International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

12 October 2017

Dear Mr Hoogervorst,

Re: Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure*

On behalf of the European Financial Reporting Advisory Group (EFRAG), I am writing to comment on the Discussion Paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure*, issued by the IASB on 30 March 2017 (the 'IASB DP).

This letter is intended to contribute to the IASB's due process and does not necessarily indicate the conclusions that would be reached by EFRAG in its capacity as advisor to the European Commission on endorsement of definitive IFRS Standards in the European Union and European Economic Area.

General comments

EFRAG fully supports the aims of IASB's Principles of Disclosure project and the overall Disclosure Initiative. As expressed in EFRAG's response to the IASB's 2015 Agenda Consultation, in EFRAG's view the Disclosure Initiative is one of the most important of the IASB's active projects. In its response to the 2015 IASB Agenda Consultation, EFRAG stressed the importance of having a clear, effective, coherent and comprehensive but concise package of disclosure requirements. Further, EFRAG regretted that the Disclosure Initiative has only resulted in small amendments to standards so far whereas the main project has not yet reached standards-level stage. This lack of progress is disappointing, especially in the light of the substantial research conducted by EFRAG and other regional and national accounting standards bodies related to the disclosure problem.

EFRAG agrees with the description of the 'disclosure problem' in the IASB DP insofar as we acknowledge that the problem is multifaceted, includes behavioural aspects and that the requirements in IFRS Standards are not the only root cause. Accordingly, EFRAG considers that not all factors identified as contributing to the disclosure problem can be addressed by the IASB alone. Encouraging the behavioural changes needed to improve communication effectiveness requires the involvement of other stakeholders, such as preparers, auditors and regulators, each in their specific role, which all have a shared interest in fostering the improvement of disclosures. Maintaining a structured dialogue with them is therefore paramount.

Nonetheless, EFRAG notes that the Disclosure Initiative commenced several years ago in response to concerns about disclosure overload and that stakeholders have since undertaken extensive efforts and initiatives to address behavioural issues. These include efforts to improve the application of materiality to financial statement disclosures and to communicate financial statement information more effectively. EFRAG sees merit in the IASB reinforcing these initiatives with its own guidance. However, EFRAG considers that, in the next steps of the project, a higher priority should be given by the IASB to a comprehensive review of standards-level requirements. EFRAG considers that this standards-level review is a critical element of the Disclosure Initiative the objective of which should be to develop a clear, effective, coherent and comprehensive but concise package of disclosure requirements. The review should, in particular, aim to identify and remove any disclosure requirements that are disproportionate or redundant.

In undertaking this review, EFRAG encourages the IASB to further consider how users currently use the information in the financial statements and to explore whether there is any information that would be helpful but is not currently provided in the financial statements. In doing so, that the IASB should consider the balance between benefits of the information to users and costs to preparers of providing that information.

EFRAG regrets that a number of other issues identified in the Discussion Paper *Towards a Disclosure Framework for the Notes,* published by EFRAG, the Autorité des Normes Comptables (ANC) and the Financial Reporting Council (FRC) in 2012 (the 'EFRAG/ANC/FRC DP') are not addressed in the IASB DP, including:

- the boundaries of the financial statements i.e. information that should be provided in financial statements and information that belongs outside financial statements;
- the impact of technology on the presentation of financial statements and on disclosures; and
- exploring a tiered approach to disclosure requirements. EFRAG notes that the NZASB staff's proposals and the 'core and more' proposals in The Future of Corporate Reporting published by FEE (now Accountancy Europe) in October 2015 are examples of tiered approaches and encourages further analysis of their advantages and disadvantages.

EFRAG encourages the IASB to consider the implications of developments in technology on the disclosure problem and on the presentation of financial statements in general in greater depth. The lack of consideration of the effect of technological changes, which may affect the nature, structure and format of financial statements in the future, resulted in a focus on detailed issues which may be irrelevant or of less importance in the future. Consideration of technology would include the relationship between general purpose financial reporting and electronic filing; how information is linked across the different elements of financial reporting and how technology might affect the way financial information is delivered and accessed.

Additional comments

EFRAG's detailed comments and responses to the questions in the IASB DP are set out in the Appendix. A summary of additional comments is provided in the paragraphs below.

Principles of effective communication

EFRAG agrees that the effective communication of information in financial statements is highly important. EFRAG also takes no issue with the particular principles proposed in the IASB DP (although we do note some tensions between certain of them and some existing standard-level requirements and we suggest certain clarifications to some of them).

EFRAG considers that further work is needed to determine whether some of these principles could be developed into requirements to be included in a general disclosure standard (which might in some cases require replacing or amending existing principles). The other proposed communication principles (i.e. those that are not suitable to be included as standards-level requirements) should, if at all, be carried forward in illustrative examples or implementation guidance accompanying but not forming part of a general disclosure standard.

EFRAG also notes the IASB's proposal to develop non-mandatory guidance on formatting. EFRAG questions the likely effectiveness of such guidance. However, if such guidance is to be developed we again suggest that it should be included in the non-mandatory guidance accompanying a standard.

Roles of the primary financial statements and of the notes

EFRAG welcomes the overall objective of providing additional guidance on the roles of the primary financial statements and the notes. However, EFRAG has some specific concerns:

- the proposed role of the primary financial statements focuses too much on the elements (assets, liabilities, equity, income, expenses) and not enough on the overall objective of providing summarised information about financial performance and financial position; and
- the proposed role of the notes does not set the boundaries of the notes (i.e. information that should be provided in the notes and information that belongs outside financial statements) and appears to ignore or down-play certain information currently contained in them. Examples include segment information or information on unrecognised assets and liabilities, which do not merely supplement or explain the information in the primary financial statements but have information value in their own right.

Location of information

Disclosing IFRS information outside the financial statements

EFRAG welcomes the provision of principle-based guidance on cross-referencing but considers that the IASB should be cognisant of the audit, legal or regulatory issues that a broader use of cross-references could give rise to. In this context, further work would be needed, together with audit authorities and regulators, to assess the audit, legal and regulatory implications of the proposed guidance across a range of different jurisdictions.

