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

Objective

1 The objective of the session is to discuss and approve a comment letter in response to the IASB discussion paper DP/2017/1 *Disclosure Initiative - Principles of Disclosure* (the 'IASB DP').

Background

2 The IASB DP was issued by the IASB on 30 March 2017 and the comment period ended on 2 October 2017.

3 The main objective of the IASB DP 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 IASB DP is likely to result either in amendments to parts of 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).

5 The EFRAG Board previously discussed the content of the IASB DP at its April and May meetings.

Feedback received

Comment letters

6 EFRAG received eight (8) comment letters, with five (5) being from National Standard Setters and three (3) from accounting and professional organisations. The comment letters received in response to EFRAG's draft comment letter can be found on EFRAG's website here, under 'Documents' - 'Discussion Paper consultation'. A list of respondents can be found in Appendix 2.

Outreach events

7 EFRAG organised 10 outreach events across 9 countries in Europe covering the issues discussed in the IASB DP.

Location	Organisers	Date	Attendance	Link to event
Denmark	DASC, DI and EFRAG	14 June 2017	30	here
Norway (User)	EFFAS, NFF, NASB and EFRAG	15 June 2017	15	here
Norway	NASB and EFRAG	15 June 2017	25	here
Belgium (User)	EFFAS, ABAF/BVFA, EFRAG and IASB	3 July 2017	24	here
UK	UK FRC and EFRAG	4 July 2017	50	here
Lithuania	Lithuanian Ministry of Finance, Lithuanian Accounting Authority and EFRAG	5 September 2017	30	here
France	ANC and EFRAG	6 September 2017	30	here
Germany	ASCG, AFRAC, Swiss FER and EFRAG	11 September 2017	10	here
Poland	PASC, AAP, NCSA and EFRAG	12 September 2017	70	here
Italy (User)	AIAF, EFFAS, OIC, EFRAG and IASB	18 September 2017	25	here

8 The summary reports of these events can be found on EFRAG's website under the respective meeting page or using the above hyperlinks for the specific event.

9 In Appendix 1, we provide a summary of the feedback received from the comment letter consultation and from the outreach events.

EFRAG TEG recommendation to the EFRAG Board

10 At its meeting on 21 September, EFRAG TEG members considered the feedback received and all members present agreed to recommend to the EFRAG Board the comment letter contained in agenda paper 06-02.

11 The following main changes have been made compared to the draft comment letter:

(a) Clarify that, although the disclosure problem is multi-faceted and includes behavioural aspects, due consideration should be given by the IASB to addressing the disclosure overload issue by initiating, as a matter of priority for the next steps of the project, a comprehensive standard-level review of existing disclosure requirements;

(b) Emphasise that, in doing this review, the IASB should consider whether and how information is used by users and the different ways they use information in the financial statements;

(c) Remove the statement that certain categories of non-IFRS information should not be allowed and emphasise that the IASB should encourage entities to use judgement in order to use non-IFRS information in a manner that is clear and does not undermine the credibility of the reported IFRS information;

(d) Emphasise the importance of the consideration of laws and regulations that may require specific non-IFRS disclosures;

(e) Suggest that certain principles of effective communication identified by the IASB should be further clarified;

(f) Report the concerns expressed by some constituents about an excessive use of cross-referencing (accessibility and level assurance);

(g) Caution the IASB against the prohibition of specific terms to describe unusual or infrequently occurring items that would not translate well in other languages. Instead call for principles to guide the presentation of such items;

(h) Include a comment about 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';

(i) Expand the discussion on the advantages and disadvantages of Method A or Method B for drafting disclosure requirements; and

(j) Make the conclusion boxes more concise and change the structure of the cover letter to avoid repetitions.

Question for the EFRAG Board

12 Does the EFRAG Board approve the comment letter, as contained in agenda paper 06-02, for publication?

Agenda Papers

13 In addition to this cover note, agenda paper 06-02 *Comment Letter on IASB DP-2017-1 Board 17-10-10* has been provided for this session.

Appendix 1: Summary of feedback received

Overview of the disclosure problem and the objective of the project

Feedback received from comment letters

1 Majority of respondents agreed with EFRAG assessment that the disclosure problem is multi-faceted and encompasses behavioural aspects but that due consideration should be given by IASB to addressing the disclosure overload issue. One respondent noted that addressing the overload issue first would also help address the other aspects of the disclosure problem as shifting away from complying with long lists of requirements would help entities focus on providing more relevant information and improve communication.

