the length of the checklists. He also stated that the approach was a step in the right direction but assessing the materiality of disclosures remains a problem. Auditors and enforcement agencies have a well-developed set of tools to assess materiality on recognition and measurement, while a general approach for disclosures is missing. The disclosure objectives would help in the discussion with the auditors and enforcers. However, in his view, there is still uncertainty on the requirements for preparers, especially in terms of assessment of materiality for disclosures. That leads to additional discussions with auditors and enforcement agencies. To illustrate his concern, he raised the question whether information that is useful to one user must be added. If the needs of one user is sufficient to require additional disclosures, the list of disclosures would be extremely long.

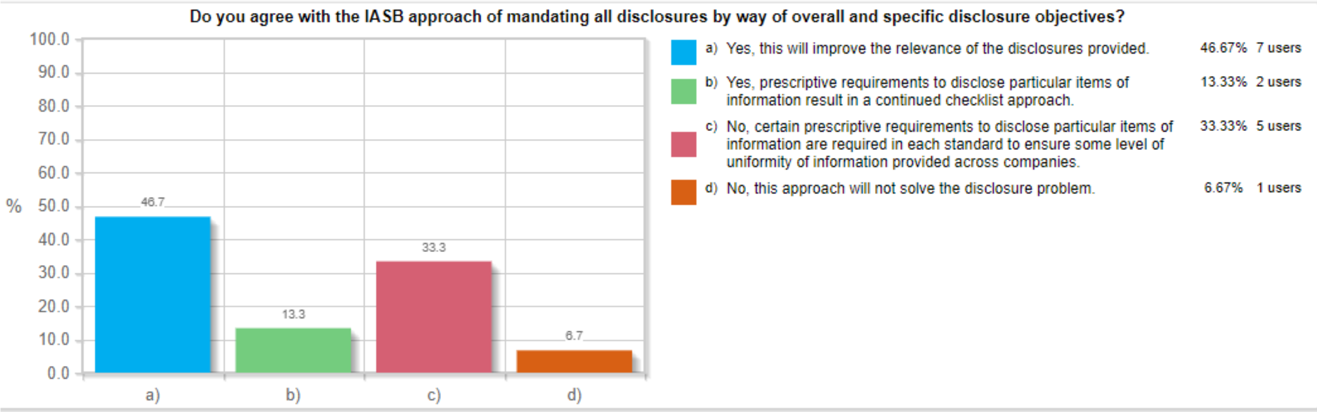
**Kim Tang Lassen, Global IFRS PwC partner,** agreed with **Thomas Ryttersgaard** that the approach was a step in the right direction. With disclosure objectives and an underlying principle, it would be easier to determine, as a preparer and as an auditor, which disclosures are really necessary, He also expressed concern around materiality and confirmed that the users' information needs necessitated to be better explained and defined in the proposals. He observed that the number of disclosure requirements had increased over time in the published IFRS Standards. In relation to that long list of disclosure requirements, he was concerned about the numerous items of information contained in the proposed Standard and the similarities to the previous disclosure requirements. He stated his desire for further clarification of the disclosure objectives by explaining the importance of information to be disclosed for investors.

**Tina Aggerholm, IFRS Expert and Financial consultant,** acknowledged the positive aspects of the approach, but also discussed some challenges. She was concerned that the disclosures continued to increase over time, and that redundant information remained in the notes. The decreasing usefulness of some information over the years meant that the right balance had to be found and more guidance would be useful. She proposed that the disclosure objectives and proposed items of information should distinguish between such information that is always important (if material) and that which may be only relevant when significant for the company. Similar to **Thomas Ryttersgaard**, she requested more guidance on the users' information needs and when that would trigger additional disclosure requirements.

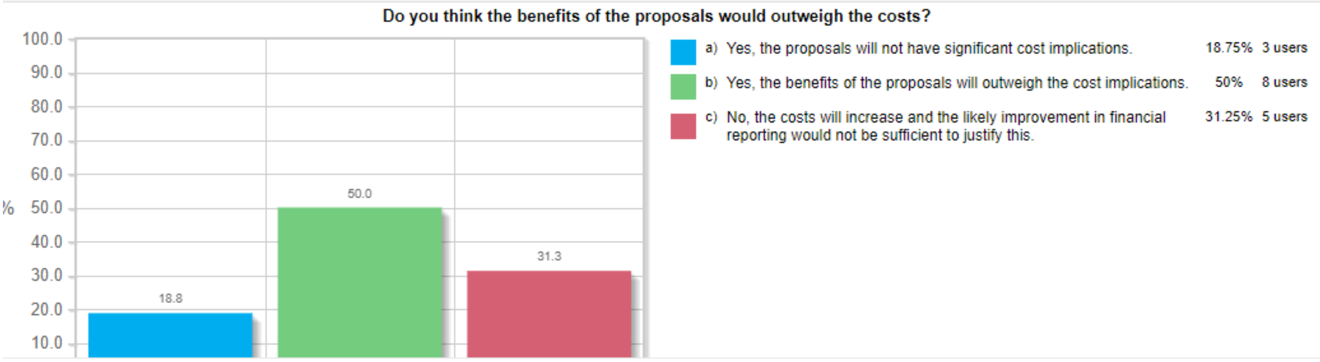
**Kathryn Donkersley** responded on the comments received from the panelists on the information needs and items of information proposed. The proposals do not require disclosures based on the individual needs of one user. Rather, they represent common information needs. The IASB received various views on the extensive list of items of information provided in the ED. These items of information provided in the ED are intended to help entities to apply judgement and determine how to satisfy the required disclosure objectives. In the majority of cases, they were non-mandatory and should not be treated like a checklist.

