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Accounting Standards Committee of Germany

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Prof Dr Andreas Barckow
Chair of the
International Accounting Standards Board
Columbus Building
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Berlin, 12 January 2022

Dear Andreas,

IASB Exposure Draft ED/2021/3 *Disclosure Requirements in IFRS Standards – A Pilot Approach (Proposed Amendments to IFRS 13 and IAS 19)*

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the Exposure Draft ED/2021/3 *Disclosure Requirements in IFRS Standards – A Pilot Approach (Proposed Amendments to IFRS 13 and IAS 19)* issued by the IASB on 25 March 2021 (herein referred to as the 'ED'). We appreciate the opportunity to comment on the ED.

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Our responses to the complete set of questions raised in the invitation to comment are laid out in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact Ilka Canitz (canitz@drsc.de) or me.

Yours sincerely,

Sven Morich

Vice President

Appendix – Answers to the questions in the ED

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).

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?

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?

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?

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?

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?

We generally agree with the IASB's reasoning for proposing the overall disclosure objective for defined benefit plans, as described in paragraphs BC107-BC109. However, we observe that the proposed overall disclosure objective is very similar to the current disclosure objective in paragraph 135 of IAS 19. This is surprising as stakeholders told the IASB that employee benefit disclosures applying IAS 19 often do not meet the information needs of users of financial statements (ref. paragraph BC105).

Given that many users said that information about the expected effects of defined benefit plans on an entity's future cash flows is "*the most relevant information they could receive about defined benefit plans*" (ref. paragraph BC121), we would have expected that this information need is reflected by the overall disclosure objective as well.

Further, as already explained more generally in our response to question 1, it remains unclear which additional disclosures are deemed to be necessary that are not captured by the specific disclosure objectives. For example, the IASB explains in paragraph BC107, that an entity will need to disclose additional information if material risks and uncertainties associated with an entity's plans would affect the entity's primary financial statements and have not been captured by the specific disclosure objectives. We therefore recommend the IASB explain further, under which circumstances disclosures are currently missing in practice that would require an entity to disclose additional information in order to comply with the overall disclosure objective.

Further, it is not clear from the proposals in which cases the applied level of aggregation and disaggregation was perceived to be inappropriate in practice. We understand from paragraph BC108 that "*the importance of appropriate levels of aggregation was a prevalent theme throughout the Board's discussions with stakeholders on defined benefit plan disclosures*" and that the IASB intends to address this matter issue by providing examples of features an entity could use to disaggregate information. However, these examples have already been provided by paragraph 138 of IAS 19. Therefore, it is questionable whether the revised guidance will enable entities to better aggregate and disaggregate defined benefit disclosures. Therefore, we recommend the IASB clarify in which situations the level of aggregation of defined benefit disclosures has been perceived as inappropriate by users of financial statements and provide further guidance on how these issues should be resolved.

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.

Amounts in the primary financial statements relating to defined benefit plans (paragraphs 147D and 147E)

We agree with the proposed specific disclosure objective. We believe that defined benefit disclosures would benefit from an upfront "*executive summary*" (ref. paragraph BC112), as this information would help users of financial statements to more easily understand the amounts in the primary financial statements and how they link to the more detailed disclosures about defined benefit plans. We also agree with the IASB that an upfront "*executive summary*" is not costly to prepare and, thus, is a simple and effective improvement in disclosures about defined benefit plans with minimal incremental costs.

Nature of, and risks associated with, defined benefit plans (paragraphs 147G and 147H)

We note that the proposed specific disclosure objective in IAS 19.147G combines very heterogeneous items of information, some of which are likely to lead to the provision of boilerplate information (e.g. the description of how plans are governed and managed and the description of the policies and processes used by the entity to manage the identified (plan-specific) risks). We therefore suggest the IASB revise the specific disclosure objective and the proposed items of information by:

- strengthening the proposed specific disclosure objective, by focusing on the risks associated with defined benefits plans,
- introducing a separate specific disclosure objective for significant changes to defined benefit plans (i.e., plan amendments, etc.), and

- providing further application guidance to enable entities to provide more useful information about the nature of, and risks associated with, defined benefits plans.