2 One respondent disagreed with the view that the IASB DP did not already provide sufficient emphasis to the disclosure problem.

3 Most respondents also agreed with EFRAG that the standard-level review of existing disclosure requirements may have greater impacts on behaviour and, therefore, should not be delayed. However, some clarified that the focus of that review should also be on the quality and clarity of the disclosures rather than just their length.

4 Two respondents considered that the IASB had not given enough consideration to the different ways in which users of financial statements use information both at present and how that use might evolve in the future and encouraged the IASB to do more research in this area.

5 Respondents also concurred with EFRAG's tentative view to:

(a) Express concerns about the lack of clarity in the overlap with other IASB projects, in particular, the interactions with the Materiality and Primary Financial Statements projects; and

(b) Regret that the IASB had not addressed the impact of technology on the presentation of financial statements and on disclosures in greater depth. In some respondents' view, the IASB DP should not assume a paper-based format of the financial statements. For example, with digital reporting, it would be easier to navigate the financial statements and therefore the consideration regarding the volume of the financial statements would be less important. In addition, different principles of disclosure might have been developed, if technology were considered. One of these respondents recommended that the IASB also consider the link with its Taxonomy project. Areas for further consideration that were mentioned were:

(i) What could or should financial reporting look like in the future?

(ii) In what form could information be shared between the company and the users of the financial statements in order to meet the purpose of financial statements?

(iii) In order to provide the appropriate level of assurance over the information, is it necessary for the financial statements to comprise a single document, or is there another form of reporting which would still enable assurance to be provided?

6 Some respondents also noted the following issues that should be discussed in the IASB DP:

(a) Wider corporate reporting: While understanding that the primary focus of the IASB DP should be the financial statements, one respondent noted that they are only a subset of what comprises corporate reporting. This respondent would have expected the IASB to have taken a more holistic look at this topic; and

(b) Issues encountered by SMEs: One respondent encouraged the IASB to work with the European Commission to address the issues encountered by small and medium sized enterprises (SMEs) that use full IFRS Standards with the aim to reduce disclosure burdens.

7 One respondent mentioned that the IASB should consider different levels for developing its guidance:

(a) Include centralised disclosure objectives in the Conceptual Framework;

(b) Include some of the principles of effective communication in IAS 1;

(c) Each IFRS Standard should have its own objectives; and

(d) The IASB should develop disclosure requirements based on the objectives of each standard.

Feedback received from outreach events

8 Participants generally agreed that communication in financial statements could be improved but mixed views were expressed as to the nature of the 'disclosure problem'.

9 A majority of participants identified the disclosure of 'irrelevant information' and the use of boilerplate language in the financial statements as the most significant part of the 'disclosure problem'.

10 Some (mostly users) questioned whether there was evidence that disclosure overload was the key problem and considered that the focus should be on the quality of the disclosures in the financial statements and not just the length of the financial statements.

11 The application of materiality was considered key by most participants to ensure that relevant financial information is provided.

12 Preparers, auditors and regulators, each in their specific role, have a shared interest in fostering the improvement of disclosures. Maintaining a dialogue with them is paramount.

13 More consideration should be given to the needs of users and disclosure requirements should be proportional to these needs.

14 Users and other participants generally expressed the view that the implications of developments in technology on the presentation of financial statements and disclosures as well as on the future of reporting need to be considered. However, this does not reduce the need to improve the structure, format and presentation of information in the notes to ensure that entities communicate more effectively. Some users observed that, although technology was increasingly used to access information, the situation was not yet that of fully digitalised information.

Principles of effective communication

Feedback received from comment letters

Guidance on communication principles

15 Respondents generally agreed with EFRAG's tentative views that that principles can improve communication but that further work is needed to determine whether some of the proposed principles in the IASB DP could be developed into requirements and others carried forward in illustrative guidance.

16 One respondent did not agree with EFRAG's tentative view that additional non-mandatory guidance will not bring substantial further insights or benefits, as in the respondent's jurisdiction, non-mandatory guidance had resulted in improvements in reporting. However, this respondent acknowledged that inclusion of non-mandatory guidance only may not give sufficient prominence and weight to these principles.

