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21 December 2012

Dear Sirs,

Re: Disclosure Framework

In our response to the IASB's Agenda Consultation in 2011 we identified the disclosure framework as a core standard setting activity. We are pleased to see that the IASB is targeting completion of its Conceptual Framework project, including the chapter on presentation and disclosure, as a matter of urgency.

In the light of the forthcoming IASB project, with a Discussion Paper scheduled to be published by mid-2013, we are only providing limited comments on the joint EFRAG/ANC/FRC discussion paper "Towards a Disclosure Framework for the Notes" (EFRAG DP) and the FRC discussion paper "Thinking about disclosures in a broader context" (FRC DP). We would expect that the IASB will consider both of these DPs in its Conceptual Framework project deliberations and then as part of a more comprehensive review of its existing disclosures in order to align them with the new framework and alleviate disclosure overload. It is important for all stakeholders that benefits in terms of improved quality of financial reporting in this area are achieved as soon as possible.

Whilst we welcome input for the future debate, we should state at the outset that it is perhaps confusing and unhelpful for constituents that two separate papers were published, apparently as part of the same project, by partly overlapping promoters and we would wish that in future cases, the various stakeholders improve their collaboration on such issues.

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Our overall observation of the EFRAG DP is that it seems unclear to us whether, taken as a whole, it would solve disclosure overload. We believe that Table 1 on page 39 of the EFRAG DP is key and that setting out general disclosure objectives would be the best approach, leaving companies to judge how to meet those objectives. It may be necessary for the IASB to include examples, but these should not be taken to be requirements.

The scope of the EFRAG DP is limited to the notes to the financial statements, including how they should be organised. It is understandable why this was felt necessary in order to keep the project manageable, but it is important to be clear on the restriction that this may impose. Certain note disclosures may only be necessary to compensate for shortcomings in the recognition and/or measurement and/or presentation requirements in the primary financial statements. Although this concern is acknowledged in the key principles (page 3), it will not be overcome unless the financial statements and notes are considered as a whole. We agree that the volume and organisation of the notes are very important issues, but it does not mean that the notes should be considered in isolation.

The FRC DP on the other hand is not focused on the financial statements alone and therefore extends beyond the remit of the IASB. It contains a crucial presumption with which we agree, that disclosures not meeting the objective of financial reporting should be excluded. (We stated in our response to the IASB's Agenda Consultation in 2011 that a disclosure framework project should aim to remove irrelevant, duplicative and unnecessary disclosures.)

In our view, it is important that all disclosures flow from an agreed objective of financial reporting. Increasingly the annual report is seen by legislators, and special interest lobby groups, as a convenient depositary vehicle for disclosures unconnected with its intended purpose. As a result financial reporting has become less relevant for the main stakeholders for whom it is provided. The cost of preparation is rising yet the usefulness is declining as it is getting more difficult to see the wood for the trees.

We believe that the FRC DP rightfully points out that disclosure requirements for financial reporting emanate from many different bodies which, depending on an entity's jurisdiction, listing arrangements etc, may be local, regional and/or international. Even some information presented in the notes to the financial statements may be dictated by an authority other than the IASB and it seems paramount to us that the IASB keeps this in mind when developing its disclosure principles and tries to refocus on the objective of financial reporting. We agree with the concern raised by the FRC DP that: "Some would say that we have a principles-based model for recognition and measurement, but a compliance-based model for disclosures".

Yours sincerely,

Jérôme P. Chauvin
Director
Legal Affairs Department
Internal Market Department