ICGN
International Corporate Governance Network

Attn: Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Submit via email: director@fasb.org

28 November 2012

Dear Technical Director,

Re: Discussion Paper – Invitation to Comment – DISCLOSURE FRAMEWORK, FILE REFERENCE NO. 2012-220.

We are writing on behalf of the International Corporate Governance Network ("ICGN"). The ICGN is a global membership organization of over 500 institutional and private investors, companies, and advisors from 50 countries. Our investor members are responsible for global assets under management of $18 trillion USD.

The ICGN's mission is to raise standards of corporate governance worldwide. In accord, the ICGN encourages cross-border dialogue at conferences and influences corporate governance public policy through ICGN Committees. We promote best practice guidance, encourage leadership development and keep our members informed on emerging issues in corporate governance through publications and the ICGN website. For more information about the ICGN, its members and activities please visit our website: www.icgn.org.

The purpose of the Accounting and Auditing Practices Committee ("A&A Practices Committee") is to address and comment on accounting and auditing practices from an international investor and shareowner perspective. The Committee, through collective comment and engagement, strives to ensure the quality and integrity of financial reporting around the world. http://www.icgn.org/accounting-and-auditing-practices-committee.php

Thank you for providing us with the opportunity to comment on the discussion paper to improve the effectiveness of disclosures in notes to financial statements and clearly communicate information that is important to investors and other users of financial statements. We are very supportive of the Financial Accounting Standards Board's (FASB) efforts and as global investors the integrity of financial reporting in conjunction with disclosures is critical to obtaining needed information for our investments.

ICGN agrees with the FASB that disclosure effectiveness and volume extend beyond notes to the financial statements but do not agree that financial statement notes be merged with Management's Disclosure and Analysis (MD&A). Although MD&A provides clarity on the current operations of an entity it also provides future goals and information that is unaudited.

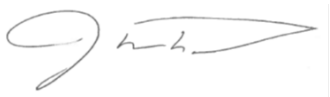
Investors rely on relevant and flexible financial statement disclosures specific to each company in assessing future prospects for net cash flows and in determining the rights to these cash flows in relation to other claims against the company. Therefore it is important to investors that notes to financial statements provide additional relevant material information that cannot be or is not provided on the face of the financial statements. As users, we would be very concerned to have each entity apply the decision model in an open-ended fashion. Also, we do not see the need for ordering requirements (except in order of line items), but believe formatting through extensible business reporting language (XBRL) would be very helpful in tagging, search function and would allow for more flexibility and possibly provide better explanations.

The ICGN recommends the FASB work closely with the U. S. Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), the International Accounting Standards Board (IASB), along with its current coordination with the European Financial Reporting Advisory Group (EFRAG), the United Kingdom Financial Reporting Council (FRC) and the Autorité des Normes Comptables (ANC) in France. As global investors we believe it is critical for coordination to regularly assess the continued relevance of disclosure guidance, literature and standards in addition to ensuring auditability.

Included below is an appendix which addresses the questions outlined in the invitation to comment on the disclosure framework discussion paper.

If you would like to discuss any of these points, please do not hesitate to contact Kerrie Waring, ICGN Chief Operating Officer at +44 207 612 7079 or kerrie.waring@icgn.org. Thank you for your consideration.

Yours sincerely,



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Appendix

Question 1: The details of this Invitation to Comment do not focus on the informational needs of donors to not-for-profit organizations. How, if at all, should the Board's decision process (see Chapter 2) be supplemented to consider the needs of donors? How, if at all, should not-for-profit reporting entities modify their decision-making process (see Chapter 4) for the needs of donors when deciding which disclosures to include in notes to financial statements?

This question does not apply to ICGN members.

Chapter 2 — The Board's Decision Process

Question 2: Do the decision questions in this chapter and the related indicated disclosures encompass all of the information appropriate for notes to financial statements that is necessary to assess entities' prospects for future cash flows?