In our opinion, the proposed items of information regarding the description of nature of the benefits provided by the plans (paragraph 147I(a)), and the description of plan amendments, curtailments and settlements in the reporting period (paragraph 147I(c)), are significantly different from the other items of information. Further, we believe that information about significant plan amendments, curtailments and settlements is essential for users of financial statements to understand the occurrence and effects of changes to the benefits by the plans. Therefore, we recommend the IASB introduce a separate disclosure objective for significant changes in benefits provided by defined benefit plans.

Further, we suggest the IASB develop further application guidance that enables entities to provide more meaningful, entity-specific disclosures regarding risks arising from defined benefit plans. As the IASB itself explains in paragraph BC116, entities often provide lengthy narrative explanations about their defined benefit plans, which users of financials statements do not find useful. Therefore, we recommend the IASB to illustrate further, which information about the risks associated with defined benefit plans and plan assets is sought to be useful for users.

Expected future cash flows relating to defined benefit plans (paragraphs 147J and 147K)

We agree with the IASB's reasoning that information about the expected effects of defined benefit plans on an entity's future cash flows is useful for users of financial statements. Therefore, we also agree with the IASB's conclusion that a specific disclosure objective capturing user needs about the cash flow effects of defined benefit plans would lead to a significant improvement in defined benefit disclosures.

However, we recommend the IASB clarify the notion of future "*contributions to the plan*". In our opinion, to understand the effect of the defined benefit obligation on the entity's future cash flows, information is necessary to with regard to the 'net cash flows' that comprise both:

- expected future contributions to the plan ("contributions"), and
- expected future benefit payments, directly by the entity to plan participants ("benefit payments")

With regard to our constituency, benefit payments are most commonly paid directly by the entity to the plan participants (regardless of whether (or not) the defined benefit plan is funded). However, from the proposed paragraph 147L(b) it is unclear whether "*contributions to the plan*" include benefits payments that are paid directly by the entity itself (rather than by plan). Therefore, we recommend the IASB clarify that to achieve the proposed specific disclosure objective, an entity shall disclose information about both, expected future contributions to the plan, as well as expected future benefit payments, directly by the entity to plan participants.

Further, we do not agree with the IASB's proposal of a separate specific disclosure objective for "*future payments to members of defined benefit plans that are closed to new members*" (as proposed by paragraphs 147N and 147O). Rather, we believe that users' information needs are very similar for plans that are closed to new members and plans that remain open to new members. Therefore, as discussed in more detail below, we recommend the IASB combine the proposed specific disclosure objective for plans are closed to new members (paragraphs

147N and 147O) with the more general specific disclosure objective in paragraphs 147J and 147K (i.e., "*expected future cash flows relating to defined benefit plans*").

Future payments to members of defined benefit plans that are closed to new members (paragraphs 147N and 147O)

We do not agree with the proposed specific disclosure objective. Rather, we believe that users' information needs for defined benefit plans that are closed to new members are very similar compared to plans that remain open to new members. Both in the case of plans that are closed to new members and in the case of plans that remain open to new members, users of financial statements want to understand the extent to which (i.e., for how long and with what impact on cash flows) the entity has been and will continue to be affected by defined benefit plans. Therefore, we believe that a separate specific disclosure objective for plans that are closed to new members is not justified.

Further, we do not agree with the IASB's reasoning in paragraph BC134 that the period over which an entity will continue to make payments in unlikely to change significantly if a plan is closed to new members. Rather, the defined benefit obligation could increase significantly in future reporting period, if the plan remains open to the accrual of further benefits to current members, even if the plan is closed to new members. Therefore, the defined benefit obligation of a plan that is closed to new members, may also increase (significantly) in future reporting periods, due to employee services to be received in the future.

For the reasons above, we recommend the IASB:

- either delete the proposed specific disclosure objective in paragraphs 147N-147O for defined benefit plans that are closed to new members, or
- combine the specific disclosure objective for defined benefit plans that are closed to new members with the (more general) specific disclosure objective for "*expected future cash flows relating to defined benefit plans*" in paragraphs 147J-147K.

