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AUTORITÉ DES NORMES COMPTABLES
5, PLACE DES VINS DE FRANCE
75573 PARIS CÉDEX 12
Phone (+ 33 1) 53.44.28 53
Internet http://www.anc.gouv.fr/
Mel patrick.de-cambourg@anc.gouv.fr

Chairman

PDC N°

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Mr Jean-Paul GAUZES
Chairman – EFRAG Board
35 square de Meeûs
B1-000 Bruxelles
Belgium

EFRAG Draft Comment Letter – Discussion Paper 2017/1 – Disclosure Initiative – Principles of Disclosures

Dear Mr Gauzes,

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned EFRAG's Draft Comment Letter regarding the *Documentation Paper DP/2017/1 Disclosure Initiative – Principles of Disclosures*. This letter sets out the most important comments raised by interested stakeholders involved in ANC's due process. Our Board has reviewed and approved this letter on the 27th of September 2017. Appendix A fully details ANC's comments on the issues raised by the IASB's DP on Principles of Disclosures.

As preliminary comment, ANC has three general remarks on *Better communication* projects:

- As the DP on *Principles of disclosures* is part of a wider project identified as "*Better Communication*", ANC underlines the fact that, in its view, the project should be debated in the light of the other on-going projects such as "*primary financial statements*", "*materiality*" and "*taxonomy*" and should aim at better articulating the purpose and role of the notes with the financial statement objectives. In that regard, ANC fully supports the EFRAG's comment letter recommending retaining a comprehensive approach to enhance the communication delivered by financial statements.
- ANC also considers that one of the key success factors of those interrelated projects will be the IASB's leadership to modify the stakeholders' behaviour (preparers, users, regulators and auditors) on matters that are highly connected to the jurisdictional environment in which the financial statements are prepared and issued.
- The way digitalization is changing the environment requires, in ANC's view to be scrutinized and discussed thoroughly. We believe that further research needs to be undertaken on how

financial communication may change in the future, what effects on disclosures principles may arise (such as materiality and relevance) and how the characteristics of the information may evolve (as regards auditability, reliability…).

Entering into the details of the questions raised by the IASB, ANC globally supports the EFRAG draft comment letter but wishes to highlight the following views:

Financial statements purpose and boundaries

ANC is convinced that any progress requires first of all (i) defining the boundaries between financial statements and financial communication in order to determine where the information has to be located (ii) clarifying the expected objectives and uses of each primary financial statement and of the notes in a renovated IAS 1 (or new standard) and (iii) revising disclosures requirements of each standard, in a manner that enables applying the judgment and materiality through a better understanding of the expected use of the information to communicate.

Developing guidance on better communication principles

ANC highlights the fact that in recent years significant improvements driven by preparers and local regulators have been performed, at least in its jurisdiction. Therefore and supporting EFRAG's comments, ANC believes there is no need to develop additional non-mandatory guidance indicating how financial statements presentation could be enhanced. However, ANC believes that some key principles could formally become part of the IFRS requirements and be reinforced within the set of IFRS standards as well as in the conceptual framework in order for Board members to develop IFRS requirements on the same basis.

Finally, ANC considers undesirable to develop additional mandatory formats as it considers that flexibility should be maintained in order for each entity to be able to present entity-specific information taking into account its activities and business model and to reflect the changing needs in communication in an environment in perpetual modification.

Location of information

In ANC's view non-IFRS information should be prohibited when in conflict with IFRS standards or when the information disclosed is irrelevant, unless required by local jurisdictions. In this latter case, information disclosed should be clearly identified and defined.

Conversely, ANC agrees that IFRS standards should permit disclosing some IFRS information outside the financial statements as long as this information is clearly identified, cross-referenced and that the integral financial statements complying with IFRS standards are made available as a separate document.

Use and presentation of Alternative Performance Measures (APM) in the financial statements

ANC considers that discussions on the use of Alternative Performance Measures (APM) should be part of the *Primary Financial Statements* project. Therefore, ANC reminds that the comments in this letter specifically answer the questions raised in the *DP Principles of Disclosures* and are only introductory thoughts that should not preclude our comments on other *Better communication* on-going projects, such as *primary financial statements*.

ANC believes that developments on APM should have to be principles-based and that IFRS standards requirements should maintain sufficient flexibility for preparers to be permitted to disclose entity-specific performance measures. In addition, ANC highlights the fact that not-only EBIT/EBITDA measures are difficult to define but also that a multiplicity of definition exists. Moreover, we believe that identifying frequent or unusual items is entity-specific and highly dependent on the underlying

business and on materiality. Therefore, in ANC's view, in a principle based environment there is no point in trying to reach a common rules-based definition as such definition would probably be rejected by one stakeholder or the other.
However, ANC believes that providing principles aiming to help entities defining, using and disclosing alternative performance measures would be more useful as this approach is not rules-based.

Centralised disclosure objectives
ANC supports further analysis of how disclosures could be centralised in a standard, and more widely could take into account underlying activities, business models and cash-flows.
ANC also considers that overarching principles should be defined first at the highest level and then articulated with and cascaded into each IFRS standard.

Yours sincerely,

Patrick de CAMBOURG

Copy sent to IASB

APPENDIX A –

Board's preliminary questions for respondents

As preliminary comment, as the *Disclosures Initiatives – Principles of disclosures project* is part of a wider project identified as "*Better Communication*", ANC recommends for the next steps having this project debated in the light of the other on-going projects such as "primary financial statements", "materiality" and "taxonomy" in order to better articulate the purpose and role of the notes with the financial statement objectives. In that regard, ANC fully supports the EFRAG comment letter recommending retaining a comprehensive approach to enhance the communication delivered by financial statements.

ANC is convinced that any progress requires both (i) clarifying the expected objectives and uses of each primary financial statement and of the notes in a renovated IAS 1 and (ii) revising disclosures requirements of each standard, in a manner that enables applying the judgment through a better understanding of the expected use of the information to communicate.

In addition, ANC considers that one of the key success factors of these interrelated projects will be the IASB's leadership to modify the stakeholders' behaviour (preparers, enforcers) on matters that are highly connected to the jurisdictional environment in which the financial statements are prepared and issued. This has been recently illustrated by the debates on how to define and assess materiality for which IASB prepared a practice statement and FASB issued related proposals[i]. Similarly, the presentation of IFRS information "outside" financial statements requires consideration of the jurisdictional environment or the presentation of non-IFRS information within financial statements.