Other factors to consider include the extent to which the financial statements should be a standalone document, the readability of the extensive package of information provided by entities to their users and the impact of digital reporting.

EFRAG considers that any resulting guidance should remain principles-based rather than refer to specific documents such as the annual report (the contents of which may vary across jurisdictions and over time as digital reporting becomes more predominant). Lastly, EFRAG is concerned that the proposed requirement to allow the use of a cross-reference only ‘if it makes the annual report as a whole more understandable’ may be difficult to implement and therefore, we suggest that the IASB illustrate how the proposed requirement would work in practice.

Providing information identified as non-IFRS within the financial statements

EFRAG considers that any new guidance in this area needs to be well-targeted in order to avoid unnecessary clutter. The primary focus for the guidance should be on financial information that supplements IFRS information or provides an alternative depiction of some type. EFRAG supports the approach proposed in the IASB DP for this type of non-IFRS information, as we consider that such information should be distinguished from IFRS information and provided in a way that is transparent, understandable and does not detract from the understandability of the IFRS information.

EFRAG further notes that some information that is (or could be viewed as) non-IFRS is provided in accordance with laws or regulations. This might include, for example, disclosure of employee numbers or audit fees. Disclosure of this type of information seems unproblematic and readily understandable. Similar comments apply to some common and well-understood sub-totals such as a gross profit sub-total.

Use of performance measures in the financial statements

EFRAG would have preferred a more holistic and comprehensive discussion on the use of metrics such as EBIT/EBITDA and on unusual or infrequently occurring items, which are unrelated to the main objective of the IASB DP and are part of the Primary Financial

Statements research project. Although we include some comments on these issues, we reserve the right to revise and expand our comments when addressing future due process documents issued by the IASB.

EFRAG considers that providing guidance on the classification of items as unusual or infrequently occurring could be appropriate considering their widespread use. EFRAG is not in a position, at this stage, to further comment on the usefulness of such guidance as the IASB has neither developed principles nor included a comprehensive discussion on the matter. However, EFRAG considers that the discussion should not be restricted to unusual or infrequently occurring items but should consider more broadly why adjustments are made to performance reporting as required by IAS 1. Such adjustments are not only linked to the frequency or amounts of transactions but relate to other issues including underlying performance and organic growth.

Finally, EFRAG agrees that a general disclosure standard should provide guidance as to how performance measures can be fairly presented in financial statements and broadly agrees with the qualitative proposals in the IASB DP.

Disclosure of accounting policies

EFRAG considers that guidance about disclosure of accounting policies and significant judgements and assumptions is useful but should not be overly prescriptive as to their form and location. Entities should have some flexibility to determine the level of disclosure that most appropriately reflects users' needs.

EFRAG is of the view that the categorisation of accounting policies, as proposed in the IASB DP, needs further clarifications and that materiality should always be considered. The focus should be on whether disclosure of accounting policies that relate to material items, transactions or events (Category 2) is always necessary.

EFRAG is in particular of the view that further consideration should be given as to whether accounting policies that are in Category 2 need to be disclosed in full, or whether a reference to the relevant IFRS Standard would be sufficient.

Centralised disclosure objectives

EFRAG supports the further exploration of how to achieve a more holistic and unified approach in developing disclosure objectives. However, EFRAG considers that a necessary preliminary step would be to clarify the boundaries of the notes. EFRAG also considers that disclosure objectives are not helpful if they are too generic.

EFRAG supports further analysis of how disclosure requirements could be focused on the entity's activities and business model as this has the potential to provide improved information for users over the present practice of focusing on information about an entity's assets, liabilities, equity, income and expenses.

In EFRAG's view, the question of the location of the disclosure requirements (i.e. a single standard or several disclosure standards) is not the primary issue. Instead, the IASB should ensure, when developing new disclosure requirements, it also re-assesses existing disclosure requirements to ensure that the overall package is proportionate and free from duplication or redundancy.

If you would like to discuss our comments further, please do not hesitate to contact Hocine Kebli, Ioanna Chatzieffraimidou, Albert Steyn or me.

Yours sincerely,

Jean-Paul Gauzès
President of the EFRAG Board

Appendix - EFRAG's responses to the questions raised in the IASB DP

Contents

SECTION 1 - Overview of the disclosure problem and the aim of the project

Question 1

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

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?

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?

Question 2

Are there any other disclosure issues that the IASB has not identified in this Discussion Paper (sections 2–7) that you think should be addressed as part of the Principles of Disclosure project? What are they and why do you think they should be addressed?

EFRAG agrees with the description of the 'disclosure problem' in the IASB DP insofar as we acknowledge that the problem is multifaceted includes behavioural aspects and that the requirements in IFRS Standards are not the only root cause. EFRAG considers that not all factors identified as contributing to the disclosure problem can be addressed by the IASB alone and that other stakeholders, such as preparers, auditors and regulators, each in their specific role, which all have a shared interest in fostering the improvement of disclosures.

Although many factors contribute to the disclosure problem, EFRAG considers that one of the reasons is that many of the disclosure requirements in IFRS Standards have been developed on a standard-by-standard basis without taking a holistic perspective. EFRAG therefore considers that, in the next steps of the project, a high priority should be given by the IASB to a comprehensive review of standards-level requirements. EFRAG regards this standards-level review as a critical remaining element of Disclosure Initiative and considers that its objective should be to develop a clear, effective, coherent and comprehensive but concise package of disclosure requirements. The review should, in particular, aim to identify and remove any disclosure requirements that are disproportionate or redundant.

In undertaking this review, EFRAG encourages the IASB to further consider how users currently use the information in the financial statements and to explore whether there is any information that would be helpful but is not currently provided in the financial statements. In doing so, that the IASB should consider the balance between benefits of the information to users and costs to preparers of providing that information.

Addressing the disclosure problem

1 EFRAG welcomes the IASB's initiative to develop guidance in order to address the disclosure problem.

2 EFRAG agrees with the description of the 'disclosure problem' in the IASB DP insofar as the problem is multifaceted and acknowledges that the root causes go beyond the requirements in IFRS Standards (and include behavioural issues).