Measurement uncertainties associated with the defined benefit obligation (paragraphs 147Q and 147R)

We agree with the proposed specific disclosure objective. However, we are concerned that the proposed items of information are appropriate to meet users' needs. In particular, we do not agree with the IASB's proposal not to require disclosure of a detailed sensitivity analysis for each significant actuarial assumption. As explained in more detail in our answer to question 14, we believe that the benefits provided by a sensitivity analysis (as currently required by paragraph 145 of IAS 19) outweigh the benefits of a range of possible alternative values for the defined benefit obligation,

Reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans (paragraphs 147T and 147U)

We agree with the proposed specific disclosure objective. We welcome and support the IASB's proposals to focus on significant reasons for changes to help entities improve the communication effectiveness of the disclosed information and eliminate any immaterial information. However, we note that the proposed disclosure objective corresponds to the current requirements in paragraphs 140-141 of IAS 19 that require entities to disclose a reconciliation from the opening balance to the closing balance for the net defined benefit liability (or asset) and for reimbursement rights. Further, according to the overarching materiality principle, entities currently are also not required to disclose any immaterial information. Therefore, we believe that the proposals would not significantly change how entities disclose information about reasons for changes in the net defined liability (or asset) and for reimbursements rights.

To improve the format and presentation of the proposals, we recommend the IASB change the order of the specific disclosure objectives. As the proposed specific disclosure objective mainly consists of items of information that entities are *required* to disclose, we suggest placing this disclosure objective – together with other specific disclosure objectives that include items of information as *requirements* – at the beginning of the disclosure section.

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?

Amounts in the primary financial statements relating to defined benefit plans (paragraph 147F)

We agree with the proposed items of information as described by paragraphs 147F. However, we suggest the IASB to revisit the proposed Illustrative Example 1 with regard to:

- The total of surpluses and deficits from defined benefits plans cannot be reconciled to the amounts recognised in the statement of financial position, as – in the Illustrative Example – plans that are in a surplus are netted with plans that are in a deficit. Therefore, we question whether the proposed presentation in Illustrative Example 1 is appropriate to illustrate how an "executive summary" can link the more detailed disclosures to the amounts recognized in the primary financial statements.

- In the Illustrative Example, defined benefit plans are aggregated by geographical regions (i.e., UK plans, US plans, etc.). In our opinion, however, an aggregation by the type of funding would generally lead to more useful information for users of financial statements (e.g., a breakdown of defined benefit plans into multi-employer plans, pension direct commitments, funded plans, trust-based pension plans (CTA), etc.).
- We question whether comparative information needs to be disclosed in an executive summary in order to achieve the desired objective. In our opinion, comparative information is not necessary in order to obtain an understanding of the effects of defined benefit plans on the primary financial statements. However, as paragraph 38 of IAS 1 requires entities to present comparative information, it is logical to include comparative information in the executive summary (as proposed by the IASB in the Illustrative Example 1).

Nature of, and risks associated with, defined benefit plans (paragraph 147I)

We generally agree with the proposed items of information as described by paragraphs 147I. As an additional item, we suggest the IASB to include an item of information on the funding status under the regulations of the plan itself. Currently, the IASB is proposing only information about plan-specific investment risks, which is an issue that is subordinated to the funding of the plan. Further, although paragraph 147L includes an item of information regarding financing arrangements, this item of information focusses only on future contributions to the plan (that an entity expects to pay to meet the defined benefit obligation). However, the proposals currently are lacking disclosures on how the benefits are financed in general and on the funding status (calculated according to the regulations of the plan). Such information can help users of financial statements better understand how a deficit in the plan will affect the amount of any subsequent funding arrangements.

Further, as already explained in our answer to question 13, we believe that information about significant changes (such as plan amendments) to the benefits provided by defined benefit plans is essential for users of financial statements. Therefore, we recommend the IASB introduce a separate disclosure objective for significant changes to the benefits provided by defined benefit plans. Alternatively, if the IASB does not follow our recommendation of a separate disclosure objective, we suggest that entities should be *required* to disclose information about plan amendments, curtailments and settlements (if material), i.e., the item of information in paragraph 147I(c) should be a mandatory item.