Finally, ANC underlines that its comments in this letter are only introductory thoughts that should not preclude our final position of the other on-going projects such as the one on primary financial statements.

SECTION 1 – Overview of the 'disclosure problem' and the objective of this project

Question 1
Paragraphs 1.5–1.8 describe the disclosure problem and provide an explanation of its causes.

(a) Do you agree with this description of the disclosure problem and its causes? Why or why not? Do you think there are other factors contributing to the disclosure problem?

(b) Do you agree that the development of disclosure principles in a general disclosure standard (i.e. either in amendments to IAS 1 or in a new general disclosure standard) would address the disclosure problem? Why or why not?

As introductory comment, ANC highlights the fact that in many jurisdictions / countries, regulators (as for instance AMF in France or ESMA in Europe) have already undertaken extensive communications and initiatives to encourage more relevance and better communication in and around financial statements. In parallel, several preparers have initiated processes to significantly enhance the contents and presentation of their financial statements.

A - Description of the disclosure "problem"

ANC agrees with the 3-dimensional description by IASB of the disclosure problem and causes : "not enough relevant information, irrelevant information, ineffective communication of the provided information". ANC shares EFRAG's view that the 3-dimensional description should not mask the disclosure overload problem. In that respect, ANC believes that the description of the problem should further consider the following:

- The sources of information used by investors in order to make their investment decision are multiple and financial statements cannot be expected to satisfy their global information needs. At the same time if disclosures are intended to limit informational asymmetries that investors face compared to management, financial statements must retain the quality of a summary document. This is why it is key to define in a less generic manner (in a restrictive manner) the objectives and boundaries of financial statements rather than participating to their dilution. ANC remains convinced that financial statements objectives should be differentiated from the objectives of management commentary or risk management (internal control) description.
- Assuming a context where the boundaries of financial statements would be better defined, financial statements' disclosures would improve but some issues would remain,.
    - o Materiality is apprehended differently across or within jurisdictions: e.g. a European IFRS preparer listed in the US will be subject not only to IASB or national approach to materiality but also to the US Supreme Court definition of materiality on which both the SEC and the PCAOB (and therefore their auditors and lawyers) rely; a European IFRS preparer in the banking sector will need to consider elements of materiality of its sector regulator. In that context, ANC appreciates nevertheless IASB develops its own views on materiality. How the practice statement and definition ED will help converge the practical application of materiality remains however an open question pending their publication and implementation.
    - o Financial statements are supposed to give a synthetic overview, with an appropriate level of disaggregation. Assessing materiality and relevance is not sufficient to define

the expected level of synthesis and disaggregation. IASB should explicit its own appreciation of synthesis and disaggregation compared with the current references in IAS 1.

  - Similarly, clarifying the Board's views on how to group information in a manner that helps understand entities' activities rather than only based on their IFRS characterization would also be beneficial. This would foster the usefulness of the information provided to investors and the assessment of the management's stewardship by anchoring the dialog between management and users to the conduct of the business.
  - Some enforcers take an approach by which disclosures are a means to "discipline" financial statements or to facilitate their own surveillance mandate, adding pressure to the disclosure of information that may not be material to an entity's context. ANC therefore specifically supports the IASB's view that disclosures are elaborated having the investors' needs in focus.
  - As IFRS increases the use of valuation techniques and judgments, disclosures around valuation techniques and estimation sensitivity have become more frequent but their finality is also frequently questioned. ANC therefore encourages the IASB to better explain how that information is useful to and used by investors.
- Finally as evoked by the DP, some of the disclosure problem can be traced to overlapping requirements by IFRS and by the jurisdictions[1] (e.g. management compensation, other related party information, capital requirements), which can lead to non-harmonized and multiple disclosures on the same topic.

  In ANC's view, this raises the question whether some IFRS requirements could not be more principles-based with objectives against which the equivalence could be assessed.

B - How to develop disclosure principles?

Concurring with EFRAG, ANC reinforces the views raised in the "*Discussion Paper Towards a Disclosure Framework for Notes*", published by EFRAG, ANC and Financial Reporting Council (FRC) in 2012. It notably specified that the disclosure overload could be avoided through both:

- principles prohibiting/avoiding the disclosure of irrelevant information and fostering the effective application of materiality, and
- the review of the disclosure section of each standard.

The general disclosure standard

As stated in the aforementioned section (A), ANC is of the view that to deliver the expected benefits, a general disclosure standard requires that IASB:

- further defines the objectives and purpose of financial statements within corporate reporting (beyond IAS 1.9),

[1] When those areas are not covered by IFRS (e.g. auditors related information, employees related information) this does not create an issue per se (it is only a location matter)

- re-examines how it balances comparability and relevance for the primary financial statements and for the notes (in the context of an information tailored to the facts and circumstances of the entity) beyond the statement in IAS 1.77, and
- elaborates on the identification and characteristics (notably synthesis and disaggregation) of the information to disclose in financial statements.

Accordingly, in ANC's view, principles of disclosures cannot be developed independently of the other dimensions of the wider "*better communication*" project.

At the same time the jurisdictional dimension of financial statements and the specificity of the associated level of external assurance should be taken into account if a general disclosure standard is developed (ref to Section 7).

The role of educational material

In ANC's view, illustrative examples could provide preparers with new ideas and should be helpful. However they should take the form of educational material or take the form of best practice benchmarks by IASB. Inclusion in a standard tends to "freeze" practices in a manner that may be suboptimal with respect to entity's specificities, to the pace of technological changes in communication and to changes in economic environment. Educational materials are a better tool than standards to stay in line with the evolution of best practice and market focus.

The need to review the disclosure section of individual standards

ANC considers that developing a general disclosure standard would not be sufficient: It would provide a high level approach that is unlikely to be sufficiently specific when applied to a specific domain. Neither would it alleviate the difficult reconciliation with the current wording of disclosure requirements in individual standards (ref. to question 13). Principles proposed for each standard have to be both concise and specific indicating the nature of the elements to disclose and their expected use. Objectives stated in the current set of IFRS standards, remain sometimes too generic and therefore unhelpful. The objective and aim of disclosures need to be clarified.

Question 2
Sections 2–7 discuss specific disclosure issues that have been identified by the Board and provide the Board's Preliminary views on how to address these issues.
Are there any other disclosure issues that the Board has not identified in this Discussion Paper that you think should be addressed as part of this Principles of Disclosure project? What are they and why do you think they should be addressed?