**Fredré Ferreira** confirmed the challenge of the unknown user perspective and their ultimate use of the disclosures. Furthermore, EFRAG shared the concern of the panel that the list of non-mandatory disclosure items might become another checklist.

**Kristian Koktvedgaard** introduced the results of the first polling question on the agreement with the IASB approach to the audience.




**Kristian Koktvedgaard** highlighted the two contrasting opinions of the audience with some supporting the new approach and others demanding a set of minimum requirements. Subsequently, he introduced the results of the second polling question on the cost-benefit consideration where the majority expect that the benefits would outweigh the cost.




**Jan Peter Larsen, International Liasons DASC,** emphasised the importance of cooperation among all parties such as the IASB, auditors, regulators and preparers. He acknowledged the attempt of the IASB to match the disclosure requirements with the needs of the investors and cautioned the parties, especially regulators, to keep an open mind. He wished for more guidance to support the discussions between the different parties involved.

**Thomas Ryttersgaard** was not fully convinced that the benefits would outweigh the cost. He noted that it was a huge task for preparers to add information to their base disclosure set which could become cumbersome over time if every Standard would be adjusted to an objective-based approach. He highlighted the considerable difficulties that smaller entities may experience compared to larger firms. He also addressed the need to find a reasonable balance for the number of required disclosures.

**Tina Aggerholm** expanded on **Thomas Ryttersgaard**'s remarks and requested that the IASB explore current disclosures by companies to fulfil the needs of the users. This could be instructive as many companies already disclose useful information in the notes that is not required by current Standards.

**Kathryn Donkersley** commented that the IASB acknowledged the above-mentioned point and factored in common reporting practice when developing proposals for the two test cases. She noted that **Tina Aggerholm's** suggestion would go a step further than the existing proposals. She also stated that, in the majority of cases, the information useful for investors would also be useful for internal decision-making. Consequently, information that companies produced only to comply with the requirements in IFRS Standards would often not be the most useful information to investors. However, a management approach would not be intended with the proposals because, for example, such an approach would allow companies to avoid disclosures by excluding such information from the management report.

**Kim Tang Lassen** confirmed the criticism of the checklist approach. However, he made the argument for a set of minimum disclosure requirements especially for small and medium entities to be able to manage the additional workload generated by the proposed objective-based approach. Minimum disclosure requirements could also help to reach a certain level of comparability. He also anticipated additional discussions between auditors, preparers and regulators about non-mandatory information. The assessment of materiality might become complex.

**Kathryn Donkersley** asked whether a set of minimum disclosure requirements with some areas of judgement would realistically address the problem. For example, she asked whether entities would consider providing any different or additional relevant information beyond the minimum list of requirements.

**Thomas Ryttersgaard** answered that it would help, but it would not solve the problem completely as investors were interested mainly in future cash flow and risk information. Both related to the future. Companies were reluctant to disclose this information since it was difficult to predict and auditors faced difficulties in auditing such statements. Therefore, the lack of information would never be completely solved.

**Kim Tang Lassen** agreed with **Thomas Ryttersgaard**. He again focused on the need for a good and robust materiality assessment and stressed his earlier point of finding a compromise to address small and medium-sized companies. The checklist approach should be abandoned, and the focus should be on disclosing material and relevant information.

**Tina Aggerholm** expanded that it was likely that irrelevant information would remain in the financial statements under the proposed approach, even if investors did not use it. In this regard, a push in the right direction and some additional guidance could help.

**Kathryn Donkersley** re-emphasised the importance of the field work as mentioned earlier to evaluate the practical outcomes of the proposed approach. The IASB would use the results of this field work to identify improvements to the proposed approach and to determine the next steps on the project.

**Kristian Koktvedgaard** introduced a question from the audience:

> ***Q&A**:* As from their 2022 annual report, listed companies within EU are to XBRL-tag their note disclosures. This is to support a faster analysis of the disclosures for the specific company and across companies. How does this fit into a disclosure project, that seems to rely more on company specific judgements for each company than comparability across companies?

