

15 January 2018

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Comment Letter on the Exposure Draft – Definition of Material – Proposed amendments to IAS 1 and IAS 8

Dear Madam, dear Sir

SwissHoldings, the Swiss Federation of Industrial and Services Groups in Switzerland, represents 61 Swiss groups, including most of the country's major industrial and commercial enterprises. We support the alignment of the definition of material in the IFRS Standards and the Conceptual Framework.

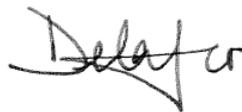
Our detailed response (in the appendix) has been prepared in conjunction with our member companies.

Yours sincerely

SwissHoldings
Federation of Industrial and Service Groups in Switzerland

A handwritten signature in black ink, appearing to read "Dr. Rumo".

Dr. Gabriel Rumo
Director

A handwritten signature in black ink, appearing to read "Denise Laufer".

Denise Laufer
Member of the Executive Committee

cc SH Board

APPENDIX

ANSWERS TO SPECIFIC QUESTIONS IN THE INVITATION TO COMMENT

Question 1

The Board proposes amendments to IAS 1 and IAS 8 to align the definition of material between IFRS Standards and the Conceptual Framework, and to include in the definition some of the existing requirements in IAS 1. The Board also proposes to clarify the explanation accompanying the definition using existing guidance in IAS 1 and the Conceptual Framework.

- (a) Do you agree that the definition of material and the accompanying explanation should be clarified as proposed in this Exposure Draft? If you do not agree, what changes do you suggest and why?*
- (b) Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?*

We support the alignment of the definition of material in the IFRS Standards and the Conceptual Framework.

SwissHoldings previously commented on “Discussion Paper DP/2017/1 Disclosure Initiative – Principles of Disclosure”, noting overall that preparers acknowledge the efforts of the IASB to encourage effective application of materiality in the financial statements which is important when deciding what and how to disclose information.

We agree that including “reasonable expectation”, i.e. that information is material if it could reasonably be expected to influence the economic decisions of users of the financial statements, is appropriate. However, we consider that the point regarding material information being obscured by immaterial information has not been clearly made. Preparers might face challenges from auditors and regulators when comes to assessment of material information being obscured by immaterial information. It will be helpful if the Board better clarifies what exactly is meant by “obscuring material information” (e.g. “the inclusion of lots of immaterial information that can obscure material information”).

Question 2

The Board issued the Materiality Practice Statement in September 2017 and expects to issue a revised Conceptual Framework in the second half of 2017. If any changes are made to IFRS Standards as a result of the proposals in this Exposure Draft, the Board will make amendments to these two documents.

The Board believes that the guidance in both the Materiality Practice Statement and the forthcoming revised Conceptual Framework will not be affected by the proposed amendments in this Exposure Draft, other than to update the definition of material (see paragraphs BC22–BC24).

Do you have any comments on the proposed amendments to the Materiality Practice Statement or to the forthcoming revised Conceptual Framework?

We support the alignment of the definition of material in the Conceptual Framework and the Materiality Practice Statement with the updated definition of material in the IFRS Standards. In our view, even a slight difference in the wording (e.g. the non-use of the term “obscuring” in the current Conceptual Framework definition of materiality compared to the proposed definition in IAS 1 and IAS 8) could result in differences

in the use. Our preference with this regard would be that the definition of material and the related guidance is included within a single general standard, such as IAS 1 (in addition to the Conceptual Framework for Financial Reporting). This would reduce the risk of possible inconsistencies arising as IFRS Standards are revised and avoiding different interpretation.

We also consider that the definition of material should be prefaced by the context in which it is intended to be used e.g. “financial reporting materiality”. The Conceptual Framework for Financial Reporting refers to financial reports rather than to financial statements. Experience for some of our members shows that materiality as used in other contexts (e.g. legal contexts) is usually higher than that used for the basis of preparing financial statements.

Question 3

Do you have any other comments about the proposals in this Exposure Draft?

We do not have any further comments.