As regards disclosures' requirements, ANC stakeholders have identified three additional issues to be addressed in this project: (i) how to take into consideration the on-going digitalization process and how financial information will be retrieved and used in the future? (ii) how to develop a more comprehensive view for disclosures of unrecognized elements? (iii) the scalability of disclosures to the size of the entity applying IFRS.

A - Effects of the on-going digitalization process

The way financial information is delivered and used will be changing drastically with the increased digitalization. Such evolution will likely affect the drivers of market transactions like high frequency trading has. The contemporaneous effects of digitalized information and artificial intelligence will also change the role of information providers (analysts, data aggregator) and the nature of the dialog between companies and investors.

In ANC's view, this changing environment needs to be analysed and discussed thoroughly and IASB needs to consider researching how financial information will be retrieved and used in the future and whether this could affect the structure and nature of financial reporting.

Non exhaustive and illustrative possible areas for investigation include:

(i) What effects on financial communication can be expected from digitalization?
(ii) Are disclosure principles different in a digitalized environment from the current environment? For instance are materiality and relevance impacted when the information is fully digitalized?
(iii) How will digitalization possibly impact the attributes of the information desired by users (for instance its reliability and auditability)?
(iv) Will it modify how communication of financial information is regulated (in the annual package and other financial communication)?
(v) Will it make the contextualization of the information in the current financial reporting less relevant?

In a shorter timeframe pending this transformation, ANC encourages IASB to investigate the potential effects of taxonomy on the relevance of information. The IFRS taxonomy can only describe IFRS defined accounting objects in a decontextualized manner. Therefore, implementing a taxonomy-based-reporting without adequate supplementation of the IFRS taxonomy may lead companies to modify the structure of their financial statements. In fact PFS and notes could be aligned with the IFRS defined accounting objects independently of their understandability in terms of activity. It may also lead companies to increase the aggregation level in a way that deprives users from adequate insights. This could alter the effectiveness of communication between management and investors and participate to the “compliance-only-approach” towards financial statements that IASB is trying to address.

B - A more comprehensive view for disclosures of unrecognized elements

Like segment information, unrecognized elements are usually material information which has been the focus of many regulators that have developed specific views on their content and presentation.
Unrecognized elements are addressed in some IFRS standards but in a non-exhaustive manner. Important commitments are not covered because there is no specific standard covering the underlying nature of transactions. Beyond this coverage dimension, IFRS lack principles guiding which commitments to disclose, how to assess their materiality and how to present them.
In ANC’s view, the disclosure of unrecognized elements could be investigated in this project.

C- Scalability of disclosures

Independently of the situation of unlisted SMEs covered by the requirements of IFRS for SMEs, the question of the scalability of disclosures to SMEs that are listed or voluntarily apply IFRS has to be addressed. Specific consideration could be given in order to foster the development of such companies and alleviate the strain on their human and financial resources caused by an un-discriminate approach to disclosures requirements.

SECTION 2 – Principles of effective communication

Question 3

The Board's preliminary view is that a set of principles of effective communication that entities should apply when preparing the financial statements as described in paragraph 2.6 should be developed. The Board has not reached a view on whether the principles of effective communication should be prescribed in a general disclosure standard or described in non-mandatory guidance.

The Board is also of the preliminary view that it should develop non-mandatory guidance on the use of formatting in the financial statements that builds on the guidance outlined in paragraphs 2.20–2.22.

(a) Do you agree that the Board should develop principles of effective communication that entities should apply when preparing the financial statements? Why or why not?
(b) Do you agree with the principles listed in paragraph 2.6? Why or why not? If not, what alternative(s) do you suggest, and why?
(c) Do you think that principles of effective communication that entities should apply when preparing the financial Statements should be prescribed in a general disclosure standard or issued as non-mandatory guidance?
(d) Do you think that non-mandatory guidance on the use of formatting in the financial statements should be developed? Why or why not?
-

If you support the issuance of non-mandatory guidance in Question 3(c) and/or (d), please specify the form of non-mandatory guidance you suggest (see paragraph 2.13(a)–(c)) and give your reasoning.

ANC agrees that developing a set of principles of effective communication for financial statements is helpful.

A - Comments on the effective communication principles identified in the DP (§ 2.6)

ANC welcomes the efforts made to identify and structure key communication principles. In our view,

- the seven principles that apply to financial statements communication are relevant[2] as long as they remain concise. The principles developed should not be overly prescriptive in order to provide entities with flexibility and let them adapt their financial statements to their own activities. In terms of financial statements presentation and nature of the relevant information to disclose ANC believes that the needs significantly differ from one sector to the other and that an entity's activity is a key driver.

- Among the seven principles, those relating to entity-specific (§ 2.6.a) and other specific information in the financial statements (§ 2.6.d) and those providing information in a way optimizing comparability (§ 2.6.f) are subject to further discussion. They are probably the

[2] ANC notes that they are not unlike the 7 principles retained by the TCFRD in its June 2017 final report.

most important criteria and should be prominently presented. Among the other principles, format is a matter that must be considered separately.

In addition, ANC believes that these principles could be mapped with the conceptual framework characteristics and tagged to the general or individual disclosure objectives to be developed in order to identify which characteristic needs to be complied with.

B - Non-mandatory guidance vs inclusion in a standard

Most of ANC stakeholders agree with EFRAG that the most prominent principles of effective communication can be included in a general disclosure standard while the others are better candidates for a non-mandatory or educational guidance (notably on formatting).

C- Formatting

ANC considers IASB should not develop prescriptive requirements on how to format disclosures. Such an approach may be detrimental to effective communication and would require regular updates in order to take into account the changing needs in communication in an environment in perpetual modification.

In that respect, educational material (e.g. examples or best practices' benchmarks of formatting) would be more useful and would provide entities with the appropriate guidance in order for them to adapt their financial statements to their business activities. As previously noted, the evolution of the structure of financial statements in the recent years illustrates the power of a concerted drive to deliver better communicating financial statements without resorting to prescriptive requirements.