**Thomas Ryttersgaard** clarified that, in Europe, only block tagging is required for narrative disclosures. In addition, he predicted that tagging would become less relevant in the future due to the increased developments in artificial intelligence and therefore digitalisation was not an issue. However, one would need to see the mock disclosures based on the proposed objective-based approach.

**Kristian Koktvedgaard** introduced another question from the audience and asked **Kim Tang Lassen** whether the auditor is under the pressure from the National Enforcer and ESMA:

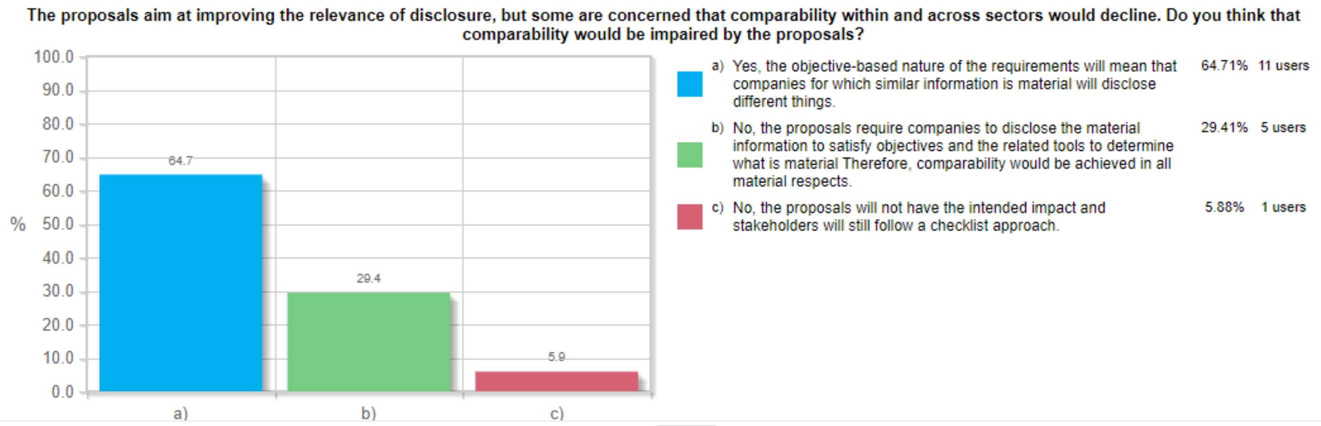
> *Q&A*: Without a clear statement from ESMA and the national enforcers the issuers will probably not feel comfortable leaving the check list approach. Could you elaborate on your dialogue with ESMA and national enforcers?

**Kim Tang Lassen** pointed out the importance of including the regulator in the discussion on the objective-based approach to avoid continuing with the checklist approach. If the regulator would only be consulted when the Standard is already published, this would create tension. Furthermore, he raised the question of whether EFRAG or the IASB had a dialogue with ESMA and other enforcers and if they knew their views.

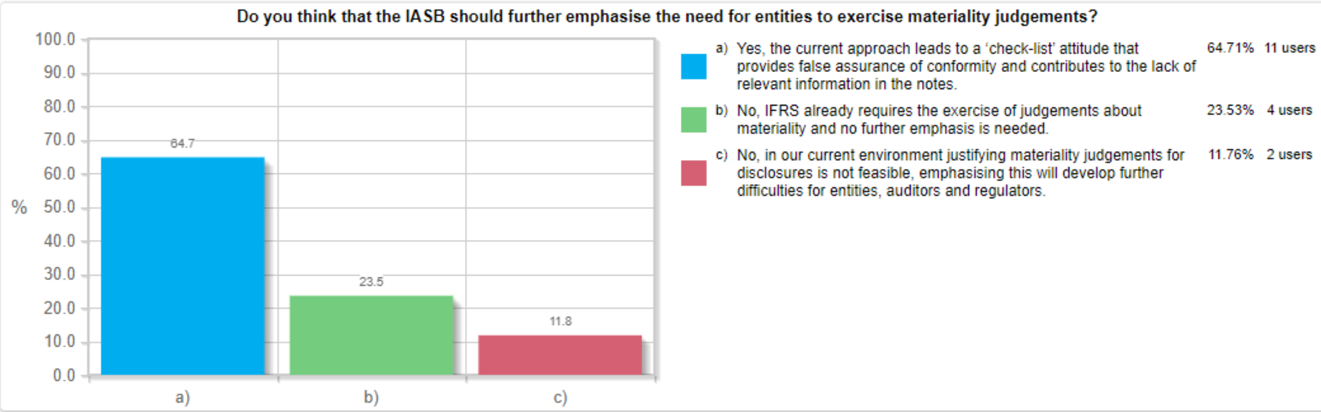
**Fredré Ferreira** responded that the EFRAG Board and EFRAG TEG had ESMA as observers with speaking rights. There were additional discussions with ESMA in separate closed meetings. In addition, depending on the permission of the participants of the field test, ESMA would analyse the mock disclosures and convey its views and feedback on enforceability. Enforceability, similar to auditability, was an important point for the assessment of the proposals.