Further, we believe that information about plan-specific investment risks (ref. paragraph 147I(e)) and a breakdown of the fair value of the plan assets by classes of assets (ref. paragraph 147I(h)) is essentials for users of financial statements. We therefore question whether IAS 19 should *require* disclosure of these particular items of information. However, we acknowledge the IASB's intention to enable entities to apply judgement and determine how to satisfy the specific disclosure objective. On balance, we therefore agree with the IASB's proposal to include these items as non-mandatory items.

Moreover, we note that the requirement in current paragraph 142 of IAS 19 on whether a quoted market price exists in an active market for plan assets is not included in the proposals. This is surprising, as we believe that information about how easily plan assets can be converted into cash (i.e., the liquidability of plan assets) is important for users of financial statements. We therefore recommend the IASB reconsider whether information on the liquidability of plan assets should be retained.

Expected future cash flows relating to defined benefit plans (paragraphs 147L and 147M)

We generally agree with the items of information as proposed by paragraph 147L. However, in detail, we have some comments on the proposed items of information that we believe should be clarified by the IASB.

Firstly, as already explained in our answer to question 13 above, the notion of notion of "*contributions to the plan*" is unclear. Therefore, we recommend the IASB clarify that an entity – to meet the requirements in the proposed specific disclosure objective – needs to disclose information about both types of cash flows: i) contributions to the plan, and ii) benefit payments, directly paid by the entity to plan participants. Further, if the IASB followed our suggestion, it is unclear whether an entity needs to disaggregate expected future cash flows effects that are benefit payments paid directly by the entity to plan participants from contributions to the plan.

Secondly, we believe that entities should be required to disclose *only* information about cash flow effects that relate to the defined benefit obligation at the end of the reporting period. This means, we do not agree with the IASB's tentative decision to allow entities (as an accounting policy choice as proposed by paragraphs 147M, A2-A7) to disclose the expected future cash flow for the defined benefit plan as a whole, including e.g., expected future contributions for employee services to be received in the future, or to expected cash flow effects of future new members to the plan). As an entity can decide, at any time and at its own discretion, to close a defined benefit plan to new members (and/or to future services), it may avoid the future cash flows through its future actions. Consequently, an entity should be required to disclose *only* the expected future cash flows that the entity expects to contribute to the plan (or to pay directly to plan participants) to meet the defined benefit obligation recognised at the end of the reporting period.

When improving the guidance proposed, the IASB should reconsider its tentative decision not to specify a (minimum) period over which an entity should provide information about the expected future cash flow effects of a defined benefit obligation. We understand from paragraph BC131 that the IASB decided not to specify a minimum period to enable entities to apply judgement based on their own circumstances and because users are likely to be interested in similar information to that monitored by management. However, we believe that the IASB should specify a minimum period, to improve comparability across entities.

Furthermore, we believe that entities should be required to disclose the weighted average duration of defined benefit obligations, regardless of whether or not a defined benefit plan is closed to new members or remains open to new members. However, the IASB proposes the disclosure of a duration only as a non-mandatory item, and only for defined benefit plans that are closed to new members (ref. paragraph 147P).

Measurement uncertainties associated with the defined benefit obligation (paragraph 147S)

While we agree with most of the proposed items of information as proposed by paragraph 147S, we have some severe concerns regarding the proposed disclosures of reasonably possible alternative actuarial assumptions and/or a range of possible alternative values of the defined benefit obligation.

Firstly, although we agree with the IASB's objective that disclosing a range of alternative values might enable users to understand where - within that range - the entity's valuation of the defined benefit obligation falls (i.e., whether the valuation is rather "moderate" or "optimistic"), we believe that disclosing a range of alternative values gives users a false sense of accuracy. Entities might need to explain to investors – although the defined benefit obligation recognised at the end of the reporting period represents the entity's best estimate – why it did not reach to another conclusion (e.g., why the entity did not select a "more conservative" value within the disclosed range of alternative values).