SECTION 3 – Roles of the primary financial statements and the notes

Question 4

The Board's preliminary views are that a general disclosure standard should:

- specify that the 'primary financial statements' are the statements of financial position, financial performance, changes in equity and cash flows;
- describe the role of primary financial statements and the implications of that role as set out in paragraphs 3.22 and 3.24;
- describe the role of the notes as set out in paragraph 3.28, as well as provide examples of further explanatory and supplementary information, as referred to in paragraphs 3.26–3.27; and
- include the guidance on the content of the notes proposed in paragraphs 7.3–7.7 of the Conceptual Framework exposure Draft, as described in paragraph 3.7.

In addition, the Board's preliminary views are that:

- it should not prescribe the meaning of 'present' as presented in the primary financial statements and the meaning of 'disclose' as disclosed in the notes; and
- if it uses the terms 'present' and 'disclose' when describing where to provide information in the financial statements when subsequently drafting IFRS Standards, it should also specify the intended location as either 'in the primary financial statements' or 'in the notes'.

Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what do you suggest instead, and why?

ANC agrees that a general disclosure standard (a revised IAS 1 or a new standard) is needed. Our comments on preliminary views are the following*:*

A. *Purpose and role of primary financial statements and notes are insufficiently defined*

In our view, DP.3.22 and DP.3.24 do neither conceptually nor factually describe the purpose of primary financial statements and notes. The efforts should focus on the determination of the boundaries of the primary financial statements and notes, what they are expected to present and how, the nature of the information to be disclosed…drawing from the conceptual framework but expressed in a more operational manner that will help structuring the information and its presentation.

The proposal in § 3.28 encompasses elements in § 3.26 and § 3.27. Their inclusion in the general disclosure standard will increase internal consistency (with the conceptual framework) but may not provide further practical benefits.

B. *Role of the Cash-Flow Statement as part of the Primary Financial Statements*

DP.3.23 refers to the cash flow statement as one of the primary financial statement. In ANC's view considering whether the cash flow statement is a PFS has to be addressed in the PFS project and should not be pre-empted at this stage.
Moreover, ANC considers there is a need for further discussions about the cash flow statement as this statement's intelligibility and usefulness highly depends on the nature of the underlying business. In our view, the cash flow statement, as defined in IAS 7, is a key statement for many businesses but is not appropriate for all sectors. For instance, in its format, this statement is less meaningful in the bank and insurance sectors.

C. *Risks arising from recognized and unrecognized elements should be limited to the most prominent*

IASB should assess how it will determine which risks and judgments arising from recognized and unrecognized elements (see conceptual framework) should be disclosed. The nature and extent of risks and judgments to disclose in the financial statements should be clearly limited (§ 3.27.b) either because they are within the normal knowledge expected from users or because they resort to the entity's internal control. In our view, the description and assessment of the entity's internal controls do not generally belong to the primary objectives of financial statements. This emphasizes again the need to define the purposes of financial statements beyond the generic concepts of relevance and materiality. In addition, defining the objectives of the financial statements should help identifying which risks need to be disclosed in the financial statements and which have to be disclosed elsewhere.
In ANC's view, risks and uncertainties resulting from the application of judgement should be clearly distinguished from operating and business risks: the former are eligible to a presentation in the financial statements, while the latter are better dealt with otherwise in the annual report.

D. *Risk factors, as described in the annual report, should not be presented within the notes to the financial statements. The "disclose" or "present" terminology*

ANC agrees with EFRAG that IASB needs to be cautious with its use of the proposed terminology in order to use words that cannot be understood in an overly prescriptive way.
Before addressing the terminology, ANC believes IASB should emphasise more what would drive its choice of a term than the accessibility of the information on the face of financial statements.

SECTION 4 – Location of information

Question 5

The Board's preliminary view is that a general disclosure standard should include a principle that an entity can provide information that is necessary to comply with IFRS Standards outside financial statements if the information meets the requirements in paragraphs 4.9(a)–(c).

(a) Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

(b) Can you provide any examples of specific scenarios, other than those currently included in IFRS Standards (see paragraphs 4.3–4.4), for which you think an entity should or should not be able to provide information necessary to comply with IFRS Standards outside the financial statements? Why? Would those scenarios meet the criteria in paragraphs 4.9(a)–(c)?

A. Description of the issue

ANC shares the Board's description of the issue as presented in DP 4.5 through 4.8.

However this description should be complemented by recognition of the special status of financial statements in jurisdictions: financial statements are subject to specific external assurance requirements, issuance authorization procedures and shareholders' approval mechanisms which timing is defined by each jurisdiction.

For that reason, ANC considers that

- to fulfil and secure legal requirements outside the remit of IASB, the availability of the full perimeter of financial statements ("integral financial statements") should be maintained,
- as IFRS standard setter, the Board should position itself on the relevance and conditions of displaying IFRS information outside financial statements . Accordingly, rather than evoking "disclosures outside the financial statements", ANC suggests referring to "financial statements disclosures displayed separately"

B. Relevance of and conditions for a separate display

In ANC's view, if the integral financial statements remain available, there is no principle that opposes financial statements disclosures to be displayed separately in other publications provided appropriate cross-reference and identification are in place.

ANC globally supports the directions proposed by IASB: i.e. having a principle rather than specific requirements, identifying and cross referencing information and limiting the location of cross referenced information to publications with specific characteristics.

With respect to the first criterion in § 4.9.3 permitting a financial statements' disclosure to be displayed separately, please refer to the section (c) "Annual report and annual reporting package" hereunder.

With respect to the second criterion (§ 4.9.3.b), ANC agrees that ensuring financial information remains understandable and provides faithful information is crucial.

However, ANC recommends that the wording of the criteria, "*its location outside the financial statements makes the annual report as a whole more understandable, the financial statements remain understandable and the information is faithfully represented*" be clarified as it could imply that displaying information in the financial statements would detract their quality to the point of non-compliance.

ANC agrees with the criteria set in § 4.9.c. However, further discussion is needed to determine whether IASB should open the possibility of separate display only in a principles-based manner or should clearly specify the disclosures eligible to a separate display. Albeit to the detriment of innovation and experiment, the latter approach could be beneficial to encourage convergence of jurisdictional regulations and overcome initial reticence until the post-implementation review.

C. "Annual report" (§ 4.9.3.a) and "annual reporting package" (§ 4.22)

While ANC understands that defining the documents that are part of the "annual report" would help defining the boundaries in which the information is disclosed, ANC has some doubts about the feasibility of such an exercise:

- As already mentioned in ANC's comment letter on IFRS 8-IAS 34 ED, defining the "entity's annual report" will prove difficult, notably due to the fact that reporting requirements significantly differ amongst jurisdictions. For instance in Europe IFRS are required in the financial statements, but not in the rest of an entity's annual report. The jurisdictional reporting requirements may depend on the status (private vs public, size, legal form etc.) of the reporting entity.
- In our view, it is debatable to refer to ISA 720 definition of an "entity's annual report" since audit standards have a different purpose than accounting ones. Therefore, the use of the term "annual report" should be refrained in the standard setting process.