**Kathryn Donkersley** added that regulators acknowledged the problem and were keen to be part of a solution, but had not expressed formal opinions on the proposals yet. Regulators wanted to focus on relevant and material information but faced challenges in doing so. For example, the requirement in IAS 1 *Presentation of Financial Statements* to apply materiality to disclosures could be too high-level to facilitate meaningful discussions about what additional or different information an entity should disclose. Regarding digital reporting, the IASB considered how the proposals would work in the IFRS Taxonomy, noting that every disclosure objective and item of information named in a Standard would have a standard electronic tag. Similar to today, company specific information that is not identified in a Standard would need to be tagged via extensions. The IASB was interested to receive comments on this during the consultation period.

**Kristian Koktvedgaard** introduced the results of the third polling question to the audience regarding the impairment of comparability with the majority voting that the comparability will be negatively impacted and some considering that there would be no impairment of comparability.




**Kristian Koktvedgaard** introduced the results of the fourth polling question regarding materiality judgement. The audience agreed with the discussion held previously that the current approach leads to a lack of relevant information.




**Tina Aggerholm** added that the comparability over several years by a single company also needed to be considered in the upcoming guidance. She asked for more flexibility in preparing disclosures when strategic changes occurred. Some of the disclosures may only be relevant for one year, such as major acquisitions or new major contracts. This approach could save a lot of effort if it would provide companies with more flexibility for information that did not need to be comparable with the previous or following year.

**Kathryn Donkersley** noted that the feedback was useful and would be considered by the IASB when redeliberating the proposals.

*On IFRS 13, what is your opinion and do you prefer the proposed disclosure objective requiring a company to disclose information that enables users to understand alternative fair value measurements compared to the existing prescriptive requirement to disclose sensitivity of the significant unobservable inputs for level 3 instruments?*

**Thomas Ryttersgaard** disagreed with the proposal around alternative fair value information. He stated that the sensitivity analysis was necessary because it better illustrated the uncertainty that came with level 3 measurements than an alternative. He emphasised the point that removing the sensitivity analysis would bring difficulties for the preparer and he wanted it added to the objective-based approach.

**Fredré Ferreira** countered that there were also concerns about the sensitivity analysis and its usefulness due to the possible interaction of the valuation inputs that might not be properly reflected in such an analysis. Differences in potential exercising judgment should be shared with investors, alternative fair values would be another approach to do this.

**Kathryn Donkersley** noted that the IASB had received feedback about how the drafting of the specific disclosure objective (which is both in IFRS 13 and IAS 19 proposals) could be improved to better explain the intent of the requirement. She added that the intent was to explain users' needs about exposure to uncertainty and to give companies the opportunity to meet those needs in a simpler and potentially less onerous way than is often done currently. She added that investors mentioned that detailed assumption-by-assumption sensitivity information often did not reflect realistic scenarios and a simpler disclosure could be more effective.

**Kristian Koktvedgaard** conveyed his appreciation for the new proposals even though there may be room for improvement. **Kathryn Donkersley** and **Bruce Mackenzie** thanked the panel for their valuable input and encouraged stakeholders to send comment letters. **Fredré Ferreira** added her plea for more companies to participate in the field test. She mentioned the possibility of interviews with EFRAG and the IASB and she also encouraged stakeholders to comment.

**Kristian Koktvedgaard** appealed to the audience to join the field test and introduced topic 2.

## Topic 2 – Reduced disclosure requirements for subsidiaries without public accountability

**Bruce Mackenzie, IASB Board Member,** and **Michelle Sansom, IASB Technical Staff,** provided a brief overview of the IASB's proposals. He explained that the objective of the ED is to permit subsidiaries without public accountability to apply IFRS Standards to their financial statements with reduced disclosure requirements. **Bruce Mackenzie** explained that the main benefits of the IASB's proposals were the elimination of unnecessary costs for many subsidiaries while maintaining the information needed by the users of financial statements. **Michelle Sansom** explained how the IASB had developed the disclosure requirements, which were based on the disclosure requirements from the *IFRS for SMEs* Standard and IFRS Standards (when there were measurement and recognition differences between the two). The IASB was not proposing reduced disclosures in IFRS 8 *Operating Segments* and IAS 33 *Earnings per Share* because subsidiaries in the scope of the ED were not in the scope of these Standards. Should a subsidiary applying the proposed Standard disclose operating segment information (IFRS 8) or earnings per share (IAS 33), it would be required to provide the disclosures of those Standards.  The IASB has also decided not to propose reduced disclosures for IFRS 17 at this time. Finally, **Michelle Sansom** explained the structure of the ED and pointed out the frequently asked questions.