Secondly, also from a conceptual point of view, we do not agree with the IASB's proposal of disclosing a range of possible alternative values of the defined benefit obligations (or significant actuarial assumptions). According to current paragraphs 76 and 81 of IAS 19, the actuarial assumptions are an entity's *best estimate* of the variables at the end of the reporting period. Therefore, it is counterintuitive to disclose a range of alternative values that would have been reasonably possible at the end of the reporting period. Rather, disclosing the effects of changes that are considered to be reasonably possible over the period until the end of the next (annual) reporting period (as currently required by paragraph B19 of IFRS 7) would be more consistent with a *best estimate*. In addition, we believe that the IASB needs to analyse how the proposed disclosure of a range of possible alternative values fits into the overall context of sensitivity disclosures that are currently required by other IFRS Standards (such as paragraph 40-41, B19 of IFRS 7 and paragraph 135 of IAS 36). Previously, the IASB had decided to link the sensitivity analysis requirements in IAS 19 to the sensitivity analysis requirements in IFRS 7 (ref. current paragraph BC239(c) of IAS 19).

Regarding the practicability of the proposals, we are concerned that the "*range of possible alternative values*" is open to subjectivity, as it is unclear, which alternative assumptions are considered to be "*reasonably possible*" at the end of the reporting period. Further, to comply with the proposed specific disclosure objective, entities can either provide narrative explanations about how the measurement uncertainty has affected measurement of the defined benefit obligation or disclose quantitative information (about reasonably possible alternative assumptions). However, it is unclear from the proposal how an entity can comply with proposed specific disclosure objective by narrative explanations only, i.e., without disclosing quantitative information, such as a sensitivity analysis. Therefore, if the IASB decided to retain the requirements to disclose information about "reasonably possible alternative values", we recommend the IASB develop additional application guidance to illustrate on how an entity can determine that range and include examples to demonstrate how an entity might comply with the specific disclosure objective in the notes.

For the reasons above, we do not agree with the IASB's conclusion that information about the sensitivity of the defined benefit obligation to actuarial assumptions is less useful to users than information about a range of alternative values (ref. proposed paragraph BC152). As current paragraph BC236 of IAS 19 explains, users of financial statements had consistently emphasised the fundamental importance of sensitivity analyses to their understanding of the risks underlying the amounts recognised in the financial statements. Therefore, the IASB had decided in its 2011 amendments to include a requirement regarding sensitivity disclosures in IAS 19. In our experience and according to the feedback that we have received from our constituency, this disclosure requirement has proven to be effective in practice. Therefore, we believe that the current requirement in paragraph 145(a) of IAS 19 to disclose a sensitivity analysis for each significant actuarial assumption should be retained.

Reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans (paragraphs 147V and 147W)

We agree with the proposed items of information as described by paragraphs 147V and 147W.

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?

We understand the IASB's reasons for proposing the overall disclosure objective for defined contribution plans. However, we note that the proposed disclosure objective is – to some extent – vague, as it is not clear what information an entity is expected to disclose.

In our view, an entity could most easily comply with the proposed overall disclosure objective by disclosing the amounts recognised in the statements of financial performance and the cash flows. However, it is not clear from the proposals, whether disclosing *only* the amounts recognised in the statements of financial performance and the cash flows is sufficient to meet the disclosure objective. As the IASB explains in paragraph DG6 of the proposed [Draft] Guidance, to comply with an overall disclosure objective in an IFRS Standard, an entity might need to provide additional entity-specific information that is not directly required by the specific disclosure objectives in that Standard. Therefore, it questionable whether from the proposed paragraph 54A entities would be expected to disclose additional information about defined contribution plans – beyond the amounts recognised in the primary financial statements relating to defined contribution plans. For example, we had discussions on whether an entity would be expected to disclose information about the expected effects of defined contribution plans on its future cash flows.

One reason why the disclosure objective is perceived to be vague could be that the IASB is requiring to disclose *information that enables users of financial statements to understand the effects of defined contribution plans on the entity's financial performance and cash flows*. By contrast, current paragraph 53 of IAS 19 requires an entity to disclose *the amount recognised as an expense* for defined contribution plans. Thus, vagueness arises from the disclosure objective itself, as it circumscribes users' information needs, rather than requiring disclosure of a particular item of information.

