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Disclosure Initiative - Principles of Disclosure Cover Note

Objective

- 1 The objective of this session is to obtain EFRAG TEG-CFSS views on the preliminary high-level feedback the IASB staff has prepared on the Discussion Paper *Disclosure Initiative - Principles of Disclosure* ('the IASB DP'), which will be discussed by the ASAF at its December meeting. The IASB staff is seeking early input from ASAF members on this preliminary high-level feedback. The ASAF paper summarising the key messages received is presented as agenda paper 08-02.

Background

- 2 The IASB DP was issued by the IASB on 30 March 2017 and the comment period ended on 2 October 2017. On 12 October 2017, EFRAG issued its comment letter in response to the IASB DP.
- 3 In its comment letter, EFRAG:
 - (a) fully supported the aims of the IASB's Principles of Disclosure project;
 - (b) agreed with the description of the 'disclosure problem' insofar as it is acknowledged that the problem is multifaceted, includes behavioural aspects and that the requirements in IFRS Standards are not the only root cause;
 - (c) considered 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, which should, in particular, aim to identify and remove any disclosure requirements that are disproportionate or redundant; and
 - (d) regretted that a number of other issues identified in its 2012 Discussion Paper *'Towards a Disclosure Framework for the Notes'* were not addressed in greater depth, in particular the boundaries of the financial statements (i.e. which information should be provided in financial statements and which information belongs outside financial statements) and the effects of technology on financial reporting.
- 4 EFRAG also provided specific feedback on the IASB's preliminary views on each of the questions included in the detailed sections of the IASB DP.

Summary of preliminary high-level feedback of the IASB staff

- 5 The IASB received 108 comment letters. A summary of the preliminary high-level feedback has been prepared by the IASB staff and is included in agenda paper 08-02. The feedback received is divided into two categories:
 - (a) is the project focusing on the right things? and

- (b) specific feedback on the preliminary views in the IASB DP.

EFRAG Secretariat's analysis

General feedback on whether the project focuses on the right things

- 6 The IASB staff's preliminary feedback identifies similar concerns and issues as the ones raised in EFRAG's comment letter:
- (a) the project needs more specific focus and in-depth analysis, i.e.:
 - (i) it is difficult to understand the practical consequences of some preliminary views without further development; and
 - (ii) the IASB should focus on areas that will make the most difference to the disclosure problem and analyse them in more depth;
 - (b) concerns about overlap, fragmentation and coherency in overall approach;
 - (c) insufficient consideration of digital reporting; and
 - (d) support for a standards-level review of disclosure requirements.
- 7 One point that was not specifically raised in EFRAG's comment letter was that respondents to the IASB DP generally considered that the discussions should clearly distinguish between:
- (a) guidance to assist the IASB in setting IFRS Standards (Conceptual Framework material); and
 - (b) requirements for entities (IFRS Standards material).

Specific feedback on the preliminary views in the IASB DP

- 8 The specific feedback seems consistent with EFRAG's views as expressed in its comment letter, except for the points below:
- (a) there were mixed views on whether development of principles of effective communication will help to solve the disclosure problem. EFRAG questioned whether the development of additional non-mandatory guidance will have much effect in practice and encouraged the IASB to assess whether some of these principles could be developed into mandatory requirements to be included in a general disclosure standard;
 - (b) there were mixed views on whether defining the roles of the notes would help to solve the disclosure problem. Notwithstanding some concerns on the proposed roles, EFRAG generally welcomed the overall objective of providing additional guidance on the roles of the primary financial statements and the notes;
 - (c) there was general agreement that use of 'present' and 'disclose' should be clarified but there were mixed views on how this should be done. EFRAG did not consider it to be a major issue in financial reporting and supported the IASB's proposal to be more disciplined in the use of the term in future standard setting;
 - (d) notwithstanding some concerns expressed, there was general agreement that the use of cross-referencing can be useful in some circumstances. EFRAG made an additional point that any guidance should remain principles-based rather than refer to specific documents such as the annual report;
 - (e) notwithstanding some concerns expressed, there was general agreement that the inclusion of non-IFRS information in the financial statements can be useful in some circumstances. EFRAG generally considered that any new guidance in this area needs to be well-targeted in order to avoid unnecessary clutter

and 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

- (f) there were mixed views on whether developing central disclosure objectives would help to solve the disclosure problem. EFRAG supported the further exploration of how to achieve a more holistic and unified approach in developing disclosure objectives.

Questions for EFRAG TEG-CFSS

- 9 Does EFRAG TEG-CFSS have comments on the overall feedback received on the IASB DP?
- 10 What should be the project's next steps?

Agenda Papers

- 11 In addition to this cover note, agenda paper 08-02 *ASAF 02 POD CL overview (background only)* CFSS 17-11-22 has been provided for the session.