3 However, EFRAG notes that the Disclosure Initiative started several years ago in response to concerns about disclosure overload and that stakeholders have since undertaken extensive efforts and initiatives to address behavioural issues. These include efforts to improve the application of materiality to financial statement disclosures and to communicate financial statement information more effectively. EFRAG sees merit in the IASB reinforcing these initiatives with additional guidance.

4 EFRAG, however, considers that not all factors identified as contributing to the disclosure problem can be addressed by the IASB alone. Encouraging the behavioural changes needed to improve communication effectiveness requires the involvement of other stakeholders, such as preparers, auditors and regulators, each in their specific role, which all have a shared interest in fostering the improvement of disclosures. Maintaining a structured dialogue with them is therefore paramount.

5 In the Discussion Paper *Towards a Disclosure Framework for the Notes,* published by EFRAG, the Autorité des Normes Comptables (ANC) and the Financial Reporting Council (FRC) in 2012 (the EFRAG/ANC/FRC DP), EFRAG acknowledged that the relevance of the notes to the financial statements has been reduced and noted two main areas for improvement of the quality of disclosures:

(a) avoiding disclosure overload through the disclosure of irrelevant information which may be caused both by excessive requirements in IFRS Standards, and by ineffective application of materiality in preparation of the financial statements; and

(b) enhancing how disclosures are organised and communicated in the financial statements to make them easier to understand and to compare.

6 In EFRAG's view, although many factors contribute to the disclosure problem, one of the reasons is that the disclosure requirements in IFRS Standards have largely been developed on a standard-by-standard basis without taking a holistic perspective.

7 EFRAG therefore considers that, in the next steps of the project, a high priority should be given by the IASB to a comprehensive review of standards-level requirements. EFRAG regards this standards-level review as a critical remaining element of Disclosure Initiative.

8 EFRAG acknowledges that the IASB DP refers to plans to conduct a standards-level review of existing disclosure requirements using the principles developed in the IASB DP. However, EFRAG regrets that no specific timetable has been set for this and notes the substantial work related to the disclosure problem already undertaken by EFRAG and other regional and national accounting standards bodies that could be leveraged by the IASB.

9 EFRAG considers that the objective of the standards-level review should be to develop a clear, effective, coherent and comprehensive but concise package of disclosure requirements. The review should, in particular, aim to identify and remove any disclosure requirements that are disproportionate or redundant. EFRAG believes that this objective will be achieved only if disclosure requirements are developed and reviewed holistically and the role and the boundaries of the notes (i.e. information that should be provided in the notes and information that belongs outside financial statements) are clearly understood. The EFRAG/ANC/FRC DP noted that, although reducing the length of the notes to financial statements may not be the primary intent, a sharper focus on relevance will likely result in a reducing their volume, which is a legitimate expectation.

10 In undertaking this review, EFRAG encourages the IASB to further consider how users currently use the information in the financial statements. For example, EFRAG understands that, while some users may commonly read the full financial statements, more may use the financial statements as a reference document. The

IASB should also explore whether there is any information that would be helpful but is not currently provided in the financial statements and also test some real-life disclosures to understand why users find certain information useful. In doing so, that the IASB should consider the balance between benefits of the information to users and costs to preparers of providing that information.

Issues not addressed in the IASB DP

11 The EFRAG/ANC/FRC DP provided a number of suggestions in developing a Disclosure Framework. EFRAG considers that some of these proposals could have been addressed more fully in the IASB DP. In particular, EFRAG considers that more discussion is needed of:

(a) the boundaries of the financial statements, i.e. the distinction between information that should be provided in financial statements and information to be provided in other forms of financial reporting outside financial statements;

(b) the impact of technology on the presentation of financial statements and on disclosures; and

(c) a tiered approach to disclosure requirements. EFRAG notes that the NZASB staff's proposals and the 'core and more' proposals in The Future of Corporate Reporting published by FEE (now Accountancy Europe) in October 2015 are examples of tiered approaches and encourages further analysis of their advantages and disadvantages.

12 EFRAG encourages the IASB to consider the implications of developments in technology on the disclosure problem and on the presentation of financial statements in general in greater depth. The lack of consideration of the effect of technological changes, which may affect the nature, structure and format of financial statements in the future, resulted in a focus on detailed issues which may be irrelevant or of less importance in the future. Consideration of technology would include the relationship between general purpose financial reporting and electronic filing; how information is linked across the different elements of financial reporting (see also EFRAG's comments in Section 4 'Location of Information') and how technology might affect the way financial information is delivered and accessed.

13 Furthermore, there is significant overlap between this project and the Primary Financial Statements project. While we understand that the IASB DP seeks initial feedback on clarifications related to EBIT, EBITDA and on unusual or infrequently occurring items to inform the Primary Financial Statements project, we consider that this may confuse stakeholders. In addition, in our opinion, any output from such consultations should only be considered as supplementary evidence, but should not drive the Primary Financial Statements project.

SECTION 2 - Principles of effective communication

Question 3

Do you agree that the IASB should develop principles of effective communication that entities should apply when preparing the financial statements? Why or why not?

Do you agree with the principles listed in paragraph 2.6 of the IASB DP? Why or why not? If not, what alternative(s) do you suggest, and why?

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? If you support the issuance of non-mandatory guidance, please specify the form of non-mandatory guidance you suggest and give your reasoning.

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, please specify the form of non-mandatory guidance you suggest and give your reasoning.

EFRAG agrees that effective communication of information in financial statements is highly important. EFRAG takes no issue with the particular principles of effective communication proposed in the IASB DP, although we note some tensions between certain of them and some existing standard-level requirements and suggest clarifications to certain of them.

EFRAG considers that further work is needed to determine whether some of these principles could be developed into requirements to be included in a general disclosure standard. The other proposed communication principles (i.e. those that are not suitable to be included as standards-level requirements) should, if at all, be carried forward in illustrative examples or implementation guidance accompanying but not forming part of a general disclosure standard.

EFRAG also notes the IASB's proposal to develop non-mandatory guidance on formatting and questions the likely effectiveness of such guidance. However, if such guidance is to be developed we again suggest that it should be included in the non-mandatory guidance accompanying a standard.

