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IASB DP/2017/1 *Disclosure Initiative - Principles of Disclosure* Cover Note

Objective

- 1 The objective of the session is to discuss and agree to recommend to the EFRAG Board the EFRAG Preliminary Views on the IASB Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure* (the 'DP').

Background

- 2 The DP was issued by the IASB on 30 March 2017 and the consultation is open for comments until 2 October 2017.
- 3 The main objective of the Principles of Disclosure project is to identify disclosure issues and develop new, or clarify existing, disclosure principles in IFRS Standards to address those issues and to:
 - (a) help entities to apply better judgement and communicate information more effectively;
 - (b) improve the effectiveness of disclosures for the primary users of financial statements; and
 - (c) assist the IASB to improve disclosure requirements in IFRS Standards.
- 4 The DP is likely to result either in amendments to IAS 1 *Presentation of Financial Statements* or in the creation of a new general disclosure standard to replace relevant parts of IAS 1. The project might also result in the development of some non-mandatory guidance (such as educational material).

Previous discussions by EFRAG TEG

- 5 At its March meeting, EFRAG TEG had a preliminary discussion on the expected content of the forthcoming DP.
- 6 Members reiterated the view that the project was very important but expressed concerns as to whether the proposed content of the DP would align with its initial ambitions to address the disclosure problem and change behaviour.
- 7 In EFRAG TEG's preliminary view, the project should not limit its focus to the structure of the notes or the location of information but rather aim to develop principles to identify why, when and where information should be disclosed. Otherwise it could result in over-prescriptive guidance and could fail to achieve the objectives of the Disclosure Initiative to reduce clutter and improve disclosure effectiveness.

- 8 EFRAG TEG also expressed concerns about the overlap with other projects and, in particular, the need to consider the interactions with the Materiality and Primary Financial Statements projects.

Discussion by the EFRAG Board

- 9 The EFRAG Board discussed a summary of the content of the DP and EFRAG TEG's preliminary views at its meeting on 11 April 2017. The EFRAG Board generally agreed with the preliminary views of EFRAG TEG and suggested that the following should be undertaken in preparing a draft comment letter:
- (a) Consider whether the proposed topics explored in the DP would address the disclosure problem and whether any important topics have been omitted;
 - (b) Review, to the extent practicable, the effect of recent attempts to address the disclosure problem by, for example, considering the impact of regulatory pronouncements on behaviours as a basis for assessing the likely effect of the proposals. Some EFRAG Board members observed that this DP was an opportunity for EFRAG to contribute to the IASB's work in a proactive way;
 - (c) The impact of technology on the presentation of financial statements and on disclosures;
 - (d) The need to clarify the boundary between financial statements and the annual report; and
 - (e) The scalability of disclosure requirements and the relevance of proposals for smaller listed companies.
- 10 EFRAG Board members expressed concerns about the timeliness of any standard-setting activity resulting from the project.

Next steps

- 11 The EFRAG Board agreed a two-stage development of the EFRAG consultation:
- (a) Draft answers to the questions raised in the DP, as developed by EFRAG TEG, to be approved at an EFRAG Board conference call to be arranged for early May; and
 - (b) Draft cover letter addressing any other issues, to be approved at the EFRAG Board meeting on 31 May 2017.
- 12 In the context of the consultation on its draft comment letter, EFRAG will participate in outreach events over the consultation period (May to September). The EFRAG Secretariat is in the process of developing an outreach plan. In particular, the EFRAG Secretariat is considering:
- (a) consulting with its advisory forums (EFRAG CFSS and User Panel);
 - (b) organising outreach events with users during the consultation period on specific topics contained in the DP; and
 - (c) setting up outreach events in collaboration with interested National Standard Setters.

Questions for EFRAG TEG

- 13 Does EFRAG TEG agree with the drafting of the responses to the questions raised in the DP?
- 14 Does EFRAG TEG agree to recommend to the EFRAG Board the responses to the questions raised in the DP?

Agenda Papers

- 15 In addition to this cover note, agenda papers for this session are:
- (a) **Agenda paper 02-02** Draft Preliminary Views on IASB DP/2017/1 TEG 17-04-26; and
 - (b) **Agenda paper 02-03** IASB Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure* - for background only - TEG 17-04-26.