Principles of Disclosure and Materiality
Issues Paper

Objective

1 The objective of this session is to provide an update on the IASB's recent activities in the *Principles of Disclosure* and *Materiality projects* and to discuss possible activities that could be conducted by EFRAG in association with National Standard Setters.

Background

2 The main objective of the Principles of Disclosure Discussion Paper ('POD DP') is to identify new or clarify existing principles of disclosure in IFRS with the aim of:

(a) helping preparers communicate information more effectively;

(b) improving disclosures for users of financial statements; and

(c) helping the IASB to develop and improve disclosure requirements.

3 The POD DP will seek stakeholders' views and comments on issues that the IASB has identified as having caused the 'disclosure problem' and, where applicable, to provide the IASB's preliminary views on how to address these issues.

Summary of recent IASB discussions and decisions

4 At its December 2016 meeting, the IASB decided to separately publish an exposure draft clarifying the definition of materiality and its characteristics. Consequently, the Definition of Materiality project is now separate from the Principles of Disclosure project. The proposed amendments are essentially aiming at:

(a) aligning the wording of the definition of materiality in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and the *Conceptual Framework for Financial Reporting*;

(b) incorporating some of the existing supporting requirements in IAS 1 into the definition to give them additional prominence (including 'obscuring information', 'could reasonably be expected to influence'); and

(c) improving the clarity of the explanation accompanying the definition of materiality.

5 Materiality is expected to be defined as follows:

Information is ~~Omissions or misstatements of items are~~ material if omitting, misstating or obscuring it ~~they~~ could reasonably be expected to~~, individually or collectively,~~ influence the ~~economic~~ decisions that the primary users of a specific reporting entity's general purpose financial statements make on the basis of those ~~the~~ financial statements.

6 The IASB expects to publish:

(a) the POD DP in April 2017 with a comment period of 180 days;

(b) the Materiality ED over the second quarter of 2017 (possibly April) with a comment period of 120 days; and

(c) the final Materiality Practice Statement in June 2017.

Question for EFRAG CFSS and EFRAG TEG

7 Do EFRAG CFSS and TEG members have any comments on the above summary?

EFRAG possible outreach activities

8 At the March 2017 ASAF meeting, the IASB staff will provide an update to members on the POD project and ask members for their suggestions for the IASB's outreach on the POD DP and whether they are able to help the IASB with its outreach activities (please refer to agenda paper 06-02).

9 Possible forms of outreach that the IASB staff has identified are discussions with the ASAF, CMAC, GPF and other stakeholders, some targeted outreach with users on specific topics and other outreach meetings organised with assistance from local standard-setters.

10 Based on the IASB's tentative decisions, the following topics are expected to be included in the POD DP:

(a) Roles of the primary financial statements and of the notes;

(b) Principles of effective communication;

(c) Use of cross-references (incorporation by reference into the financial statements of information needed to meet requirements in IFRS Standards);

(d) Use of non-IFRS information within the financial statements;

(e) Use of performance measures in the financial statements;

(f) Disclosure of accounting policies; and

(g) Drafting disclosure requirements.

11 At the November 2016 CFSS-TEG joint meeting, the EFRAG Secretariat presented an overview of the tentative decisions made by the IASB on each of the above topics (please refer to agenda paper 06-03).

12 The EFRAG Secretariat would like to take advantage of the February CFSS-TEG meeting to identify possible activities that could be conducted during the consultation periods of the POD DP and on the Materiality ED.

13 EFRAG generally performs outreach during the consultation period of relevant projects with a purpose to stimulate the debate in Europe and obtain input from European Constituents; in particular from those that may not intend to submit a comment letter to the IASB or EFRAG.

14 EFRAG plans to arrange outreach events in co-operation with interested National Standard Setters in selected countries/regions. We expect that the IASB will be represented at many of these events.

15 At these joint outreach events, the IASB's proposals will be typically first presented in relation to selected issues followed by a summary of EFRAG's and the participating National Standard Setter's tentative positions. 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 when finalising its comment letter in response to the POD DP and to the Materiality ED.

16 The length of the event can be adapted to best fit particular circumstances and needs.

17 In addition to outreach activities with National Standard Setters, EFRAG will try to consult with groups of users in order to receive their views on the proposals and tentative positions and may organise joint outreach events with the IASB and particular user organisations.

Questions for EFRAG CFSS

18 Have EFRAG CFSS members already considered specific activities in relation to the POD DP or Materiality ED consultations?

19 Are EFRAG CFSS members interested in co-hosting an outreach event in their jurisdiction in relation to the POD DP or Materiality ED consultations?

Agenda papers

20 In addition to this paper, agenda papers for this session are:

(a) 06-02 ASAF agenda paper 08 Principles of Disclosure - for background only - CFSS 17-02-22; and

(b) 06-03 Issues paper on Disclosure Initiative CFSS November 2016 - for background only - CFSS 17-02-22.