Guidance on communication principles

14 EFRAG agrees that effective communication of information in financial statements is highly important. As stated in the EFRAG/ANC/FRC DP, poor communication hinders the provision of quality information, especially within lengthy reports. Further, the EFRAG/ANC/FRC DP recognised the importance of financial statements as a tool to communicate information to users, rather than being seen only as a compliance exercise and that principles of effective communication could improve the quality of disclosures. However, as the notes form part of 'telling the entity's story', it would be difficult to establish anything other than high-level generic principles.

15 EFRAG notes that some entities have already embarked on extensive efforts in this direction and that several sources of guidance are already available to assist them. EFRAG therefore questions whether the development of additional non-mandatory guidance will have much effect in practice and encourages the IASB to assess whether some of these principles could be developed into mandatory requirements. Any such mandatory requirements could be included in a general disclosure standard (which might in some cases require replacing or amending existing

principles). We consider that this would provide the right level of authority to help tackle the behavioural problem outlined by the IASB. The other proposed communication principles (i.e. those that are not suitable to be included as standards-level requirements) should, if at all, be carried forward in illustrative examples or implementation guidance accompanying but not forming part of a general disclosure standard. In developing these principles, the effects of technology should be considered, as some of the principles may become less important in a digital reporting era.

16 In that regard, the IASB could consider the experience of jurisdictions such as the UK that have already implemented communication principles, some of which are backed by legislative requirements and are enforceable, and some of which are non-mandatory best practice.

17 EFRAG also notes some tensions between certain of the proposed principles and existing standards-level requirements and suggests clarifications to certain of them. In particular, EFRAG agrees with the IASB that entities need to use judgement when applying these communication principles, including the trade-off between these principles. For example, if more emphasis is placed on making disclosures entity-specific and thereby providing more relevant information for users, then inevitably there has to be some ground given up on achieving comparability. In this respect, EFRAG encourages the IASB to add more guidance on the interaction between those two principles.

18 EFRAG notes that the principle of optimising comparability among entities may be difficult to apply in practice and that the IASB should explain the meaning of the term comparability 'among entities', as this could be interpreted in many ways (e.g. entities in the same industry, in the same jurisdiction…). Moreover, the proposed communication principle sets a different threshold to paragraph 113 of IAS 1, which requires an entity to 'consider the effect on' comparability.

19 EFRAG recommends that the IASB clarify that the principle that information needs to be 'described simply and directly' includes the need for information to be understandable and comprehensive, and that the principle that information needs to be 'organised in a way that highlights important matters' should also refer to the need to balance information that is highlighted in the financial statements.

20 Lastly, in EFRAG's view, the link between communication principles and the qualitative characteristics of useful financial information in the Conceptual Framework should be enhanced. For example, EFRAG understands that communication principle (a) relates to the relevance of information; communication principles (b), (c), (d), (e), (f) and (g) relate to the understandability of information; communication principle (b) also relates to faithful representation; and communication principle (f) also relates to the comparability of information.

Guidance on formatting

21 EFRAG notes the IASB's proposal to develop non-mandatory guidance on formatting, which would cover the types of formats available, when a particular format might be appropriate and some illustrative examples. However, EFRAG regrets that the IASB DP does not include discuss how developments in digital reporting might affect the relevance of such guidance. Without such a discussion, we consider that there is a risk that guidance on formatting, even in a non-mandatory form, may reduce the willingness of entities to take more innovative approaches to the presentation of their financial information.

22 EFRAG questions the likely effectiveness of non-mandatory guidance. However, if such guidance is to be developed we again recommend that it should be included in the non-mandatory guidance accompanying a standard rather than in separate educational material or a practice statement.

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

Question 4

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

(a) specify that the 'primary financial statements' are the statements of financial position, financial performance, changes in equity and cash flows;

(b) describe the role of primary financial statements and the implications of that role as set out in paragraphs 3.22 and 3.24 of the IASB DP;

(c) describe the role of the notes as set out in paragraph 3.28 of the IASB DP, as well as provide examples of further explanation and supplementary information, as referred to in paragraphs 3.26–3.27 of the IASB DP; and

(d) 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 of the IASB DP.

In addition, the IASB's preliminary view is that:

(e) 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

(f) 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 IASB's preliminary views? Why or why not? If you do not agree, what do you suggest instead, and why?

EFRAG welcomes the overall objective of providing additional guidance on the roles of the primary financial statements and the notes. However, **EFRAG has the following specific concerns:**

(a) the proposed role of the primary financial statements focuses too much on the elements (assets, liabilities, equity, income, expenses) and not enough on the overall objective of providing summarised information about financial performance and financial position; and

(b) **the proposed the role of the notes does not set the boundaries of the notes (i.e. information that should be provided in the notes and information that belongs outside financial statements) and appears to ignore or down-play certain sections contained in the notes (including segment information and information on unrecognised assets and liabilities), which do not merely supplement or explain the information in the primary financial statements but have information value in their own right.**

Role of the primary financial statements and of the notes

23 EFRAG welcomes the overall objective of providing additional guidance on the roles of the primary financial statements and of the notes. EFRAG considers that defining

the roles can help define the boundaries between the notes and the primary financial statements. EFRAG considers that this is a necessary step prior to developing any form of principles of disclosures.

24 In EFRAG's view, the term 'primary financial statements' is generally well understood and has not heard major concerns raised by constituents.

25 EFRAG generally agrees that the IASB should define the purpose of the primary financial statements and of the notes. However, EFRAG considers that:

(a) the proposed role of the primary financial statements focuses too much on the elements (assets, liabilities, equity, income, and expenses) and too little on the overall objective of providing summarised information about financial performance, financial position, cash flows and changes in equity; and

(b) the proposed role of the notes does not set the boundaries of the notes and appears to disregard or down-play certain sections confined in the notes (such as segment information or information on unrecognised assets and liabilities), which do not merely supplement or describe the information in the primary financial statements but have explanatory value in their own right.

26 EFRAG considers that the proposed description of the role of the notes does not adequately define their boundaries (i.e. information that should be provided in the notes and information that belongs outside financial statements); in particular in the generic reference to 'all other information that is necessary to meet the objective of financial statements'.