**Galina Borisova** presented EFRAG's tentative position on the IASB's proposals. She explained that in its draft comment letter, EFRAG cautiously supported the IASB's proposals on the scope of the ED. However, EFRAG also acknowledged that there was support in Europe for the alternative view expressed by Ms. Françoise Flores for broadening the scope to all entities without public accountability. In addition, EFRAG was asking for clarity on the possible benefits of reducing disclosure requirements for entities that issue insurance contracts. Thus, EFRAG has decided to ask questions to constituents on these two aspects. EFRAG also noted in its draft comment letter that the level of impact of the IASB's proposals in Europe would depend on the legislation of each member state. EFRAG also suggested that the IASB should clarify the exceptions made to its approach and the interaction of the IASB's ED *Disclosure Requirements in IFRS Standards A Pilot Approach.*

**Kristian Koktvedgaard** moderated the panel discussion on topic 2.

*If the IASB issues a reduced-disclosure IFRS Standard for subsidiaries in the scope of this project, will it be useful?*

In general, panel members welcomed the project and its objective. They highlighted that this project was long-awaited by the preparers, which was likely to reduce the costs for many subsidiaries, promote the use of IFRS Standards and promote the use of consistent accounting policies within a group (i.e., the use of IFRS Standards within a group). However, panel members considered that the proposed disclosure requirements appeared to be extensive for subsidiaries without public accountability and that the proposed scope was too narrow.

**Tina Aggerholm** welcomed the project and considered that the IASB's proposals were a significant step forward as they would permit subsidiaries to apply IFRS Standards with reduced disclosure requirements. The use of the draft Standard would reduce the costs for many subsidiaries that were currently applying full IFRS Standards and would reduce the costs for those that were currently applying the IFRS for SMEs Standard or Local GAAP (i.e., would avoid the need to reconcile between individual and group financial statements). Therefore, she expected significant cost reductions for international groups and benefits for the users as the financial statements of the entities within a group would be prepared under the same financial reporting requirements. However, she considered that the scope was very narrow and considered that the IASB should widen the scope of the project to include joint ventures and associates, as they could have a significant role within a group. With the current scope, **Tina Aggerholm** expected only limited benefits as the IASB proposals were only focused on subsidiaries. Finally, she pointed out that the proposed disclosure requirements still seemed to be extensive for subsidiaries without public accountability, particularly when comparing with disclosure requirements in local GAAP. In her view, the IASB should narrow the set of disclosures in the ED, especially in light of the ED on *Disclosure Requirements in IFRS Standards – A Pilot Approach,* which would be expected to impact the disclosure requirements in other IFRS Standards and, consequently, would increase even further the number of new specific disclosures.

**Kim Tang Lassen** also welcomed the IASB's proposals and explained that he had been supportive of introducing an IFRS Standard with reduced disclosures for years. He added that preparing financial statements under IFRS Standards with full disclosures was too burdensome and costly for subsidiaries in Denmark. He also considered that the *IFRS for SMEs* Standard was a good starting point for the development of reduced disclosure requirements. Finally, in terms of scope, he questioned whether simply including associates and joint ventures would be sufficient. In his view, the IASB should consider expanding the scope to all entities without public accountability as the need for reduced disclosures went beyond subsidiaries, associates and joint ventures.

**Thomas Ryttersgaard** highlighted the potential benefit of using the same recognition and measurement criteria within a group and avoiding the existence of double accounting records (one for the group and one for local accounts), particularly when it was an international group with subsidiaries located in different countries. However, he highlighted the risk of using the disclosure requirements in the *IFRS for SME* Standard as a reference point since it had a different purpose (e.g., focused on small individual businesses) and, accordingly, could be a source of administrative burden. Finally, he suggested expanding the scope to the separate financial statements of the parent companies since currently most of them used Danish GAAP (as applying disclosure requirements of IFRS Standards were burdensome).

**Bruce Mackenzie** acknowledged the concerns around the scope, particularly when considering that the applicability of the ED depends extensively on local laws. In his view, the scope proposed by the IASB would avoid the creation of a third tier of IFRS Standards and the risk of diluting the general applicability of full IFRS Standards. The proposed scope would also ensure that the parent of a group would continue to disclose information which complied with full IFRS Standards. Finally, he highlighted a fundamental difference between the *IFRS for SMEs* Standard and the IASB's proposals in the ED: the *IFRS for SMEs* Standard had a stable platform for preparers (being updated periodically) while the application of the reduced disclosures IFRS Standard would require preparers to modify their accounts whenever the IASB would publish a new or amended IFRS Standard. **Bruce Mackenzie** also highlighted the need to conclude the standard-setting process, issue the IFRS Standard, and then later consider the possibility of broadening the scope.