Accordingly, as proposed by the DP, an "*entity's annual reporting package*" as described in § 4.22 may at first appear a more appropriate candidate: it keeps a quite generic definition beyond the legal environment of each entity. It also takes into account that publications made by reporting entities are also becoming multiform and more and more tailored to the audience (shareholders, debt holders, general audience or specialists).

However, the description encompasses so many types of publications (*"in addition to the financial statements, the annual reporting package may include a management commentary, press releases, preliminary announcements, investor presentations, and information for regulatory filing purposes"*) that in ANC's view it becomes inadequate for the purpose of circumscribing the locations of separate display.

In ANC's view, reasonable ways forward to explore are (i) proposing a clear and restricted definition of what is an annual report, referring for instance to the "financial filings as defined by the local jurisdictions", or (ii) considering that this problem is only a display issue to be considered by preparers when disclosing the information, and that the IASB is not in charge of standardizing the way the information has to be presented.

Finally, because interim publications need to be addressed, an *"entity's periodic package"* would likely be more appropriate than an *"entity's annual reporting package"*.

Question 6

The Board's preliminary view is that a general disclosure standard:

- should not prohibit an entity from including information in its financial statements that it has identified as 'non-IFRS information', or by a similar labelling, to distinguish it from information necessary to comply with IFRS Standards; but
- should include requirements about how an entity provides such information as described in paragraphs 4.38(a)–(c).

Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

ANC agrees with the Board's position expressed in § 4.35 stipulating that non IFRS information is information outside category A (specifically required by IFRS standards) or B (additional information necessary to comply with IFRS standards) but emphasizes that the distinction between category B and C (inconsistent with IFRS standards) is, in some instances, highly judgmental and part of the recurrent debate.

ANC therefore believes that a better definition of what each category encompasses would theoretically be helpful. It will however be difficult to achieve a delineation of category B without circumscribing further the objectives and use of financial statements and without solving the potential conflict with category C. Category C may include information on the regulatory impact of transactions, events or conditions that may be useful to understand the entity's financial position and financial performance.

An alternative approach is to consider pragmatically the different types of non IFRS-information provided voluntarily or due to jurisdictional obligations:

- Voluntarily provided non-financial metrics: the question here is whether information is needed to enable users understand the definition of each metric and how they have been quantified. Such information could help users compare the metrics disclosed with other similarly labelled metrics used by other companies.
- Voluntarily provided information that is an aggregation unspecified by IFRS but directly derived from the IFRS primary financial statements (statement of financial position, statement of comprehensive income or statement of cash flows). This information would be similar to the definition of alternative performance measures (APM) made by some regulators for which exist requirements on definition, computation/reconciliation, use/relevance, comparability. As IFRS standards specify a very limited number of groupings of the PFS, caution is nevertheless necessary in the way any requirement will be expressed.
- Voluntarily provided information that is a mechanical restatement of the IFRS information to present measures on a comparable basis (i.e. perimeter and exchange rates) from period to period. This type of information could be eligible to the same approach as the previous category.
- Specific information required in financial statements by jurisdictions: ANC believes that IASB cannot prohibit such requirements, and can only suggest that the information disclosed is tagged with the source of the requirement. If such information provides an alternative view/measure of a topic covered by IFRS, the Board should investigate whether and how to ask for additional explanation of the key differences between IFRS and jurisdiction's requirements (purpose, measurement basis etc.)

- Non-regulated and voluntarily provided information that is inconsistent with IFRS recognition and measurement basis

In fact the latter category is, in our view, the only non-IFRS information that presents a real difficulty for inclusion in IFRS financial statements. That is because information in this category would not satisfy the same requirements as the other voluntarily provided information either in terms of compliance to IFRS standards, recognition and measurement basis or systematic reconciliation.

This category is further discussed in Question 7.

In addition, ANC is aware that the level of external assurance is a key attribute attached by users to financial statements. Therefore, in ANC view, including in the financial statements items not subject to an external assurance should remain limited. Finally, ANC considers that providing non-IFRS information should be further debated in the light of the ongoing discussions on the "*primary financial statements*" project.

Question 7

- The Board did not discuss whether any specific information—for example, information that is inconsistent with IFRS Standards—should be required to be identified as described in paragraphs 4.38(a)–(c) or should be prohibited from being included in the financial statements.
- Do you think the Board should prohibit the inclusion of any specific types of additional information in the financial statements? If so, which additional information, and why?

As a consequence of our comments on question 6, ANC believes that voluntarily provided information that is inconsistent with IFRS standards should be prohibited from being included in the financial statements. If the information possesses the characteristics of relevance, materiality, consistency over time, comparability, a possible approach to further investigate would be a type of signposting (not cross-referencing) that does not incorporate the information in the IFRS financial statements.

For information specifically required by jurisdictions to be presented in financial statements, please refer to question 6.

As an additional comment on § 4.38(a)–(c), ANC stakeholders believe that preparing a list of non-IFRS information may be useful if and only if the number of non-IFRS items is limited to a minimum. (Please also refer to our cautionary comment in question 6 linked to the very limited number of groupings in the PFS that are specified in IFRS).

SECTION 5 – Use of performance measures in the financial statements

Question 8

The Board's preliminary views are that it should:

- clarify that the following subtotals in the statement(s) of financial performance comply with IFRS Standards if such subtotals are presented in accordance with paragraphs 85–85B of IAS 1:
- the presentation of an EBITDA subtotal if an entity uses the nature of expense method; and
- the presentation of an EBIT subtotal under both a nature of expense method and a function of expense method.
- develop definitions of, and requirements for, the presentation of unusual or infrequently occurring items in the statement(s) of financial performance, as described in paragraphs 5.26–5.28.

(a) Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what alternative action do you suggest, and why?

(b) Should the Board prohibit the use of other terms to describe unusual and infrequently occurring items, for example, those discussed in paragraph 5.27?

(c) Are there any other issues or requirements that the Board should consider in addition to those stated in paragraph 5.28 when developing requirements for the presentation of unusual or infrequently occurring items in the statement(s) of financial performance?