27 EFRAG observes that paragraph 3.28 of the IASB DP defines the role of the notes as providing 'further information necessary to disaggregate, reconcile and explain the items recognised in the primary financial statements'. EFRAG notes that the statement of cash flows and the statement of changes in equity also provide forms of reconciliations and hence that reconciling items in the primary financial statements' is not solely an objective of the notes.

28 Lastly, as mentioned in its response to the question in Section 1, EFRAG regrets that the IASB DP does not consider in greater depth the implications of digital reporting and other technological developments on the roles of the primary financial statements and the notes and the distinction between them. The IASB DP appears to implicitly limit its focus to today's fixed layout-type reports.

Using the terms 'present' or 'disclose'

29 In EFRAG's comment letter in response to the Conceptual Framework Exposure Draft, EFRAG stated that the IASB should consider how to distinguish between presentation and disclosure and provide principles for when disclosures should be provided. EFRAG observes that, as the IASB DP proposes a definition of the term 'primary financial statements', this would be a logical next step. EFRAG observes that the two terms are sometimes used interchangeably in IFRS Standards, although 'present' is more often used to describe including information in the primary financial statements whereas the term 'disclosure' is often used to describe including information in the notes.

30 However, EFRAG considers that trying to clarify the respective meanings of the two terms may not necessarily be helpful as the two terms have a common meaning in the English language and nuances would not necessarily translate well into other languages. Furthermore, EFRAG does not consider the distinction between 'present' and 'disclose' to be a major issue in financial reporting. EFRAG therefore supports the IASB's proposal to be more disciplined in the use of the term in future standard setting by specifying the intended location (e.g. 'disclosed in the notes') as a practical solution.

SECTION 4 - Location of information

Disclosing IFRS information outside the financial statements

Question 5

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

Can you provide any examples of specific scenarios, other than those currently included in IFRS Standards (see paragraphs 4.3–4.4 of the IASB DP), 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) of the IASB DP?

EFRAG welcomes the provision of principle-based guidance on cross-referencing but considers that the IASB should be cognisant of the audit, legal or regulatory issues that a broader use of cross-references could give rise to. In this context, EFRAG encourages the IASB to further liaise with audit authorities and regulators, to assess the audit, legal and regulatory implications of the proposed guidance across a range of different jurisdictions.

EFRAG considers that, rather than prescribing that cross-referenced information should be limited to an entity's annual report, the IASB should highlight the underlying principle, which is that cross-references to information outside the financial statements should be allowed if the information is available to users of the financial statements on the same terms, at the same time and continue to be available as long as the financial statements. EFRAG considers that any such guidance should remain principles-based rather than refer to specific documents such as the annual report (where the content may vary across jurisdictions and over time as electronic reporting becomes more predominant).

Lastly, EFRAG is concerned that the proposed requirement to allow the use of a cross-reference only 'if it makes the annual report as a whole more understandable' may be difficult to implement and therefore we suggest that the IASB illustrate how the proposed requirement would work in practice.

Should a general disclosure standard allow cross-reference?

31 EFRAG first observes that, in some limited cases, IFRS Standards already allow entities to provide specified information outside the financial statements and cross-referencing is applied more widely in practice in some jurisdictions.

32 EFRAG agrees that a general disclosure standard should include a general principle that an entity can disclose information necessary to comply with IFRS Standards outside the financial statements if some requirements are met, but considers that the IASB should be cognisant of the audit, legal or regulatory issues that a broader use of cross-references could give rise to. In this context, EFRAG encourages the IASB to further liaise with audit authorities and regulators, to assess the audit, legal and regulatory implications of the proposed guidance across a range of different jurisdictions.

33 Other factors to consider include the extent to which the financial statements should be a standalone document, whether an excessive use of cross-referencing could

make the financial statements fragmented with a detrimental impact on users, and the implications of digital reporting.

34 Each of these issues could provoke a different response to the use of cross-referencing and decisions should be taken in the light of the impact on a range of issues. In this context, further work would be needed, together with audit authorities and regulators, to assess the audit, legal and regulatory implications of the proposed guidance across a range of different jurisdictions applying IFRS Standards. Feedback received by EFRAG provides evidence that the accessibility and the level of assurance (i.e. audit) of cross-referenced information are seen as key issues by constituents.

Proposed guidance on cross-references

35 EFRAG agrees with the proposed requirement that cross-referenced information should be clearly identified and should be incorporated in the financial statements through a cross-reference to that information. This would ensure there is clarity regarding the information that is and is not subject to IFRS Standards.

36 However, EFRAG considers that any guidance should remain principles-based rather than refer to specific documents such as the annual report (where the content may vary across jurisdictions and over time as electronic reporting becomes more predominant). EFRAG is also concerned that the articulation of the circumstances under which cross referencing is permitted or prohibited could introduce restrictions that hinder future innovation in reporting and advises caution in ensuring that the language adopted does not restrict developments.

37 Thus, rather than prescribing that cross-referenced information should be limited to an entity's annual report, EFRAG suggests that the IASB should highlight the underlying principle, which is that cross-references to information outside the financial statements should be allowed if the information is available to users of the financial statements on the same terms, at the same time and continue to be available as long as the financial statements.

38 In EFRAG's view, this principle will reach an appropriate basis for cross-referencing, and avoid impairing understandability. It would allow entities to include information in the financial statements by cross-reference (not necessarily included in the 'single reporting package issued by an entity' as described), such as a separate risk report, that is available to users of the financial statements on the same terms, at the same time and for as long as the financial statements.

39 EFRAG is concerned that the proposed requirement to allow the use of a cross-reference only 'if it makes the annual report as a whole more understandable' will be difficult to implement. We suggest that the IASB illustrate how the proposed requirement would work in practice.

Examples of specific situations where cross-references are or could be used

40 EFRAG has heard that it is not uncommon in some jurisdictions to use cross-references for items such as information on risks or management remuneration as the local regulations require detailed statements on these topics. Disclosure requirements in these jurisdictions may be more extensive and may overlap with the requirements in IFRS Standards. The management remuneration disclosures may be required in the management commentary section of the annual report or in a separate remuneration report.

