

Question 1.1 – Key principles

The Discussion Paper sets out a number of key principles that should underpin a Disclosure Framework.

Do you agree with these key principles? If not, what alternative principles would you propose?

I agree with the necessity to set a disclosure framework and that notes to statements should be audited to better depict how the business is evolving. Moreover especially when significant also intragroup data (especially revenues and Ebit) should be required to be clearly stated and specified.

Question 1.2 – Understanding the problem

Do you agree that these are the two main areas for improvements?

It is very important to have standard set of information in order to better compare results and statements from different companies. Currently especially on notes to statements each company can choose which information and how they want to publish it.

Question 2.1

In chapter 2 a definition of the purpose of the notes is proposed to assist in deciding what financial information should be required in the notes.

Do you think that there is a need to define the purpose of the notes? If not, please provide your reasoning.

I totally agree with the definition. It is of extreme importance to set a clear definition of what should be included in the notes and of the order it has to follow in the publication. Furthermore a quantitative indication of the risks behind a company (through a sensitive analysis) could be required. Currently only the list of the risks is required..

Question 2.2

Is the proposed definition of the purpose of the notes helpful in identifying relevant information that should be included in the notes? If not, how would you suggest it should be amended?

I agree with the proposed definition. Relevant information should also be included on intragroup activities especially for business breakdown and geographical breakdown.

Question 3.1

In chapter 3, it is proposed to identify specific users' needs that the notes should fulfil. Those users' needs are drawn from the Conceptual Framework. It is also suggested that a Disclosure Framework should include indicators to assist the standard setters to decide when additional information is

required to fulfil those users' needs.

(a) Is the description of the approach clear enough to be understandable? If not, what points are unclear?

(b) If you do not support this approach, what alternative would you support and why?

(c) Do you think that a category on "information about the reporting entity as a whole" should be included? If so, why?

Question 3.2

Are the proposed users' needs and indicators in chapter 3 helpful to identify relevant information? If not, how would you suggest amending them, or what other basis would you suggest to identify relevant information to be included in the notes?

Especially after business aggregations it is important to have an indication of the past history of the disaggregated companies in order to better understand the future cashflows.

Again I would stress on intragroup accounting and on balance sheet effects of the aggregation especially on working capital and on intangibles.

Also liabilities especially for pension funds have to be clearly evaluated.

Question 3.3

Do you agree with the way how risk and stewardship are addressed in the Discussion Paper? If not, what are your views about how risk and stewardship information that should be provided in the notes?

Question 3.4

Standard setters frequently mandate detailed disclosure requirements in each standard. In chapter 3, it is suggested that the way in which disclosures are established influences behaviours, and alternative approaches are discussed.

Do you think that standard setters should change their practice of mandating detailed disclosure requirements in each standard? If so, which of the alternative approaches discussed do you think will be the most effective in improving the quality of information in the notes?

Some kind of freedom for notes preparers is certainly needed. A combination of Industry standards and company specific requirements would give some freedom, but at the same time would assure that the necessary information on risks and business evolution is provided.

More clear and quantitative indications of the effects of risks should be provided especially as a result of a sensitive analysis (often these data are provided by the management in conference calls or public events).

Question 3.5

Some standard setters have established, or have proposed establishing, differential reporting regimes on the basis that a 'one size fits all' approach to disclosures is not appropriate. They consider that reporting requirements should be more proportionate, based on various characteristics such as entity size, or whether they relate to interim or annual financial statements?

Do you think that establishing alternative disclosure requirements is appropriate?

Yes it is correct to have different reporting requirements depending on the size of a company and interim or annual financial statements. In particular if a company is small it would be too burdensome to ask for a very detailed reporting regime as too much information could distract from the core business evolution. Instead bigger size companies should have a more standard requirements for the publication of the notes as cashflows need to be more comparable.

Question 4.1

Chapter 4 discusses the application of materiality to disclosures. Currently, IFRS state that an entity does not need to disclose information that is not material.

Do you think that a Disclosure Framework should reinforce the application of materiality, for instance with a statement that states that immaterial information could reduce the understandability and relevance of disclosures ?

Non-material information reduces the understandability of disclosures. It is however very difficult to set standards on how materiality is defined especially as it could be relevant only in some specific years and under certain conditions.

Question 4.2

Chapter 4 also includes proposed guidance to assist in the application of materiality.

Do you think that a Disclosure Framework should include guidance for applying materiality? If you disagree, please provide your reasoning.

Yes a guidance on how to consider materiality should be included in the notes as preparers could continue to publish unnecessary information or could avoid releasing other new information which could now be material.

Question 4.3

Is the description of the approach clear enough to be useful to improving the application of materiality? If not, what points are unclear or what alternatives would you suggest?

The approach is very clear.

Question 5.1

Chapter 5 includes proposals for improving the way disclosures are communicated and organised. Would the proposed communication principles improve the effectiveness of disclosures in the notes? What other possibilities should be considered?

On the one hand they would improve the effectiveness of the disclosures on the other they could lead to a freedom in the way of reporting between companies and therefore reducing the comparability between companies. A possible solution could be that of defining an order to information release although allowing companies not to follow a checklist approach but a one more in line with operational business.

Question 5.2

Do any of the suggested methods of organising the notes improve the effectiveness of disclosures?
Are there different ways to organise the disclosures that you would support?

Prioritising disclosures could be a good solution. However together with it a clear framework has to be set in order to put some limits to preparers.

Question 6.1

Are there any other issues that you think need to be addressed to improve the quality of information reported in the notes to the financial statements? Please explain how you think these issues should be addressed and by whom.