

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG TEG-CFSS. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG Board or EFRAG TEG-CFSS. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

## **DP/2017/1 Disclosure Initiative – Principles of Disclosure Issues Paper**

### **Objective**

- 1 The objectives of the session are to:
  - (a) obtain EFRAG TEG-CFSS preliminary views and input on the IASB Discussion Paper DP/2017/1 *Disclosure Initiative – Principles of Disclosure* ('the IASB DP') and on the initial assessment made by EFRAG in its draft comment letter; and
  - (b) provide an update on planned outreach of EFRAG in association with National Standard Setters and/or users' organisations.

### **Background**

- 2 The IASB DP was issued on 30 March 2017 with a comment period ending on 2 October 2017. 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.
- 3 The DP is likely to result either in amendments to IAS 1 *Presentation of Financial Statements* or in the creation of a new general disclosure standard to replace parts of IAS 1 that cover disclosures in the financial statements. The project might also result in the development of some non-mandatory guidance (such as educational material).
- 4 In order to provide constituents with the maximum amount of time possible for considering the IASB DP, the EFRAG Board undertook a two-stage process in seeking the views of constituents:
  - (a) On 5 May 2017, EFRAG published preliminary responses to the questions in the IASB DP. The preliminary consultation document reflected the views of EFRAG TEG and was reviewed by the EFRAG Board as a basis for an initial public consultation.
  - (b) On 8 June 2017, EFRAG published a draft comment letter, which superseded the preliminary consultation document. EFRAG requested comments no later than 11 September 2017.

**Summary of the view expressed by EFRAG in its draft comment letter**

- 5 EFRAG's main messages included the following:
- (a) EFRAG expresses support for the objectives of the IASB DP and the overall Disclosure Initiative project, acknowledges that the disclosure problem is multifaceted and that requirements in IFRS Standards are not the only cause. However, stakeholders have already undertaken extensive efforts and initiatives to address behavioural issues (application of materiality and communication) and therefore the primary focus of the IASB for the next phases of this project should be to tackle disclosure overload. In EFRAG's view, this would require a holistic standards-level review to:
    - (i) develop a coherent and comprehensive but concise package of disclosure requirements; and
    - (ii) remove any disproportionate/redundant requirements.
  - (b) Interactions between the IASB DP and other current IASB projects (Primary Financial Statements, Materiality, and Conceptual Framework) is seen as a major concern.
  - (c) Although EFRAG takes no issue with the seven proposed principles of effective communication suggested in the IASB DP, we consider that only limited benefit can be expected in developing more non-mandatory guidance on effective communication. Instead work would be needed by the IASB to determine whether some of the proposed communication principles could be developed into requirements to be included in a general disclosure standard.
  - (d) The IASB DP should have considered in more depth the impact of technology on the disclosure problem in particular regarding:
    - (i) the suggested roles for the primary financial statements and the notes (relevance of the distinction in the context of increased use of digital reporting); and
    - (ii) the proposed guidance on formatting and on the location of information.
  - (e) The proposed role of the primary financial statements focuses too much on assets, liabilities etc. and too little on the objective of providing summarised financial information and does not clarify the boundary of financial statements.
  - (f) EFRAG recommends that the IASB first identify the issues associated with the use of cross-references and that further work is done with audit authorities and regulators to assess the audit, legal and regulatory implications of the proposed guidance. Moreover, any guidance should be principles-based rather than referring to specific documents.
  - (g) Regarding the proposed guidance on identifying non-IFRS information, EFRAG is concerned that it will lead to clutter unless targeted better. The primary focus should be on financial information that supplements IFRS information or provides an alternative depiction. For this type of information, EFRAG supports the approach proposed in the IASB DP. EFRAG considers that non-IFRS information should be prohibited if it is so inconsistent or in conflict with information provided by IFRS Standards that it misleads or detracts from understandability. Further discussion in the IASB DP on the use of performance measures is addressed in section 7B discussion of the Primary Financial Statements project.
  - (h) EFRAG does not support prescriptive requirements on the location of disclosures about accounting policies as entities should have some flexibility on how best to meet users' needs. Focus should be on the disclosure of those accounting policies that relate to items, transactions or events that are

material to the financial statements without always being necessary (referred to as Category 2 in the IASQB DP), where judgement is most needed. As a matter of principle, the IASB should not provide guidance on information that is not required by IFRS Standards (referred to as Category 3).

- (i) EFRAG sees merits in further exploring how developing centralised disclosure requirements could be focused on the entity’s activities and business model (suggested approach B in the IASB DP). However, the ‘tiered disclosure’ approach proposed by the NZASB staff to illustrate method A, has merits and is worth further developing.

6 The draft comment letter is available [here](#).

**Questions for EFRAG TEG-CFSS**

- 7 Does EFRAG TEG-CFSS have comments on the initial views expressed by EFRAG in its draft comment letter?
- 8 Does EFRAG TEG-CFSS have other comments on the content of the IASB DP?

**Outreach activities conducted by EFRAG**

- 9 At the February EFRAG TEG-CFSS meeting, members discussed possible outreach activities during the IASB DP’s consultation period and a call was made to interested Standard Setters to organise such events with a purpose to stimulate the debate in Europe and obtain input from European Constituents.
- 10 At the date of writing, the following events have been confirmed:

Location	Type of outreach	Organisers	Date	Start time	End time
Denmark	General	DASC and EFRAG	14-Jun	13:30	16:30
Norway	User	EFFAS, NFF, NASB and EFRAG	15-Jun	12:45	14:30
Norway	General	NASB and EFRAG	15-Jun	15:00	17:00
Belgium	User	EFFAS, ABAF/BVFA and EFRAG	03-Jul	14:30	17:30
UK	General	UK FRC and EFRAG	04-Jul	14:30	17:00
Lithuania	General	Lithuanian Authority and EFRAG	05-Sep	13:00	16:00
France	General	ANC and EFRAG	06-Sep	01:00	17:00
Germany	General	ASCG, AFRAC, Swiss FER and EFRAG	11-Sep	12:00	17:00
Poland	General	PASC, AAP, NCSA and EFRAG	12-Sep	10:00	[TBD]
Italy	User	AIAF, EFFAS, OCI, EFRAG	18-Sep	10:30	18:00

- 11 At these joint outreach events, the IASB’s proposals will typically be presented first in relation to selected issues followed by a summary of EFRAG’s and the participating National Standard Setter’s tentative positions. The IASB will be represented in most of these events.
- 12 Participants at the events will then be asked to comment on the proposals and the tentative positions. The discussions will be documented in feedback statements and considered by EFRAG in drafting its final comment letter.
- 13 In addition to the above outreach activities with National Standard Setters, EFRAG is also seeking input from its consultative bodies:
- (a) EFRAG User Panel (meeting in May 2017);
- (b) EFRAG Academic Panel (meeting planned in September 2017); and

(c) EFRAG CFSS (meetings in February, June and September 2017)

- 14 A verbal update will be provided at the EFRAG TEG-CFSS meeting on the first events organised in June 2017.

**Question for EFRAG TEG-CFSS**

- 15 Does EFRAG TEG-CFSS have comments on the planned outreach activities so far? Are you aware of other outreach events in your jurisdictions that would be worth attending or following?