41 EFRAG has also heard that information about investments in subsidiaries, associates and joint ventures and shared based payment transactions are other examples of disclosures, where cross-reference could be used.

Providing information identified as non-IFRS within the financial statements

Question 6

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

Question 7

Do you think the IASB should prohibit the inclusion of any specific types of additional information in the financial statements (for example information that is inconsistent with IFRS Standards)? If so, which additional information, and why?

Providing information identified as non-IFRS within the financial statements

EFRAG acknowledges that the inclusion of non-IFRS information in financial statements is an important issue and also a complex one.

EFRAG therefore considers that any new guidance in this area needs to be better targeted in order to avoid unnecessary clutter. The primary focus for the guidance should be on financial information that supplements IFRS information or provides an alternative depiction of some type. EFRAG supports the approach proposed in the IASB DP for this type of non-IFRS information, as we consider that such information should be distinguished from IFRS information and provided in a way that is transparent, understandable and does not detract from the understandability of the IFRS information.

EFRAG further notes that some information that is (or could be viewed as) non-IFRS is provided in accordance with laws or regulations. This might include, for example, disclosure of employee numbers or audit fees. Disclosure of this type of information seems unproblematic and readily understandable. Similar comments apply to some common and well-understood sub-totals such as a gross profit sub-total.

Providing information identified as non-IFRS within the financial statements

42 EFRAG acknowledges that the inclusion of non-IFRS information in financial statements is an important issue and also a complex one. The complexity arises in part from the challenge of distinguishing non-IFRS information from information that is not specified in IFRS Standards but is provided in accordance with its principles (e.g. additional information disclosed in order to provide a fair presentation in accordance with paragraph 17 of IAS 1 or additional line items provided in accordance with paragraph 85 of IAS 1).

43 EFRAG further notes that some information that is (or could be viewed as) non-IFRS is provided in accordance with laws or regulations. This might include, for example, disclosure of employee numbers or audit fees. Disclosure of this type of information seems unproblematic, readily understandable and not in conflict with IFRS information. Similar comments apply to some common and well-understood sub-totals such as a gross profit sub-total.

44 EFRAG therefore considers that any new guidance in this area needs to be well-targeted to avoid unnecessary clutter. The primary focus for the guidance should be on financial information that supplements IFRS information or provides an alternative depiction of some type. For this type of non-IFRS information, EFRAG supports the approach proposed in the IASB DP, as we consider that such information should be distinguished from IFRS information and provided in a way that is transparent, understandable and does not detract from the understandability of the IFRS information. In its outreaches with users, EFRAG has heard that an excessive use of non-IFRS information could create complexity and undermine the understandability of the financial statements. EFRAG considers that the emphasis should be on encouraging entities to determine additional information to be disclosed, which is relevant for understanding the performance, position and development of the business, in a manner which is clear and does not undermine the credibility of the reported IFRS numbers.

45 EFRAG also acknowledges the reasons why the IASB DP does not propose a general prohibition on non-IFRS information and agrees with them, as such a prohibition may limit the ability of an entity to provide information that is relevant to users. Instead the IASB should emphasise the need for entities to ensure that any non-IFRS information is presented or disclosed in a manner that is clear and does not obscure or impair the understandability of the IFRS information.

46 Lastly, in EFRAG's view, the IASB should also better explain the relationship between non-IFRS information (analysed in this section) and the discussion on 'performance measures' (discussed in the following section) in case information identified as 'non-IFRS' information also meets the description of a performance measure. The IASB could, for instance, restructure the sections of the IASB DP, so that non-IFRS information and performance measures are addressed together as separate discussion of the topics may create confusion.

SECTION 5 - Use of performance measures in the financial statements

Question 8

Do you agree with the IASB's preliminary view 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:

(a) the presentation of an EBITDA subtotal if an entity uses the nature of expense method; and

(b) the presentation of an EBIT subtotal under both a nature of expense method and a function of expense method.

Why or why not? If you do not agree, what alternative action do you suggest, and why?

Do you agree with the IASB's preliminary view that it should 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 of the IASB DP? Why or why not? If you do not agree, what alternative action do you suggest, and why?

Should the IASB prohibit the use of other terms to describe unusual and infrequently occurring items, for example those discussed in paragraph 5.27 of the IASB DP?

Are there any other issues or requirements that the IASB should consider in addition to those stated in paragraph 5.28 of the IASB DP 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 IASB's Primary Financial Statements project.

Question 9

Do you agree with the IASB's preliminary view that a general disclosure standard should describe how performance measures can be fairly presented in financial statements, as described in paragraph 5.34 of the IASB DP? Why or why not? If you do not agree, what alternative action do you suggest, and why?

EFRAG would have preferred a more holistic and comprehensive discussion on the use of EBIT/EBITDA measures and of the presentation of unusual or infrequently occurring items as these issues are largely unrelated to the main objective of the IASB DP and are addressed as part of the Primary Financial Statements research project.

Nevertheless, EFRAG considers that providing guidance on these issues may be appropriate considering their widespread use. EFRAG is not in a position, at this stage, to further comment on the usefulness of such guidance as the IASB has neither developed principles nor included a comprehensive discussion on the matter. EFRAG considers that the discussion should not be restricted to unusual or infrequently occurring items but should consider more broadly why adjustments are made to performance reporting as required by IAS 1. Such adjustments are not only linked to the frequency or amounts of transactions but relate to other issues including underlying performance and organic growth.

Finally, EFRAG agrees that a general disclosure standard should provide guidance as to how performance measures can be fairly presented in financial statements and broadly agrees with the qualitative proposals in the IASB DP.

Presentation of EBIT and EBITDA

47 EFRAG understands that the IASB is using the IASB DP as an opportunity to obtain early feedback on some aspects of its Primary Financial Statements research project. As mentioned in our response to questions in section 1 of the IASB DP, however, EFRAG considers that these issues are unrelated to the main objective of the IASB DP and would have preferred a more holistic and comprehensive discussion on the use of metrics such as EBIT/EBITDA as part of the Primary Financial Statements research project. Having the same topic subjected to two consultations runs the risk of contradictory feedback. In our opinion, any output from such consultations should only be considered as supplementary evidence, but should not drive the Primary Financial Statements project.