17 Three respondents were in favour of including such principles in a standard, rather than issuing as non-mandatory guidance. One of them considered that more specific objectives should then be developed at a standards level. One respondent noted that it might be difficult to turn the principles into more specific requirements in a general disclosure standard.

18 One respondent considered that the IASB should not include principles 2.6 (f) requiring entities to 'optimise comparability' in its guidance as it was the responsibility of the IFRS Standards to foster comparability. This respondent also considered that guidance on formatting was not necessary as it was well understood.

19 One respondent considered that the principles that needed to be included in a general disclosure standard should be comparability, relevance and avoidance of duplication.

20 Some suggestions were made by respondents:

(a) One respondent suggested that the principle that information needs to be described 'simply and directly' should also refer to the need to be understandable and comprehensive, so that explanations are sufficient. This respondent also suggested that the principle that information needs to be organised in a way that highlights important matters, should also refer to the need that highlighted information needs to be balanced, so that users are not misled as a result of the emphasis given to certain information.

(b) One respondent suggested that the IASB should understand better what information users find helpful and how that information is used, before establishing principles of effective communication and disclosure objectives. One respondent encouraged the IASB to explore inclusion of cohesiveness as a characteristic of good reporting.

21 Lastly, several respondents noted that the importance of some of the principles identified may become of less importance in a digital reporting era.

Guidance on formatting

22 Four respondents generally agreed with EFRAG's tentative position that any guidance on formatting should be non-mandatory and should take into account developments in digital reporting, although one of them did noted that this should not be a priority. One respondent expressed caution against too prescriptive guidance on formatting and another assessed that such guidance is not necessary and may even stifle the willingness of entities to take more innovative approaches. Another respondent recommended further research on formatting.

23 One respondent noted that some IFRS Standards already included formatting guidance such as a recommendation to use a tabular format. This respondent suggested that the IASB include guidance on formatting in the Conceptual Framework for it to be used when developing disclosure requirements.

Feedback received from outreach events

24 Participants generally considered that sound principles with a focus on increasing transparency, consistency and comparability of information can be useful to improve communication. Some users were of the view that such principles should be made

mandatory. Participants highlighted significant variations in the structure and content of the financial statements and recommended more standardisation.

25 Other users noted that there is also a need to strike an appropriate balance between general principles and more detailed and prescriptive guidance (such as a minimum set of disclosures) to ensure consistency and comparability across entities and industries.

26 Users observed that communication is not limited to the year-end financial statements and that entities generally provide information to users on a more frequent basis (e.g. earnings releases, quarterly reporting). Therefore, there is a need to have the same principles of effective communication applied to the continuous stream of information.

26 Some participants observed that better linkage of the information across the financial statements is needed (for example between the statement of financial performance and the cash flow statement).

Roles of the primary financial statements and the notes

Feedback received from comment letters

27 Most respondents supported EFRAG's initial assessment that:

(a) The proposed role of the primary financial statements is too narrow and it should further emphasise the overall objective of providing summarised information about financial performance, financial position, and cash flows; and

(b) The proposed role of the notes does not set the boundaries of the notes and appears to ignore or down-play certain sections contained in the notes (such as segment information or information on unrecognised assets and liabilities), which have information value in their own right.

28 One respondent, while agreeing with the IASB proposals, considered the proposed guidance was not particularly helpful in addressing the disclosure problem. This respondent also expressed concerns that the notion of 'primary' financial statements could be misunderstood and urged the IASB to clarify that the quality of information in the notes, in particular the level of assurance, shall not be deemed different than the information presented on the face of the primary financial statements.

29 One respondent considered that further discussion was needed as to whether the statement of cash flow and the statement of changes in equity should be part of the primary financial statements. This respondent noted that these two statements were disaggregation and reconciliation of information that is presented in the statement of financial position or in the statement of financial performance.

30 Respondents also generally concurred with EFRAG that the effects of digital reporting should be considered. In that respect, one respondent further assessed that a too narrow definition of the roles could even hinder future technological changes and innovation in financial reporting.

31 One respondent, while sharing most of EFRAG's concerns on the proposed roles, assessed that the distinction between primary financial statements and notes was a secondary issue as financial statements must be considered as a whole.