However, according to the feedback that the IASB had received during the outreach (prior to publishing the ED), users of financial statement seemed to be satisfied with the limited information they currently receive on defined contribution plans. Users of financial statements are well aware that defined contribution plans (as opposed to defined benefit plans) do not impose risks on the entity (ref. paragraph BC156). Therefore, we wonder why there was a need to amend the current disclosure requirements (by including an overall disclosure objective). In this respect, it is questionable whether the IASB's approach (as explained in paragraph DG13 of the [Draft] Guidance), to develop in the first instance a disclosure objective that is specific enough to make clear what information would satisfy the objective, is appropriate.

For the reasons above, we recommend the IASB clarify what information an entity is expected to disclose under the proposed overall disclosure objective for defined contribution plans. As users' information needs with regard to defined contribution plans are very narrow in scope and limited only to a few items of information, the IASB might also consider the following alternatives when reviewing the proposals:

- Instead of an overall disclosure objective, include a *requirement* in IAS 19 to disclose the amount recognised in the statements of financial performance and cash flows, or
- If the IASB decided to retain the overall disclosure objective, include an exhaustive list of the items of information that an entity must disclose to meet the disclosure objective.

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?

Overall, we support the proposals for multi-employer plans and defined benefit plans that share risks between entities under common control. However, we could not determine from the paragraphs B159-B166 whether any deficiencies were identified in practice as regards the information users currently receive for multi-employer plans and defined benefit plans that share risks between entities under common control. Therefore, we question whether the proposals will enable entities to provide more meaningful disclosures in practice. Consequently, we suggest the IASB develop additional guidelines and examples that clarify the users' information needs and illustrate which information should be disclosed and which information should be omitted.

Regarding the practical relevance, it should be noted that the current disclosures requirements on defined benefit plans that share risks between entities under common control apply only to separate financial statements (if prepared in accordance with IFRS Standards) or to the consolidated financial statements of a subgroup. As in our constituency separate financial statements are rarely prepared in accordance with IFRS Standards, disclosures on defined benefit plans that share risks between entities under common control are not to be observed in practice in Germany. By contrast, multi-employer plans are more common in Germany. Therefore, in the following we restrict our response to multi-employer plans.

Regarding the proposals for multi-employer plans in more detail, we agree with the IASB's approach and with its reasoning which disclosure objectives should apply for multi-employer plans. However, we note that the amendments on multi-employer plans include only items of information that were already required by the current disclosure requirements in paragraph 148 of IAS 19. Further, it is unclear from paragraphs BC159-BC166 whether any deficiencies existed in practice that would need to be addressed by the IASB and whether the current disclosures on multi-employer plans meet the information needs of users of financial statements. Our impression is that users do not pay much attention to disclosures on multi-employer plans and do not spend much time analysing this information. However, it is unclear from the Basis for Conclusions what feedback the IASB received from users of financial statements through the stakeholder outreach programme. This is surprising, as multi-employer plans often are associated with significant risks (e.g., through additional funding agreements). We therefore recommend the IASB better explain the information needs of users of financial statements regarding multi-employer plans and illustrate which information should be disclosed and which information should be omitted to meet those information needs.

In practice, we observe that disclosures for multi-employer plans that are accounted for as if they were a defined contribution plan mainly consist of descriptive information that is likely to be boilerplate. We believe that the guidance proposed could be improved by including items of information that would require entities to disclose quantitative information on multi-employer plans. Quantitative information has the advantage of being comparable across entities and less prone to boilerplate descriptions. For example, the IASB might consider including an item of information about how much the entity's contributions have increased over the past few years for a multi-employer plan that is accounted for as if it were a defined contribution plan. We believe that such quantitative information is appropriate to provide information that is more objective and meaningful than narrative information about the entity's risks associated with a multi-employer-plan.

In addition, from a conceptual perspective, it could be criticised that separate presentation of the disclosures for multi-employer plans (i.e., a separate section for multi-employer plans in the notes, including separate tables for multi-employer plans, etc.) is not appropriate if those plans do not differ from other defined benefit plans in terms of risks. Separate presentation would be warranted if the entity is exposed to risks from a multi-employer plan that are different from the risks of other defined benefit plans (e.g., if the entity is liable to the plan for other entities' obligations under the terms and conditions of the plan). In practice, however, disclosures about multi-employer plans are relatively short and are presented together with the disclosures on other defined benefit plans.