**Michelle Sansom** added that the proposed disclosure requirements were based both on *the IFRS for SMEs* Standard and IFRS Standards after considering the principles in BC157 of the *IFRS for SMEs* Standard. She also pointed out the challenges of achieving the right balance on the level of disclosures and suggested constituents to give a direction in that assessment.

**Kristian Koktvedgaard** asked **Galina Borisova** whether EFRAG had considered the interaction of the proposed ED with the European Accounting Directive.

**Galina Borisova** highlighted that the applicability of the ED in Europe would depend extensively on local laws and options used by the member states. Therefore, EFRAG had launched a survey asking constituents about the interaction between the IASB's proposals and the EU accounting legislation.

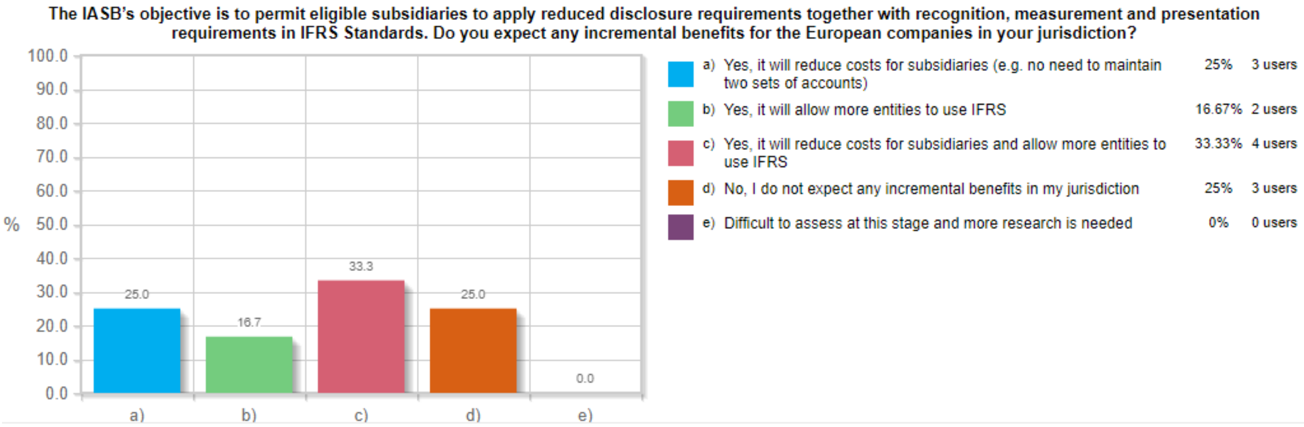
**Michelle Sansom** clarified that the proposed draft Standard would be part of IFRS Standards.

*What should be the target audience of the Standard?*

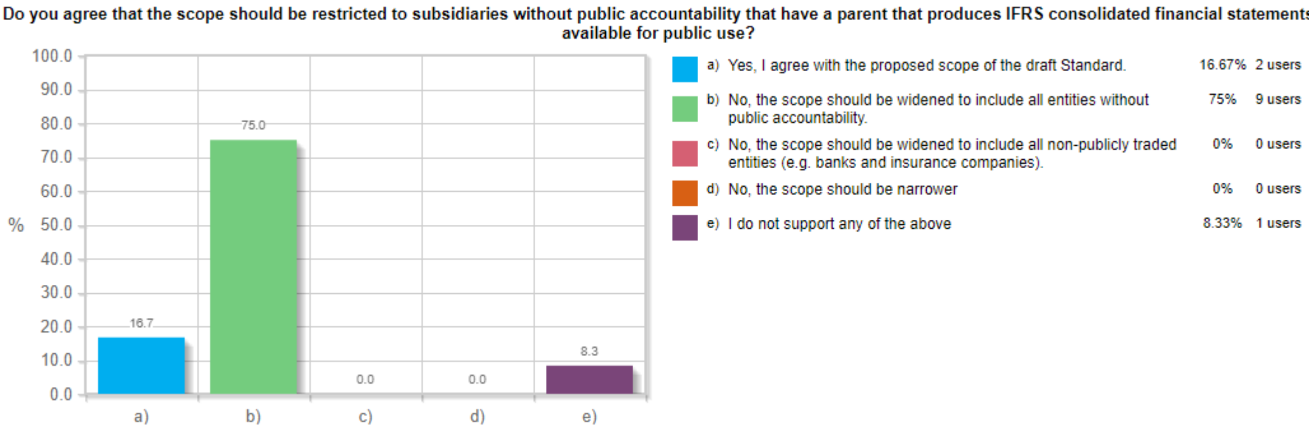
*In general, panel members considered that the scope was too narrow and that the IASB should discuss the possibility of widening the scope to include at least associates and joint ventures. Nonetheless, it was noted that the IASB's proposals could also be beneficial for all entities without public accountability.*