Feedback received from outreach events

32 The following comments were made:

(a) The roles and boundaries of the financial statements should be reconsidered in the light of increasing use of technology; and

(b) The role of the notes should be considered in relation to the overall purpose of the financial statements and the whole reporting package.

33 Users confirmed that digital reporting improves the access to and searchability of information and allows a better linkage of the information across the financial statements and beyond. However, although technology was increasingly used to access information, the situation was not yet that of fully digitised information. There would be a long transition period and in the transition, it was important to maintain a suitable structure for the notes to facilitate access to information.

Cross-referencing

Feedback received from comment letters

34 Only one participant did not agree that the IASB provide guidance on the use of cross-references, as in the respondent's view, financial statements should be an integral set of documents that could be read and fully understood on its own.

35 Most respondents agreed with EFRAG's tentative view that further work is needed to identify the issues associated with the use of cross-references. In particular it was considered essential to preserve the level of accessibility and the level of assurance (i.e. audit) of the information.

36 Three respondents broadly agreed with EFRAG's tentative view that any guidance on cross-referencing should remain principles-based rather than refer to specific documents such as the annual report. One of them was in favour of allowing cross-referencing of certain information to the entity's website (for example accounting policies, audit fees and directors' remuneration, etc.).

37 Two respondents neither agreed not disagreed, but stated that further work is needed on how to preserve an appropriate level of integrity and assurance before concluding on the types of information that could be included by cross-reference.

38 One respondent suggested that the IASB develop a general principle that information can be disclosed outside the financial statements when equivalent information is also required by local laws or regulations to be disclosed in another section of the annual report.

39 One respondent suggested to broaden the concept of 'published at approximately the same date' used by the IASB: any information could be eligible if it is published no later than the IFRS financial statements and is publicly available and up to date as of the reporting date.

40 One respondent suggested that only information that is not directly linked to items presented in the primary financial statements should be eligible for cross-referencing (e.g. segment information, transactions with related parties). This respondent also disagreed with EFRAG's initial assessment that the proposed requirement to allow the use of a cross-reference only 'if it makes the annual report as a whole more understandable' could be difficult to implement. This respondent considered there were mainly two circumstances when cross-referencing could improve the understandability of financial information:

(a) Making financial reporting more concise by avoiding duplication of information; and

(b) Combining related information in a single place.

41 Four respondents highlighted the impact that potential technological developments could have in this area. One of them also noted that it was not clear how the concept of cross-referencing would interact with the increased use of technology and in particular with the IASB's Taxonomy project.

42 Some respondents noted that it is common in their jurisdiction to use cross-references from the financial statements to the management report for the disclosure of directors' remuneration and related parties' information, which is required by local laws or regulations. One respondent considered that this approach appeared to work well in practice. Another respondent noted that it is not a common practice in their jurisdiction to use cross-references from the financial statements to the management report, because it was not allowed by the IASB.

43 One respondent referred to the information about investments in subsidiaries, joint ventures, associates and share-based payments as examples of information that could be cross-referenced to some other statement.

Feedback received from outreach events

44 Users generally considered that cross-references assist in avoiding unnecessary duplication of information or to present some unchanging information. However, safeguards on the stability of the information and the links over time are needed.

45 However, participants expressed mixed views as to whether the source of cross-referenced information should be restricted to being within the annual report as proposed in the IASB DP or be allowed on a larger scale. Cross-referenced information needed to be audited to enhance its quality but it was acknowledged that this could create some challenges for auditors. Further work was needed, together with audit authorities, to assess the audit implications of the proposed guidance on cross-referencing.

46 Beyond year-end reporting, some users considered that there was also a need to look at other periodic information provided by management to users (e.g. quarterly reports) and consider how it could be better linked to ensure consistency in the context of 'continuous reporting' to users.

Inclusion of non-IFRS information in the financial statements

Feedback received from comment letters

47 Respondents generally agreed with EFRAG's preliminary view that guidance on the use of non-IFRS information was useful but that a more holistic approach to non-IFRS information would have been preferable than the fragmented approach used by the IASB across different projects.

48 Most respondents also agreed that any new guidance in this area needs to be better targeted in order to avoid unnecessary clutter:

(a) Four respondents agreed with EFRAG that the primary focus for the guidance should be on financial information that supplements IFRS information or provides an alternative depiction of some type, and that information that is inconsistent with IFRS Standards should not be allowed.