The feedback on Question 8 will be considered as part of the Board's Primary financial statements project.

As preliminary comment, ANC underlines the fact that such debate is part of the "*primary financial statements*" project and should be addressed and reviewed in a wider cross-project approach in order for IASB to ensure that:

- IASB staff remains cautious when developing EBIT/EBITDA definitions as a multiplicity of definitions exists (entity-specific definition, sectorial definitions, regional definitions…) and that it will be difficult to reach a consensus and have a single definition accepted by all stakeholders. ANC believes that, if definitions were to be developed, they could be used as a reference but should not become information to be compulsorily disclosed. Each entity should be able to develop its own performance measure as long as it is reconciled with the IFRS measures.
- IASB staff keeps in mind that unusual or infrequent items are difficult to define. IASB should take into account the fact that determining what is an unusual or infrequent item is highly judgmental and that final classification will mostly depend on the nature of the business.
- In addition, ANC believes that the choice of a function method should not necessarily preclude the presentation of EBITDA on the face of the statement of comprehensive income.

Question 9

The Board’s preliminary view is that a general disclosure standard should describe how performance measures can be fairly presented in financial statements, as described in paragraph 5.34.

Do you agree with the Board’s preliminary view? Why or why not? If you do not agree, what alternative action do you suggest, and why?

First of all, ANC shares the position expressed in § 5.32 (not restricting the type of fairly presented performance measures) and § 5.33 (applying the same requirements to all performance measures whatever their location in the financial statements).

ANC also agrees with the preliminary view in § 5.34 about which performance measures can be disclosed and how to present them.

The characteristics proposed in § 5.34 seem to match with what one could expect from a performance measure. However, ANC draws the attention of IASB on:

- § 5.34.c.i requiring to describe how the performance measures provide relevant information to users. In our view, this requirement, as worded, will probably lead to the disclosure of boilerplate information. ANC understands that the final aim of this paragraph seems to require preparers to disclose information on the reasons why management monitors such indicator and which type it gives to assess the business activity.
- § (g), which may need to be reformulated as the notion of “being part of the financial statements or not” is not apparent for items that are included in the integral financial statements, and because any guidance included in a standard should scope only items that form part of the financial statements.

ANC considers that any proposed principle should be integrated in a general disclosure standard like IAS 1 or in the conceptual framework.

SECTION 6 – Disclosure of accounting policies

Question 10

The Board’s preliminary views are that:

- a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16; and
- the following guidance on the location of accounting policy disclosures should be included either in a general disclosure standard or in non-mandatory guidance (or in a combination of both):
- the alternatives for locating accounting policy disclosures, as described in paragraphs 6.22–6.24; and
- the presumption that entities disclose information about significant judgements and assumptions adjacent to disclosures about related accounting policies, unless another organisation is more appropriate.

(a) Do you agree with the Board’s preliminary view that a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16? Why or why not? If you do not agree, what alternative proposal(s) do you suggest, and why?

(b) Do you agree with the Board’s preliminary view on developing guidance on the location of accounting policy disclosures? Why or why not? Do you think this guidance should be included in a general disclosure standard or non-mandatory guidance (or in a combination of both)? Why?

If you support the issuance of non-mandatory guidance in Question 10(b), please specify the form of non-mandatory guidance you suggest (listed in paragraphs 2.13(a)–(c)) and give your reasoning.

ANC shares the view that the information disclosed as regards accounting policies have to be relevant, entity-specific, informative about the judgments exercised, limited and that sufficient description should be displayed in the financial statements. These characteristics correspond to the categories 1 and 2 proposed in the DP.

ANC underlines that, as the IFRS standards are regularly modified, it is in some instances useful to present the principles applicable in the period, even if they are not entity specific, in order to disclose financial statements understandable on a standalone basis (it means without referring to IASB standards to retrieve which version of the standard applies).

Given the split views of users on the location of the disclosures of accounting principles and significant judgment and assumptions, as well as the required adaptability of any presentation format (ref. to question 3), ANC does not agree that a prescriptive guidance should be included in the disclosure standard. Such matter should rather be part of educational material or preferably best practices benchmarks which are better inductors of changes in behaviours. The latter may better address one of the IASB’s goals to stimulate innovation and proactivity among preparers and deter a ‘tick the box’ approach.

SECTION 7 – Centralised disclosures objectives

Question 11
The Board's preliminary view is that it should develop a central set of disclosure objectives (centralised disclosure objectives) that consider the objective of financial statements and the role of the notes.
Centralised disclosure objectives could be used by the Board as a basis for developing disclosure objectives and requirements in Standards that are more unified and better linked to the overall objective of financial statements.
Do you agree that the Board should develop centralised disclosure objectives?
Why or why not? If you do not agree, what alternative do you suggest, and why?

Question 13
Do you think that the Board should consider locating all disclosure objectives and requirements in IFRS Standards within a single Standard, or set of Standards, for disclosures? Why or why not?

The answer developed below both refers to question 11 and question 13.

ANC does not share the view that a single standard containing all the disclosures objectives and requirements will permit fixing the disclosure problem. In ANC's view, one approach IASB could consider is to cascade the principles and objectives at different levels in order to match the needs of the different stakeholders.

Such principles and objectives could be:

- specified in the conceptual framework and worded in a way that help Board members adequately design the disclosure requirements in new standards,
- elaborated in a revisited IAS 1 (or a new standard) to provide preparers with the overall aim and characteristics of the disclosures to be published and to ensure overarching principles applicable to disclosures on transactions not further covered in specific standards,
- further circumscribed and described in each standard in a way that identifies the satisfaction of non-generic objectives and sub-objectives as the key focus. It would also indicate that such disclosure is required if and only if material.

Question 12

The Board has identified, but not formed any preliminary views about, the following two methods that could be used for developing centralized disclosure objectives and therefore used as the basis for developing and organising disclosure objectives and requirements in Standards:

- focusing on the different types of information disclosed about an entity's assets, liabilities, equity, income and expenses (Method A); or
- focusing on information about an entity's activities to better reflect how users commonly assess the prospects for future net cash inflows to an entity and management's stewardship of that entity's resources (Method B).

(a) Which of these methods do you support, and why?

(b) Can you think of any other methods that could be used? If you support a different method, please describe your method and explain why you think it might be preferable to the methods described in this section.