**Tina Aggerholm** acknowledged the potential benefits of the reduced disclosure requirements, particularly if they could be applied by subsidiaries that were located in Europe and outside of Europe. However, she highlighted that for operational reasons, a group could structure its investments differently (under the form of subsidiaries, joint ventures, joint operations or associates) and considered that the application of the IASB's proposals should not depend on management's decision on how to structure a group. Thus, she considered that the scope should be widened to include joint ventures and associates.

**Kristian Koktvedgaard** introduced the results of question 1 of the polling questions to the audience on the expected incremental benefit to European companies in their respective jurisdictions.




**Kristian Koktvedgaard** introduced the results of question 2 of the polling questions to the audience on whether they agreed with the scope proposed by the IASB.




He highlighted that most of the participants were in favour of widening the scope of the ED to include all entities without public accountability.

**Michelle Sansom** explained that the IASB had also discussed the scope extensively and highlighted the importance of issuing the draft Standard at this stage to better understand the benefits for those applying it.

**Kim Tang Lassen** recalled that in Denmark companies could not apply the *IFRS for SMEs* Standard. Therefore, companies had to either apply local GAAP or full IFRS. In his view, the IASB's proposals were the best option for entities without public accountability (when compared to local GAAP and full IFRS). Thus, in his view, a wider range of companies should be able to apply and benefit from the IASB's proposals. He also questioned that regular updates of IFRS Standards would be too burdensome and costly for preparers.

**Jan Peter Larsen** added that in Denmark, there was a long-standing tradition for allowing companies following Danish GAAP (based on the EU Accounting Directive) to use IFRS Standards as an interpretation as long as it did not conflict with the EU Accounting Directive, hence, pursuing, to some extent, the same goal as a reduced-disclosure IFRS Standard. Although the ED could be improved, in general it would be welcomed in Denmark. He also urged the IASB to create additional educational material on the application of the proposed Standard, which should help preparers implementing the draft Standard (but not serve as a template).

*Is the IASB using the right approach (using the IFRS for SMEs Standard as a starting point subject to tailoring)?*

**Tina Aggerholm** questioned whether the *IFRS for SMEs* Standard was the right starting point as it had been developed for small and individual entities. She suggested that the IASB should rather use full IFRS Standards as a starting point and then reduce those disclosure requirements for subsidiaries without public accountability. This approach would ensure the usefulness of the disclosed information to users of financial statements.

**Bruce Mackenzie** explained that the disclosure requirements in the *IFRS for SMEs* Standard were already a result of narrowing down the disclosure requirements from full IFRS Standards using the principles in paragraph BC157 of the *IFRS for SMEs* Standard. Therefore, if the IASB had started from full IFRS Standards, he expected that the outcome would be similar. Instead, the IASB had decided to start with the *IFRS for SMEs* Standard as the approach followed for developing the draft Standard had already been developed for entities without public accountability. Nevertheless, the IASB would welcome any specific examples from field tests of disclosures that were needed as a result of applying a different approach.

**Michelle Sansom** added that when developing the ED, the IASB had received positive feedback from users on its approach.

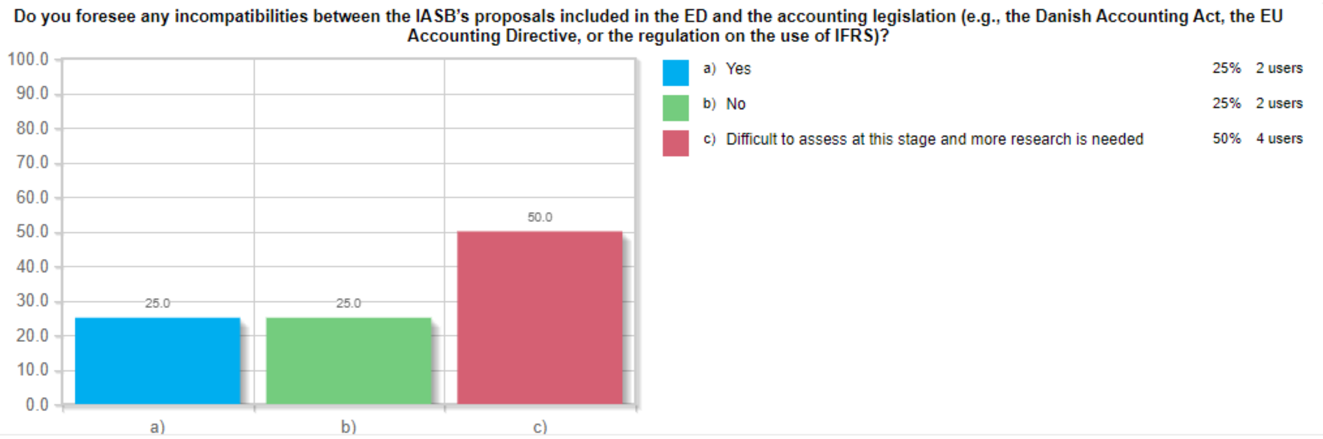
**Galina Borisova** pointed out that EFRAG generally agreed with the IASB's approach but highlighted that the assessment of users' needs, in terms of whether the IASB's proposed disclosures were sufficient, was difficult and subjective. EFRAG had identified additional necessary disclosure requirements in its draft comment letter and awaited responses from constituents.

