



Stichting Eumedion/VNO-NCW
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Date 20 December 2012
Our reference TFV-HKa-12120765
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Copy to Mr B. Wammes (NBA)

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Subject Limitation of standard texts in disclosures to the financial statements / annual report

Dear Mr Abma and Mr Noordzij,

Thank you for your letter of 13 December 2012 concerning the discouragement of the use of “boilerplate language” in the annual report and in the financial statements. The Netherlands Authority for the Financial Markets (AFM) is pleased to observe that investors and preparers are jointly developing initiatives to improve the quality of financial reporting.

Readability and accessibility of financial reporting is also a point of concern for the AFM. As you mentioned, we published our 'Considerations for financial reporting 2012' in September 2012, in which we called on companies to both limit the use of “boilerplate language” as far as possible and to make their disclosures entity-specific.

The AFM generally agrees with the joint suggestion of Eumedion and VNO-NCW that the aforementioned accounting policies should be limited to those that are relevant for understanding the financial statements and making investment decisions. The suggestion made by Eumedion and VNO-NCW not to include non-material disclosures in the financial statements is in line with the provisions of IAS 1.117. These provisions state that, in the summary of significant accounting policies, companies must state the measurement basis or bases that are applied in their financial statements and other accounting policies that are relevant to understand the financial statements properly [underlining by the AFM]. In the opinion of the AFM, in this summary the entity should also show the user how it applies the accounting policies it has formulated. For example, how a company assesses the stage of completion for a transaction involving the rendering of services and when and how the related revenues have been recognised.

In your letter, you propose that accounting policies should only be described if IAS/IFRS offers several options. The management board should describe the selected option in the significant accounting policies. You furthermore



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note that, generally speaking, improvement would be achieved by (for example) reporting only what has changed in a year compared with previous years.

The AFM supports the call for further consultation with the intention to reduce the use of boilerplate language. However, it would not be appropriate for the AFM at this point in time to provide a unilateral interpretation that goes beyond the flexibility offered by IAS 1.117. The position put forward by Eumedion and VNO-NVW would benefit from more widespread international support. Both internationally and in the Netherlands, there are still many who argue that the financial statements should constitute a document that can be read independently. Nor is everyone in favour of including references in the financial statements to a website where the relevant information is available. There is still some resistance to be overcome.

The AFM will use the initiative of the preparers and users of the financial statements to put the proposals forward in the appropriate forums, i.e. that the use of boilerplate language should be reduced and that the focus should be on relevant disclosures. The AFM has already done this to some extent. A further step will be made after the European Financial Reporting Advisory Group (EFRAG) has issued a feedback statement concerning the responses it has received to the Discussion Paper entitled 'Towards a disclosure framework for the notes' and after the International Accounting Standards Board (IASB) has organised its Round Table in January 2013, which indeed will focus on the disclosures in the financial statements.

Lastly, we understand the point that it is of course desirable for reporting companies to obtain clarity as soon as possible. At this stage, we can certainly state that we do not expect to interpret IAS 1.117 more strictly in our supervision of financial reporting for 2012 than was intended in the relevant standard, and we also expect this to allow the necessary room for the specific appeal from Eumedion and VNO-NCW. As soon as there is international clarity concerning the relevant interpretation, we will of course share this with you. As stated above, we will put forward your appeal in the appropriate international context.

If you have questions with regard to this letter, please contact Mr Ton Meershoek at telephone number + 31 20 - 797 37 21.

Yours sincerely,
The Netherlands Authority for the Financial Markets

Gerben Everts
Member of the Executive Board

Ton Meershoek
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Financial Reporting Supervision Division

Disclaimer

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