Regarding the proposed items of information, we believe that the statement, that a multi-employer plan is a defined benefit plan, as proposed by paragraph 148B(a), is essential for users of financial statements. Therefore, we believe entities should be *required* to disclose that item of information (i.e., that item should be a mandatory disclosure).

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?

We understand the IASB's reasons for proposing the overall disclosure objectives for other types of employee benefits. However, we have similar concerns about the proposed overall disclosure objectives as those explained in our response to question 15 in relation to defined contribution plans, i.e., we believe that the proposed disclosure objectives are – to some extent – vague.

We understand from paragraph BC167 that users of financial statements told the IASB that other types of employee benefits are easily to understand und unlikely to affect their analyses. We therefore conclude that users were satisfied with the information they receive under current disclosure requirements of IAS 19. Further, we note that paragraphs 158 and 171 of IAS 19 do not require specific disclosures about other long-term employee benefits and termination benefits. Given that users did not claim any deficiencies under current disclosure requirements, we question whether the introduction of an overall disclosure objective is justified for these types of employee benefits. In particular, we wonder whether entities might need to disclose additional information – beyond the particular items of information as set out in the overall disclosure objectives – to meet information needs of users of financial statement. Therefore, we encourage the IASB explain whether current disclosures about other types of employee benefits meet the information needs of users and illustrate which information should be disclosed (or omitted).

Further, we are concerned that requiring entities to disclose details about the terms of the promises made to employees – as proposed in paragraphs 158A and 171A of the ED – could result in lengthy descriptive disclosures that are likely to be boilerplate. As employee benefit plans vary widely in nature in practice, entities would be required to provide detailed information on various employee benefit plans, that are not relevant to users' analyses. In our opinion, information about the terms of an employee benefit plan is justified only for termination benefits and only when significant changes to termination benefit plans occur (e.g., the announcement of a detailed restructuring plan, including termination benefits). Provisions for restructuring costs are – like defined benefit plans – subject to significant measurement uncertainties. To assess the effects of such restructuring and termination benefit plans, we agree with the IASB that users need to understand the nature of the benefits promised under the plan. Further, provisions for restructuring costs are often subject of queries in capital market communications. Therefore, we believe that disclosures about significant changes to existing (or the announcement of new) termination benefit plans is useful for users. We therefore suggest the IASB reconsider the proposed overall disclosures objectives and require entities to disclose details about the nature of the benefits promised under the plan only in relation to significant changes to (or the announcement of new) termination benefit plans. This is in line with our recommendation to introduce a separate disclosure objective for significant plan amendments, curtailments or settlements of defined benefit plans (please refer to our response to question 13).

On balance, although we understand the IASB's reasoning, we suggest the IASB to apply a "bolder" approach for other types of employee benefit plans to address the disclosure problem more effectively. Given that users did not claim any deficiencies under current disclosure requirements, we believe that the proposed disclosures objectives are redundant. Furthermore, in our view, the proposed disclosure objectives do not capture the information that is relevant for users of financial statements (i.e., targeted information about significant events, curtailments or other matters that significantly changed the benefits promised by a termination plan, such as the announcement of a detailed restructuring plan). Therefore, we believe, if the IASB decided to retain the guidance proposed, the disclosure objectives are not specific enough to encourage entities to focus their disclosures on information that is useful for users of financial statements. Rather, we are concerned that entities will disclose lengthy descriptions about the nature of termination benefits and other long-term employee benefits.

Therefore, in reviewing the proposed overall disclosure objectives, the IASB could consider the following alternatives:

- Instead of an overall disclosure objective, include direct *requirements* in IAS 19 to disclose particular items of information about other types of employee benefit plans, as the potential items to be disclosed are narrow in scope,
- If the IASB decided to retain the overall disclosure objective, provide more specific guidance (e.g., include a specific disclosure object for significant events, curtailments or other matters that significantly changed the benefits promised by a termination plan, or include an exhaustive list of specific items of information that an entity must disclose to meet the disclosure objective).
- Increase an entity's leeway by not requiring specific disclosures at all (as currently set out by paragraphs 158 and 171 of IAS 19).

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?

We do not have any other comments.