Methods A and B are in the early stages of development and have not been discussed in detail by the Board. We will consider the feedback received on this Discussion Paper about how centralised disclosure objectives might best be developed before developing them further.

ANC questions the aim of such preliminary view. ANC believes that the B approach could have been further explained in order to be able to understand how IASB plans to implement it in practice. ANC wonders whether "activity based" refers to entities' activities or to the operating / investing / financing tryptic. In ANC's view, the term 'activity based' should refer to the business activities of each entity. As the primary financial statements reflect past or current cash flows and measurements, ANC questions the relevance of structuring disclosures in accordance with prospects of future cash inflows.

Regarding both approaches, ANC believes that approach A is highly prescriptive and sticks to the current presentation in the primary financial statements without stepping back and taking into account the way businesses are monitored. On the other hand, approach B is more business-oriented but it is more easily applicable to the industry / services sectors and remains, in our view, meaningless in financial sectors if based on the operating/investing/financing tryptic.

Therefore, ANC considers method B should be further investigated and developed and is in favour of a mix model aiming at ensuring the information disclosed is not only complete but also describes how the business operates. Ultimately, disclosures should help understand how activities are reflected across the primary financial statements.

ANC recommends that the financial sector disclosure needs be further investigated.

SECTION 8 – New Zealand Accounting Standards Board staff's approach to drafting disclosure requirements in IFRS Standards

Question 14

This section describes an approach that has been suggested by the NZASB staff for drafting disclosure objectives and requirements in IFRS Standards.

(a) Do you have any comments on the NZASB staff's approach to drafting disclosure objectives and requirements in IFRS Standards described in this section (the main features of the approach are summarised in paragraph 8.2 of this section)?

(b) Do you think that the development of such an approach would encourage more effective disclosures?

(c) Do you think the Board should consider the NZASB staff's approach (or aspects of the approach) in its Standards-level Review of Disclosures project? Why or why not?

Note that the Board is seeking feedback on the NZASB staff's overall approach, rather than feedback on the detailed drafting of the paragraphs on the use of judgement in the NZASB staff's example 1 or the detailed drafting of the specific disclosure requirements and objectives included in the NZASB staff's examples 2 and 3. In addition, the Board is not seeking feedback on where specific disclosure objectives and requirements should be located in IFRS Standards (except as specifically requested in Question 13).

ANC welcomes the NZASB staff's proposal as it is a first step towards changing the way disclosures are analysed and assimilated. ANC particularly supports the idea that the use of judgment is emphasised in each disclosure objective in order to be an enabler of judgment.

ANC has also positively considered the NZASB staff's proposal to redraft the objectives of some standards focusing on the need, for each entity, to disclose the judgments made.

This tentative approach raises however, in ANC's view, the following remarks:

- How do the two disclosures categories articulate with the concept of materiality and with the exercise of judgment? If two different categories of disclosures (the minimum information to disclose and other entity-specific information) are delineated, how can materiality principle apply to the first category that needs to be "compulsorily" disclosed?
- ANC believes that the main issue in the "disclosure problem" is not solely how standards are worded, but principally how they are designed, how judgment is exercised and how materiality is applied to disclosure requirements. Testing a comprehensive illustrative proposal could then be more beneficial.

Accordingly, ANC believes that further research is needed when redrafting the disclosure objectives. For instance, in the examples reported, the objective is identical for Property, Plant and Equipment and for business combination (as it mostly focuses on the use of judgment). In our view, such generic objectives are of limited help. They should be customized based on the nature and usefulness IASB expects to find in the related disclosures.

> "*Disclosure objective -16.X.1 – The objective of disclosing information about the entity's investment in property, plant and equipment is to help users of its financial statements to assess the effect of the entity's investment in property, plant and equipment on the financial*

position, financial performance and cash flows of the entity, including judgments made in accounting for that investment"(Page 91).

"Disclosure objective – 3.X.1 – The objective of disclosing information about business combinations is to help users of the entity's financial statements to assess the effect of business combinations on the financial position, financial performance and cash flows of the entity, including judgments made in accounting for those business combinations" (Page 94 – in red information that is duplicated from example 16.X.1).

Question 15

Some stakeholders say that the way that disclosures are drafted in IFRS Standards might contribute to the ‘disclosure problem’, as described in Section 1. Some cite in particular the absence of clear disclosure objectives and the presence of long lists of prescriptively written disclosure requirements in Standards (see paragraph 8.4).

Nevertheless, other stakeholders observe that specific disclosure requirements might be simpler to use than applying judgement when determining how to meet disclosure objectives.

Do you think the way the Board currently drafts IFRS Standards contributes to the disclosure problem? Please give your reasoning. If you think the current drafting contributes to the disclosure problem, please provide examples of where drafting in Standards could be improved and why.

In our view, the way disclosures are drafted participates to the disclosure problem for the following reasons:

- Preparers and auditors’ accountability is, when a legal case arises, assessed by the Court in the light of IFRS standards as endorsed by the European Union. Therefore, with the view to mitigate their own risk, the more detailed and prescriptive IFRS standards are, the higher is the need for these stakeholders to comply with standard’s literal prescriptions or to document their judgment.
- Preparers face significant time pressure to issue their financial statements and there is a growing complexity in terms of reporting requirements. In this context and under time constraints, the more detailed and prescriptive the disclosures requirements are, the more difficult it is to efficiently apply a judgmental approach.

APPENDIX B –
EFRAG'S questions to constituents

Section 1 – Overview of the disclosure problem and the aim of the project (questions 1 and 2)

Overall comment

As a general comment, ANC agrees with EFRAG's response to questions 1 and 2 notably when EFRAG states that IFRS requirements are not the only root cause to the disclosure overload and that the disclosure problem is a multifaceted and complex issue.

EFRAG's additional questions

a. *Do you agree with EFRAG's concern that the description of the disclosure problem in the IAS DP does not give sufficient emphasis to the problem of disclosure overload?*

ANC acknowledges the fact that preparers have improved the quality and understandability of financial statements e.g. by streamlining the disclosures. In ANC's view more than the overload, the disclosure issue relates to the way information is presented and how it can be useful to users.

ANC fully agrees that a comprehensive review of standards-level requirements is needed to limit the disclosure requirements.

b. *Do you have any other concerns related to the description of the disclosure problem beyond those identified by EFRAG?*

In ANC's views, disclosures' requirements need to remain principles-based and should not be overly detailed. A judgmental approach enables adapting disclosures to the underlying business and to events and transactions of the entity.