(b) Conversely one respondent disagreed with a principle that prohibits information that is inconsistent with the recognition and measurement principles in IFRS Standards and stated that the IASB should put emphasis on encouraging entities to use judgement to determine additional information to be disclosed in a manner that is clear and does not undermine the credibility of the IFRS information reported. This respondent considered that the IASB guidance should focus on Alternative Performance Measures (APMs) and be similar to the principles in the ESMA guidance on APMs. Labelling information other than APMs as non-IFRS would not be useful.

49 One respondent suggested to remove the proposed requirements in paragraph 4.38(d) to provide a list of non-IFRS information as this would not provide further

insight. This respondent also questioned the proposed requirement in paragraph 4-38 (c) that for non-IFRS information to be useful, '*it must comply with the qualitative characteristics of financial information (i.e. it must be relevant and faithfully represented*)'. This respondent found it contradictory to require that non-IFRS information be relevant and provide a faithful representation and yet require it to be distinguished from the additional information required by paragraphs 55 and 112 of IAS 1.

Feedback received from outreach events

50 Most participants considered that the use of non-IFRS information provided useful information and should not be restricted as long as the information is explained and reconciled.

51 They noted that the use of non-IFRS financial measures provides issuers with flexibility in communicating useful, entity-specific information and provide additional insight into an issuer's financial performance, financial condition and/or cash flows.

52 However, they noted that non-GAAP financial measures typically lack a standardised meaning and, therefore, are generally not comparable. Problems arise, when non-IFRS financial measures are presented inconsistently, defined inadequately, or obscure financial results determined in accordance with IFRS Standards. Therefore, guidance would be helpful to ensure that users are able to understand how the information is generated and how it reconciles with IFRS information.

53 Participants generally supported the direction of the proposals of the IASB and they noted that proposed guidance was very close to the one issued by ESMA on the use of APMs in the Annual Report.

54 A few participants (including users) expressed concerns that an excessive use of non-IFRS information could lead to complexity and undermine the value of the financial statements.

Use of performance measures

Feedback received from comment letters

55 Respondents generally agreed with EFRAG's position that a more holistic approach on all aspects on the use of performance measures is needed to ensure this issue is addressed appropriately. They supported the general direction of the IASB DP on the issue to enhance comparability and understandability of commonly used performance measures.

56 One respondent, noted that defining some APMs should not preclude the use of other entity specific measures. EBIT/EBITDA should be an anchor point from which entities should be able to make further adjustments when relevant and appropriate. Participants encouraged the IASB to follow the ESMA guidance on fair presentation of APM's when developing further guidance on this matter. The IASB should also consider the enforceability and auditability of the guidance that is issued.

57 One respondent, while agreeing with the IASB proposals, stated that it might be difficult to determine whether performance measures are displayed 'with equal or less prominence' than line items or subtotals in the Primary Financial Statements, and called for further guidance.

58 This respondent disagreed with the IASB proposal that an EBIDTA sub-total should only be allowed when the statement of financial performance is presented by nature. In the view of this respondent, depreciation and amortisation could be presented as

'of which' line items in a by-function statement of financial performance, allowing the presentation of an EBIDTA subtotal.

59 One respondent noted that ideally, the guidance on unusual and infrequently occurring items would push back the reporting of non-IFRS 'adjusted' or 'underlying' alternative performance measures. The role of the IASB is to set limits to what extent an item is not deemed unusual or occurring infrequently. Furthermore, concerns about the misuse by an entity should be addressed with a sufficient level of disaggregation and narrative requirements of those amounts presented as unusual or infrequently occurring. This respondent also suggested the IASB to 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.

60 One respondent disagreed with the IASB developing guidance on the use of terms such as 'unusual' or 'infrequent'. This respondent considered that entities should be allowed to define these terms. The IASB should only require explanations and disclosures when the terms are used.

61 Although agreeing with the IASB's preliminary view regarding the fair presentation of performance measures, one respondent considered that the IASB should not develop two sets of requirements regarding the fair presentation of performance measures and presentation of non-IFRS information as discussed in Section 4 of the IASB DP and that the requirements as listed in paragraph 5.34 of the IASB SP follow from the requirements listed in paragraph 4.38 of the IASB DP.