48 In EFRAG's view, the principle in paragraphs 55A and 85A of IAS 1 that 'the subtotals shall be comprised of line items made up of amounts recognised and measured in accordance with IFRS Standards' can be used by entities to identify which subtotals they shall present when it is relevant to an understanding of an entity's financial position and performance. EFRAG does not see any merit in the IASB clarifying how the presentation of EBIT and EBITDA in the statement(s) of financial performance interacts with the entity's decision to disclose expenses by nature or by function in accordance with existing IFRS Standards. Instead, the issue should be considered more holistically in developing future requirements on Standards on primary financial statements.

Depiction of unusual or infrequently occurring items in the statement(s) of financial performance

49 EFRAG would also have preferred a more holistic approach on unusual or infrequently occurring items in the statement(s) of financial performance in the context of the Primary Financial Statements project, which would look at all aspects of the issue, potentially including other adjustments made to performance figures. EFRAG considers that such comprehensive discussion should not be restricted to unusual or infrequently occurring items but should consider more broadly why adjustments are made to performance reporting as required by IAS 1. Such adjustments are not only linked to the frequency or amounts of transactions but relate to other issues including underlying performance and organic growth. Moreover, the IASB should consider how the other primary financial statements, particularly the statement of financial position and the statement of cash flows,

would be affected regarding the depiction of unusual or infrequently occurring transactions and events.

50 Nevertheless, EFRAG considers that providing guidance on classification of items as unusual or infrequently occurring may be helpful in view of their widespread use.

51 EFRAG is not in a position at this stage to further comment on the usefulness and effectiveness of such guidance as the IASB has not proposed any new principles or provided a comprehensive discussion on the matter. However, EFRAG advises caution on the prohibition of specific terms as the translation of these terms into languages other than English can lead to unforeseen consequences. Instead, we encourage the IASB to focus on the placement of such information, rather than the label ascribed.

General requirements for all performance measures in the financial statements

52 EFRAG acknowledges that IFRS Standards define few performance measures and that performance measures, other than those defined in IFRS Standards, are widely used. Concerns have been raised by users about the consistency and comparability of such information and the adequacy of disclosures.

53 In EFRAG's view, when performance measures (i.e. measures not defined in IFRS Standards) are presented in the primary financial statements or in the notes they should be clearly defined, their purpose explained, and they should be presented consistently over time and reconciled to information required by IFRS Standards. EFRAG considers that it is important that users of financial information can understand all the measures used, an economically based reason for their use and their calculation or determination. As mentioned earlier, it is also important that non-IFRS information does not obscure or impair the understandability of IFRS information.

54 EFRAG notes that the IASB's proposed guidelines are similar in the areas of focus (transparency, comparability, consistency and no undue prominence) to existing guidelines from major securities regulatory organisations, such as the European Securities Markets Authority (ESMA). However, the ESMA guidance also requires entities to explain the changes made in the calculation of the performance measure over time and the reasons why these changes result in reliable and more relevant information on the financial performance. EFRAG suggests that the IASB also incorporate this requirement.

55 EFRAG is concerned that the definition of performance measures is overly broad and may lead to unnecessary disclosures if not refined. For example, the proposed definition would cover totals and sub-totals presented in statement(s) of financial performance are commonplace and readily understandable such as a gross profit subtotal.

SECTION 6 - Disclosure of accounting policies

Question 10

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

Do you agree with the IASB'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, please specify the form of non-mandatory guidance you suggest (listed in paragraphs 2.13(a)–(c) of the IASB DP) and give your reasoning.

EFRAG considers that guidance about disclosures of accounting policies and significant judgements and assumptions is useful but should not be overly prescriptive as to their form and location. Entities should have some flexibility to determine the form and level of disclosure that best meets users' needs.

EFRAG is of the view that the categorisation of accounting policies, as proposed in the IASB DP, needs further clarifications and that materiality should always be considered. The focus should be on disclosure of those accounting policies that relate to items, transactions or events that are material to the financial statements without always being necessary (Category 2), where judgement is most needed. EFRAG is in particular of the view that further consideration should be given as to whether accounting policies that are in Category 2 need to be disclosed in full, or whether a reference to the relevant IFRS Standard would be sufficient.

Determining which accounting policies should be disclosed

56 In its response to the IASB's Exposure Draft ED/2014/1 *Disclosure Initiative (Proposed amendments to IAS 1)*, EFRAG assessed that disclosure of accounting policies as a mere summary of an IFRS Standard is generally not useful. EFRAG observed that useful disclosure provides insights into how the entity has exercised judgement in selecting and applying accounting policies.

57 EFRAG acknowledges that some are of the view that it should be possible to read financial statements as a self-contained document, i.e. including all applied accounting policies, regardless of whether they involve significant judgement or result from an accounting policy choice. However, in EFRAG's opinion, merely reproducing parts of IFRS Standards has generally little or no information value.

58 EFRAG is of the view that the boundaries of categories of accounting policy disclosures, as in the IASB DP, could be clarified and that materiality should always be considered. The focus should be on disclosure of those accounting policies that relate to items, transactions or events that are material to the financial statements without necessarily being entity-specific (Category 2), as this is the area where judgement is most needed. EFRAG is in particular of the view that further consideration should be given as to whether accounting policies that are in Category 2 need to be disclosed in full, or whether a reference to the relevant IFRS Standard would be sufficient.

Location of accounting policy disclosures and form of the guidance

59 EFRAG considers that the IASB should not be over-prescriptive about the location of accounting policies and disclosure of significant judgements and assumptions, so as to ensure that a preparer has some flexibility to determine the form and level of disclosure that best meets users' needs. EFRAG has not formed a definitive view on the proposed presumption that entities 'disclose information about significant judgements and assumptions adjacent to disclosures about related accounting policies, unless another organisation is more appropriate'. EFRAG encourages the IASB to create guidance that explains the relative merits of each presentation and the circumstances in which each may be more useful.

60 In EFRAG's view, the IASB should not discuss the disclosure of information that is not required by IAS 1 (that is information classified as Category 3, which is information that is not necessary for an understanding of the financial statements). We also observe that the alternative to allow, for such information, cross-reference to information that is presented on the entity's public website, seems inconsistent with the proposal in section 4 of the IASB DP to restrict cross-references to information disclosed in the entity's annual report.