ANC fully supports the view that implications of developments in technology need to be further investigated by IASB. Digitalization is for ANC's stakeholders of real issue.

c. *Do you consider that the proposals in the IASB DP (including EFRAG's suggestions, where applicable) will help in addressing the disclosure problem? Why or why not? Please explain*

ANC believes that defining the boundaries of the primary financial statements and the role of the notes is a prerequisite to addressing the disclosure issue.

Addressing the location of non-IFRS information within financial statements as well as IFRS-information outside financial statements is also key. In a digitalized environment this issue may become even more relevant.

Section 2 – Principles of effective communication (question 3)

2.1. Overall comment

ANC agrees with the EFRAG's positions stating that:

- - Effective communication of information in financial statements is highly important
- - Extensive efforts have already been undertaken by preparers and regulators.
- - Further work is needed to identify which principles could be developed and incorporated in authoritative guidance. Other principles could be presented in non-mandatory guidance or as illustrative examples
- - If formatting guidance is developed it should be non-mandatory

2.2. EFRAG's additional questions

a. Do you agree with EFRAG's initial assessment that additional non-mandatory guidance on effective communication will not bring substantial further insights or benefits? Why or why not?

ANC agrees that guidance has already been developed in different jurisdictions. Developing additional non-mandatory guidance will not provide entities with additional help to streamline their financial statements.

b. Do you agree with EFRAG's initial assessment that further work is needed from IASB to determine whether some of these principles could be developed into requirements to be included in a general disclosure standard or carried forward in illustrative examples or implementation guidance accompanying but not forming part of a standard?

ANC agrees that not all principles can be incorporated into authoritative guidance and that further work is needed to determine which of these elements can be considered IFRS principles and used as a reference in a principles-based environment. However, some of the key principles could be reminded in authoritative guidance and further developed in order to maintain the same "level playing field" between all entities applying IFRS worldwide.

Section 3 – Roles of the primary financial statements and of the notes (question 4)

Overall comment

ANC fully supports EFRAG's comment stating that a broader discussion about the relevance of the distinction between primary financial statements and notes should take place in the context of the increasing use of digital reporting. ANC considers key to clearly define the Primary financial statements boundaries and notes before defining what should be presented.

ANC also considers that the role of the primary financial statements should be described in an overall objective and that the boundaries between the notes and the primary financial statements should be more clearly designed.

Section 4 – Location of information (question 5, 6 and 7)

4.1. Overall comment

ANC agrees with EFRAG's comments.

4.2. EFRAG's additional questions

a. Do you agree with EFRAG assessment that more work is needed to assess the issues associated with the use of cross-references? In what circumstances do you think cross-references should be used?

ANC agrees that additional work is needed to assess how and when financial statements information can be cross-referenced. ANC believes that the right balance has to be found between having the possibility to present information outside the financial statements (in order to avoid disclosing redundant information) and having a full desegregation of the financial statements.

b. Is the use of cross-referencing, i.e. including IFRS information in the financial statements by cross-reference common in your jurisdiction? If yes, for what types of information? Please explain.

In our jurisdiction, it has been noted that most preparers use cross-references when and only when explicitly permitted in IFRS Standards. However, these cross-references are only used for presentation purpose. The integral financial statements, indistinctly of preparers' use of cross-reference, are approved by the Board of Directors, audited and also made publicly available as a whole.

c. Do you consider that cross-referencing should be allowed in a broader set of circumstances than in current IFRS Standards? Please explain what would in you view be the appropriate conditions?

ANC considers that the current consistency of financial statements should be maintained. In that regard, the financial statements disclosed are made available and identified as a separate set of information. This is necessary because financial statements are subject to specific external assurance requirements, issuance authorization procedures and shareholders' approval mechanisms that are defined by each jurisdiction. Therefore, rather than evoking disclosures outside the financial statements, ANC suggests referring to disclosures being part of the financial statements but displayed outside the financial statements.

In ANC's view, as long as the financial statements' nature of the information can be identified, there is no reason opposed to its communication outside the financial statements provided simultaneous issuance, audit and Board of Directors approval.

Section 5- Use of performance measures in the financial statements? (Question 8 and 9)

5.1. Overall comment

ANC agrees with EFRAG's comments.

5.2. EFRAG's additional questions

- Do you agree with EFRAG's tentative view that providing guidance on unusual or infrequently occurring items may be helpful, but IASB should consider more broadly what adjustments are made to performance reporting? If yes, what other issues or requirements IASB should consider? Please explain.

ANC agrees with EFRAG's tentative view considering that supplementary guidance has to be developed to describe the objectives to be fulfilled by performance measures used. It means that performance measures should be clearly defined, be consistent over time and reconciled to IFRS information. In addition, ANC underlines that such requirements are consistent with previous ANC and ESMA requirements.

Section 6 – Disclosure of accounting policies (Question 10)

6.1. Overall comment

ANC agrees with EFRAG's position

6.2. EFRAG's additional questions

> *- Do you have any particular views on the extent to which entities should be required to disclose accounting policies referred to as Category 2 in § 96(b) above? Please explain your views.*

ANC considers that accounting policies disclosed have to be relevant, entity-specific and limited to material items, transactions or events. As IFRS standards are in permanent change, ANC considers useful to disclose the principles applicable in the period, and even if they are not entity-specific, in order to ensure financial statements are understandable on a standalone basis (without having to retrieve with version of the standard applies).

Section 7 – Centralised disclosure objectives

Overall comment

ANC agrees with the overall EFRAG's comment. ANC supports further analysis of how disclosure requirements could be focused on the entity's activities and business model (in order to assess entity and management's stewardship). However, ANC wonders whether it will be possible to develop disclosure principles relying only on activities and business models. ANC believes that it may be useful to develop disclosure requirements applying approach A and then to define disclosure principles under approach B. Such mix view would first permit identifying all relevant and material information to be disclosed. Once identified, such information would be presented complying with general objectives and principles focusing on entity's activities and business model in order to provide improved information for users.

Section 8 – NZASB staff's approach to drafting disclosure requirements in IFRS Standards

Overall comment

ANC agrees with EFRAG's comments. However, ANC wonders how the NZASB approach can be articulated with the concept of materiality and with exercising a judgmental approach. If two categories of disclosures are delineated, how materiality principles apply to the first tier, which is "compulsorily" disclosed?