62 This respondent also noted that the IASB DP uses a narrower scope to define the term 'performance measure' compared to the description of performance measure used in the IFRS Practice Statement Management Commentary and the general use of this term in practice. In the respondent's view, performance measures can also contain quantitative information about the financial position and financial performance of the entity that is not reconcilable to amounts recognised in the primary financial statements. Therefore, the respondent considered it was important to reconsider the scope for the definition of the term 'performance measure' and to emphasise the fact that a reconciliation to IFRS measures may not always be possible, depending on the nature of the reported performance measure.

Feedback received from outreach events

63 Participants (mostly users) noted that there are significant variations in the structure and content of the financial statements and generally called for more standardisation especially in terms of line items and the use of alternative performance measures (APMs).

64 Some participants (including most users) considered that it was important to have a common definition of measures such as EBIT or EBITDA provided by the IASB, together with a requirement to disclose EBIT or EBITDA within the financial statements, while others saw merit in the IASB trying to provide principles to determine EBIT/EBITDA but doubted that a single definition could be arrived at. These participants considered that the IASB should focus primarily on defining more line items in the statements of financial performance and financial position. More granular information in the primary financial statements would allow better reconciliation of the information across the statements (in particular between the statement of cash flows and the statement of financial performance).

65 Some participants also suggested that the option to present the statement of financial performance either by function or by nature was contributing to the lack of comparability and transparency of financial reporting. In the views of some of the

participants, reporting by nature had better information value and allowed users to derive widely used metrics such as EBITDA.

66 Separate presentation of unusual and infrequently occurring items is a common practice and provides useful information; provided that events or transactions referred to are genuinely unusual or infrequent. Guidance should be developed with the purpose of preventing misclassification of items as unusual or infrequently occurring and providing information about the transactions and events and the associated assessments made by management.

Disclosure of accounting policies

Feedback received from comment letters

67 Respondents generally agreed with EFRAG's comments in the draft comment letter on disclosure of accounting policies. They noted that the guidance should be focused on disclosure of accounting policies that are relevant and useful in the context of materiality. The categorisation as stated in the IASB DP needed further work to see if it can be implemented successfully.

68 One respondent did not agree with the disclosure of accounting policies that involves significant judgements because it was already required. Another raised the following concerns:

(a) It was not helpful to allocate accounting policies into different categories;

(b) The effect on technology should be taken into account so that future changes as a result of technology are not prohibited; and

(c) The presumption in the IASB DP to present significant judgements and assumptions alongside the relevant accounting policies was not supported.

69 One respondent considered that guidance was not needed on Category 1 accounting policies. This respondent considered that the requirement in IAS 1 are sufficient and could be accompanied with more illustrative examples; possibly in the practice statement on Materiality.

70 One respondent suggested more clarification regarding the link between the general requirement of disclosure of significant accounting policies in IAS 1 and specific disclosure requirements about accounting policies in other IFRS Standards. This respondent also noted that it would be helpful for different users of financial statements if an entity communicated information about accounting policies applied in a manner that would distinguish between Category 1 and 2 accounting policy disclosures.

71 One respondent agreed with the IASB's preliminary view on developing guidance on the location of accounting policy disclosures and considered that this guidance should be included in a general disclosure standard.

Feedback received from outreach events

72 Users and other participants generally agreed that entities should describe how they have applied the requirements in IFRS Standards in their own circumstances.

73 Some users considered that it was important to keep a track record about past accounting policies (not just the effect of the year-on-year changes) but this would not need to be within the financial statements (for example it could be presented on the entity's website).

74 Some users found that presenting accounting policies in the same notes as the information to which they relate is more useful.

Centralised disclosure objectives and NZASB staff's approach to drafting disclosure requirements

Feedback received from comment letters

Developing a central set of disclosure objectives

75 All respondents agreed with EFRAG's tentative position that the IASB should develop centralised disclosure objectives.

76 One respondent noted that the IASB should explain and justify individual disclosure requirements, so that all relevant parties (preparers, auditors, users and enforcers) understand the reason for the requirements.

77 One respondent suggested that centralised disclosure objectives should be part of the Conceptual Framework, while another suggested that they should not only be part of mandatory IFRS guidance for preparers, but should also have their prominent place within the Conceptual Framework.

