

## **JOINT OUTREACH EVENT**

### **IASB DISCUSSION PAPER DISCLOSURE INITIATIVE – PRINCIPLES OF DISCLOSURE**

## **SUMMARY REPORT**

**OSLO**

**15 JUNE 2017**

## Introduction

EFRAG together with the Norwegian Accounting Standards Board (NASB) organised an outreach event in Oslo, Norway on 15 June 2017 covering the IASB's Discussion Paper DP/2017/1 *Disclosure Initiative-Principles of Disclosure* (the 'IASB DP'). This report has been prepared for the convenience of European constituents.

The joint outreach event was one of a series organised across Europe following the publication of the IASB DP. The purpose of the outreach event was to:

- stimulate the debate in Europe;
- obtain input from constituents, in particular from those that did not intend to submit a comment letter to EFRAG or the IASB, and to understand their main concerns;
- receive input for the NASB comment letter to EFRAG and the IASB; and
- learn whether the tentative views as set out in EFRAG's draft comment letter were shared by European constituents.

Erlend Kvaal (former Chairman of NASB Technical Committee on IFRS) opened the outreach event and welcomed EFRAG, the IASB and participants. At the conference, Amaro Gomes (IASB Board Member) and Mariela Isern (IASB Senior Technical Manager) presented selected issues of the IASB DP via video. Subsequently, Patricia McBride (EFRAG Technical Director) summarised EFRAG's tentative views on the IASB DP. This was followed by an open debate with participants led by Erlend Kvaal.

The presentation slides and key elements mentioned can be found on EFRAG's Website ([here](#))

## Summary of observations

Participants at the event expressed the following views:

- it is important to improve the structure and presentation of disclosures to ensure that companies can communicate financial information more effectively;
- the application of the materiality concept to financial statements' disclosures is key to ensure that relevant financial information is provided;
- the Conceptual Framework for Financial Reporting should give more relevance to principles over disclosures to assist the IASB in the development of future IFRS Standards;
- the IASB should focus on disclosures that are relevant for users rather than compliance disclosures, which could be presented separately;
- it is important to involve regulators in the discussions; and
- the IASB should study how technology can help preparers in presenting relevant information to users.

## Discussion on the IASB DP

### Opening and welcome

Erlend Kvaal opened the event by welcoming the speakers and participants and introducing the topic.

Amaro Gomes and Mariela Isern presented the brief history of the disclosure problem and the key elements of the DP.

Patricia McBride presented the key messages in EFRAG's Draft Comment Letter in response to the IASB DP.

### Main comments received

*Participants expressed concerns about the use of boilerplate language and inclusion of irrelevant required disclosures, which obscured relevant information.*

### What is the disclosure problem?

A number of participants expressed concerns about "disclosure overload" and observed that the average length of financial statements had been increasing over the years. In particular, it was noted that:

- there is an increasing pressure to have more non-financial information in the annual reports;
- new IFRS Standards (e.g. on revenue, leases and financial instruments) would increase the disclosure requirements in the future;
- there is too much use of boilerplate and irrelevant disclosures, leaving many unanswered questions for financial decisions; and
- part of the disclosure problem was related to behavioural issues (e.g. accumulation of information in the financial statements over the years and non-compliance concerns).

Others did not consider that an increase of the average length of financial statements was an indicator of disclosure overload. These participants expressed concerns about ineffective presentation of financial information, the use of boilerplate language and inclusion of irrelevant information in the financial statements, which obscured important information.

When discussing ways of addressing these issues, participants considered that:

- it was important to improve the structure and presentation of disclosures;
- it was important to improve the application of the materiality concept to financial statements' disclosures;

*Focus on disclosures that are relevant for users rather than disclosures on compliance with IFRS requirements.*

- the Conceptual Framework for Financial Reporting should give more relevance to principles over disclosures to assist the IASB in the development of future IFRS Standards and how to deal with disclosure requirements;
- it was crucial to focus on disclosures that are relevant for users rather than disclosures on compliance with IFRS requirements, which could be presented separately;
- regulators should be involved in the discussions;
- the IASB should consider how technology can help preparers in presenting relevant information to users; and
- the Standards-level Review of Disclosures project is key to the success of the Disclosure Initiative.

The IASB Staff noted that currently work was underway to analyse companies that had looked for ways to improve their communication with users, which highlighted the challenges of identifying relevant information. The IASB Board member acknowledged the concerns about disclosure overload and that this was viewed as a communication issue. He also referred to situations where regulators had provided additional guidance on materiality and accounting policies that had helped in reducing the volume of disclosures. The IASB would consider these situations when developing principles of disclosures.

Finally, it was noted that the IASB was finalising non-mandatory guidance in the form of a Practice Statement to help entities make judgements about whether information is material when preparing financial statements. The IASB was also planning to issue an exposure draft which proposed refinements to the definition of material and clarify its main characteristics.

### **Conclusion - Closing remarks**

Erlend Kvaal summarised the feedback received, thanked participants for their input and closed the event.