

IASB proposes a new approach that opens the way to better communication in the notes in financial statements

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The International Accounting Standards Board (Board) [is seeking public comments](#) on a new approach to developing disclosure requirements in IFRS Standards and new disclosure requirements for the Standards on fair value measurement and employee benefits. These proposals would enable companies to enhance their judgement and reduce 'boilerplate' information, giving investors more useful information.

The notes in financial statements sometimes include too little relevant information, too much irrelevant information and information disclosed ineffectively. Stakeholders say this typically occurs when the requirements in IFRS Standards are treated like a checklist without applying effective judgement.

Responding to stakeholder demand for the Board's help in addressing these issues, the Board has set out a new approach to developing the disclosure requirements in IFRS Standards. Disclosure requirements developed using this approach are intended to better enable companies, auditors and others to make more effective materiality judgements and thus provide disclosures that are more useful to investors.

The new approach is written as draft guidance for use by the Board when developing disclosure requirements in individual Standards. In applying this guidance, the Board aims to:

- enhance investor engagement to ensure the Board has an in-depth understanding of investors' information needs and clearly explains those needs in the Standards;
- give greater prominence to the objective of disclosure requirements, requiring companies to apply judgement and provide information to meet the described investor needs; and
- minimise requirements to disclose particular items of information, and instead to help companies focus on disclosing material information only.

The Board has tested this new approach using two IFRS Standards—IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*—and has proposed amendments to the disclosure requirements in those Standards in the Exposure Draft.

The Board is seeking stakeholder feedback on whether the proposed new approach to developing disclosure requirements and proposed amendments to IFRS 13 and IAS 19 would help companies and others improve the usefulness of information disclosed.

Hans Hoogervorst, Chair of the Board, said:

We believe this new approach to developing disclosure requirements in IFRS Standards can serve as a catalyst to improving information to investors; however, real improvements can only be achieved if all those involved—companies, auditors, regulators and investors—work together.

Access the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*, the Basis for Conclusions and the Illustrative Examples on [the comment letter page](#). The Board is asking for stakeholder comments by 21 October 2021.

[Access the Snapshot](#), which provides an overview of the proposals, and watch a short video below that introduces the proposals.

The Board developed the proposals as part of its Disclosure Initiative—Targeted Standards-level Review of Disclosures project. The project is part of the Board's work under the theme Better Communication in Financial Reporting and is one of several projects aimed at improving disclosures in the financial statements.