78 Two respondents specifically agreed with EFRAG's tentative position that disclosure objectives will not be helpful if they are expressed too generically. The IASB could develop a set of disclosure principles in IAS 1 while more focused and detailed objectives could be included in each IFRS Standards.

79 Two respondents noted that this phase should be swiftly followed by rolling the principles out across all existing IFRS Standards, as in the respondent's view, this will have the biggest impact in helping to address behaviours and the overall disclosure problem.

Proposed approaches to developing a central set of disclosure objectives

80 Respondents generally did not express a strong preference in favour of Method A or Method B. Two respondents, although seeing promise in Method B, supported Method A, at it has a balance sheet focus consistent with the existing approach to recognition and measurement and would not require a radical rewrite of many existing IFRS Standards. However, Methods A and B should be further developed before a final decision is taken.

81 Another respondent considered that Method B might provide a better ground for 'telling the story' in financial statements compared to Method A, which appeared to be a more compliance-focused approach. Moreover, a holistic approach for disclosure requirements and their objectives appears to be more in line with Method B, because it does not focus on individual items or transactions. However, it was acknowledged that Method B would be a less convincing approach if it was only applied to note disclosure and not to the primary financial statements. For example, disclosing information about the entity's operating assets and the entity's operating result in the notes would not be intuitive to users if the information was not also depicted as line items in the primary financial statements.

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

82 Some respondents were not in favour of locating all disclosure objectives and requirements in a single standard. One of them observed that this would encourage a checklist mentality. One respondent considered that Method B would probably work best if related disclosures were bundled in a single Standard, or set of Standards, but reconsidering the location of disclosure guidance would trigger a bigger question about the overall structure of other IFRS guidance, e.g. recognition and measurement guidance.

83 One respondent suggested that an aggregated set of disclosure principles be included in IAS 1 and more detailed objectives developed within each IFRS Standard.

NZASB staff's approach to drafting disclosure requirements

84 Respondents were generally supportive of the approach developed by the staff of the NZASB.

85 One respondent was not completely convinced by the approach. Although acknowledging the idea of defining a minimum set of notes disclosure as a core set of information and a second set of information resulting from specific requirements for additional information, this respondent observed that such approach would imply that the requirements in different disclosure tiers also imply a different degree of materiality.

86 This respondent suggested an alternative to the NZASB staff approach:

(a) to define only a core set of note disclosure requirements in light of achieving comparability of IFRS financial statements among entities; and

(b) more principle-based guidance regarding additional information that is relevant to an understanding of the primary financial statements (similar to current guidance in paragraph 122(c) of IAS 1).

87 It was acknowledged however, that this approach may give rise to concerns that not all relevant information will be reported by the entity in the absence of specific requirements.

Feedback received from outreach events

88 Participants generally observed that clear disclosure objectives are necessary in IFRS Standards. Moreover, disclosures should provide useful information on how entities operate and develop their business.

89 Some participants suggested that the IASB test some cases of disclosures to understand why users find certain information useful and others saw merits in exploring the 'core and more' proposals in *The Future of Corporate Reporting* published by Accountancy Europe (formerly FEE) in 2015. The *Conceptual Framework for Financial Reporting* should give more relevance to principles over disclosures to assist the IASB in the development of future IFRS Standards and how to deal with disclosure requirements.

90 Some participants favoured prescriptive disclosure requirements above requirements that allowed more flexibility, as it would be easier for entities to ensure compliance. These participants also favoured a detailed disclosure framework, which would include all disclosure requirements instead of having disclosures in different IFRS Standards.

Appendix 2: List of respondents

1 A list of respondents whose comment letters were considered for preparing this summary of responses is provided below:

Name of constituent	***Country***	***Type / Category***
Accountancy Europe	Europe	Accounting Organisation
Instituto de Contabilidad y Auditoría de Cuentas (ICAC)	Spain	National Standard Setter
The Institute of Chartered Accountants in England and Whales (ICAEW)	United Kingdom	Accounting Organisation
Danish Accounting Standards Committee (FSR)	Denmark	National Standard Setter
UK Financial Reporting Council (UK FRC)	United Kingdom	National Standard Setter
Organismo Italiano di Contabilità (OIC)	Italy	National Standard Setter
Accounting Standards Committee of Germany (ASCG)	Germany	National Standard Setter
BusinessEurope	Europe	Professional organisation