**Kristian Koktvedgaard** presented a question from the audience:

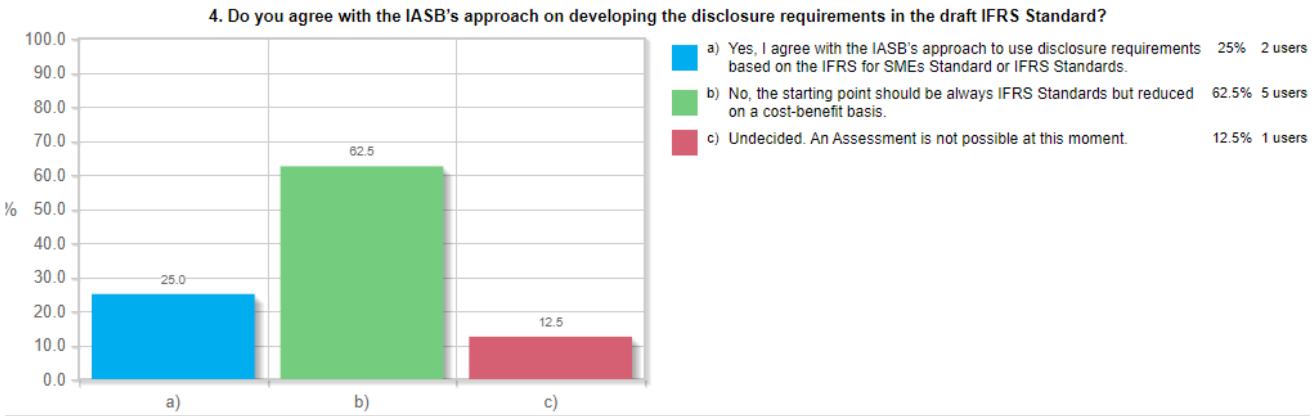
> ***Q&A**: If the subsidiary is a large undertaking - how can the SME-standard disclosures be an appropriate starting point?*

**Kristian Koktvedgaard** replied that, in his view, the scope of the *IFRS for SMEs* Standard would also encompass large companies in Denmark.

Subsequently **Kristian Koktvedgaard** introduced the polling questions to the audience on whether they expected any incompatibilities between the IASB's proposed ED and accounting legislation.




Finally, **Kristian Koktvedgaard** introduced the polling question to the audience on whether they agreed with the IASB's approach in developing the disclosure requirements.




## Third agenda consultation

**Bruce Mackenzie** provided an overview of the IASB's *Third Agenda Consultation*. He explained that the objective of the agenda consultation was to seek views on the strategic direction and the balance of the IASB's activities. The objective was also to seek views on the criteria for assisting the priority of financial reporting issues that could be added to their agenda, and any new financial reporting issues that the IASB should be giving some form of priority. He explained that the responses to this Request for Information would help the IASB when determining how to prioritise its activities and new projects in its work plan for 2022 to 2026. Finally, he explained that the comment period had closed in September and that the IASB aimed at publishing a statement in Q2 2022.

Chiara del Prete referred to the reporting issues that were a priority for EFRAG:

- Connecting financial and sustainability reporting;
- Crypto – assets and related transactions;
- Discontinued operations and disposal groups;
- Intangible assets;
- Statement of cash flows and related matters;
- Variable and contingent consideration; and
- Financial instruments with Environmental, Social and Governance features under IFRS 9 which was an urgent issue.

Finally, Chiara del Prete thanked the panel members and participants for their input.

## Main take aways

**Jan Peter Larsen** concluded that in general, panel members welcomed the IASB's projects related to disclosure requirements in IFRS Standards and considered that the IASB was going in the right direction. However, panel members had provided several suggestions on the IASB's proposals to be considered in the redeliberation phase.

## Closing remarks

**Kristian Koktvedgaard** thanked all the speakers and participants and closed the event.