SECTION 7 - Centralised disclosure objectives

Question 11

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

Question 12

Which of Method A (focussing on assets, liabilities, equity, income and expenses) or Method B (focussing on information about and entity's activities) do you support as the basis for developing centralised disclosure requirements and why?

Question 13

Do you think that the IASB 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?

EFRAG supports the further exploration of how to achieve a more holistic and unified approach in developing disclosure objectives. However, EFRAG considers that a necessary preliminary step would be to clarify the boundaries of the notes. EFRAG also considers that disclosure objectives will not be helpful if they are expressed too generically.

EFRAG supports further analysis of how disclosure requirements could be focused on the entity's activities and business model (Method B in the IASB DP) as this has the potential to provide improved information for users.

EFRAG considers that the question of the location of the disclosure requirements (i.e. a single standard or several disclosure standards) is not the primary issue. Instead, the IASB should ensure, when developing new disclosure requirements, it also re-assesses existing disclosure requirements to ensure that the overall package is proportionate and free from duplication or redundancy.

EFRAG sees pros and cons in grouping all disclosure requirements in a single standard. A single standard might promote the holistic approach referred to above but could become unwieldy and require frequent updates.

Developing a central set of disclosure objectives

61 EFRAG supports the further exploration of how to achieve a more holistic and unified approach in developing disclosure objectives.

62 As mentioned in our response to section 1, EFRAG considers that one of the reasons for unsatisfactory disclosure requirements is that these requirements have largely been developed on a standard-by-standard basis without an overall underlying basis; resulting in the lack of a unified and consistent approach.

63 EFRAG agrees that formalising an overall approach will make the process more transparent and will provide a common basis for developing disclosure objectives and requirements, leading to greater consistency between IFRS Standards.

64 EFRAG observes that more recent IFRS Standards (from IFRS 2 *Share-based Payments* onward) have included an overall objective for their disclosure

requirements. However, these objectives have been developed in isolation, as part of the discussions on each standard, and the relationships between the disclosure requirements in different standards (including the links between IAS 1 and other IFRS Standards) have not always been considered.

65 Developing disclosure objectives more holistically could be done, as proposed by the IASB, by using as a basis a single central set of disclosure objectives (to be contained in a general standard on disclosures), supplemented by more specific objectives developed at the level of each standard.

66 However, as explained in EFRAG's response to an earlier question, in order to develop centralised disclosure objectives for the notes, the IASB should first take a step back and articulate more clearly the boundaries of the notes. Moreover, if disclosure objectives are expressed too generically they are not helpful in determining the specific information to disclose in order to meet each objective.

Proposed approaches to developing a central set of disclosure objectives

67 EFRAG observes that Method A will be easier to implement as the IASB is familiar with developing disclosure objectives and requirements in individual IFRS Standards on the basis of the types of information useful to users of the financial statements about the items within the scope of the IFRS Standard. Method A is, in particular, consistent with the IASB's approach to developing recognition and measurement requirements in IFRS Standards and would require the least amount of additional work to implement.

68 The approach will also be better aligned with the proposed description of the role of the notes, which is to 'explain and expand' the information contained in the primary financial statements.

69 On the other hand, EFRAG supports further analysis of how disclosure requirements could be focused on the entity's activities and business model (Method B) as this has the potential to provide improved information for users over the present practice of focusing on information about an entity's assets, liabilities, equity, income and expenses.

68 Method B may require either a radical rewrite of many existing standards, or runs the risk of creating disconnect between the recognition and measurement of items in financial statements and the accompanying disclosure. However, EFRAG observes that Method A and Method B are in the early stages of development and have not been discussed in detail. EFRAG will be pleased to provide comments as these approaches are developed.

Considering a single standard, or a set of standards, for disclosures

69 EFRAG considers that the question of the location of the disclosure requirements is not the primary issue. Instead, the IASB should ensure, when developing new disclosure requirements, it also re-assesses existing disclosure requirements to ensure that the overall package is proportionate and free from duplication or redundancy.

70 EFRAG sees pros and cons in grouping all disclosure requirements in a single standard. A single standard might promote the holistic approach referred to above (by enabling disclosure requirements to be arranged by topic rather than by standard, avoid duplications and highlight relationships between disclosure requirements) but could become unwieldy and require frequent updates.

71 However, EFRAG acknowledges that in some cases, it may be useful to address disclosures on related topics in a single standard. An example of this is provided by IFRS 12 *Disclosure of Interests in Other Entities*, which contains comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

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

Question 14

Do you have any comments on the NZASB staff's approach to developing the disclosure objectives and requirements in IFRS Standards? Do you think that the development of such an approach would encourage the provision of enhanced disclosures by entities?

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

Although EFRAG supports further analysis of Method B, EFRAG sees merit in the NZASB staff's proposed approach on drafting disclosure requirements using Method A. EFRAG considers, in particular, that the proposed two-tiered approach can strike a balance between comparability and entity-specific relevance.

EFRAG does not provide further feedback on the illustrative examples presented by the NZASB staff.

72 Although EFRAG supports further analysis of Method B, EFRAG currently sees more merit in the NZASB staff's proposals on drafting disclosure requirements using Method A.

73 In the EFRAG/ANC/FRC DP, some general principles were provided that standard setters should always apply when drafting disclosure requirements. EFRAG observes that the NZASB staff's approach aims to achieve many of these principles.

74 EFRAG considers in particular that the proposed two-tiered approach can strike a balance between comparability (with the summary information required in all instances subject only to materiality) and relevance (with the 'additional information').

75 Although EFRAG does not intend to provide detailed feedback on the illustrative redrafting of the disclosure requirements in IAS 16 *Property, Plant and Equipment* and IFRS 3 *Business Combinations*, EFRAG observes that the objectives set for the disclosures are drafted in very generic and similar terms. EFRAG considers that, to be useful, clearer objectives must be set at the standards level. Furthermore, the boundary between 'summary' and 'additional' information would need to be further clarified to make the approach operational.