Although guidance outlined in chapter 2 appears reasonable, we do not support or agree that disclosure requirements only provide accounting methods in situations in which alternatives are permitted. We still believe it benefits all investors and other users if the mechanics of pricing model, although widely used would provide explanation and entity specific inputs and assumptions in the financial statement disclosures. Nevertheless, we generally agree that users would be expected to be aware of U.S. GAAP, and SEC reporting requirements. Paragraphs in the notes that contains descriptions that are a repetition of what financial reporting standards prescribe and regularly mirrors definitions that shareholders can also find in US GAAP/SEC rules needs to be avoided. Otherwise, shareholders could be faced with a information overload and difficulties in identifying the truly significant accounting policies.

Question 3: Do any of the decision questions or the related indicated disclosures identify information that is not appropriate for notes to financial statements or not necessary to assess entities' prospects for future cash flows?

All the information outlined in chapter 2 provides a decision tree which is helpful and informative to investors.

Question 4: Would these decision questions be better applied by reporting entities instead of the Board? In other words, should the Board change its practice of establishing detailed requirements in each project and, instead, establish a single overall requirement similar to the questions in this chapter?

We believe the decision question model be applied by the FASB in determining the appropriate required disclosures for each topic. We do not believe the model can be applied in an open-ended manner by each individual company as it would introduce subjectivity, issues with comparability as wells as regulatory, legal and audit issues.

Question 5: Do you think that this decision process would be successful in helping the Board to set more effective disclosure requirements? If not, what would be a better approach?

Yes, from our perspective and review, the outlined decision process would be successful in helping the FASB to set more effective disclosure requirements. The decision process and questions help guide issuers to more effective disclosures.

Chapter 3 — Making Disclosure Requirements Flexible

Question 6: Would any of the possibilities in this chapter (see paragraphs 3.8 and 3.11) be a practical and effective way to establish flexible disclosure requirements?

Although some subjectivity is introduced through all the examples in this chapter, the ICGN would suggest the tiered approach based on activity and complexity as outlined in the Defined Benefit Pension Plan example.

Question 7: If more than one approach would be practical and effective, which would work best?

See answer in question 6

Question 8: Are there other possibilities that would work better than any of the ones discussed in this chapter?

None that we are able to suggest at this time.

Chapter 4 — Reporting Entities' Decisions about Disclosure Relevance

Question 9: This chapter attempts to provide a benchmark for judgments about disclosure relevance by clarifying the objective for the judgments. Is the description of the approach clear enough to be understandable? If not, what points are unclear?

Although, we do not agree with open-ended model application, we believe chapter 4 provides basic criterion which will help reporting entities establish the relevance of each disclosure.

Question 10: Can this approach (or any approach that involves describing the objective for the judgments) help identify relevant disclosures? If so, what can be done to improve it? If not, is there a better alternative? What obstacles do you see, if any, to the approach described?

We believe as outlined in 4.19 the three main points are helpful in determining whether additional footnote disclosures are necessary. In summary, we believe the following three would help identify relevant disclosures, these are: (1) incremental value which provides information that is not on the face of the financial statements, (2) whereas assumptions would be contrary to information listed and (3) where a disclosure would change a user's assessment of prospects for future cash flows by a material amount provides a good baseline in determining needed disclosures.

Question 11: Reporting entities would need to document the reasons for their decisions about which disclosures to provide. How would reporting entities document the reasons for their disclosure decisions and how would auditors audit those decisions?

The ICGN believes that audit firm regulators should weigh in to help ensure the auditability of foot note disclosures. We would recommend that the International Forum of Independent Audit Regulators (IFIAR) be consulted to ensure the auditability of footnote disclosures.

Chapter 5 — Format and Organization

Question 12: Would any of the suggestions for format improve the effectiveness of disclosures in notes? If so, which ones? If not, why not?

We feel strongly that tables instead of narratives to present large amounts of numerical information such as roll forwards, etc. would definitely be beneficial to users of financial statement footnotes. We also agree that references from financial statement line items would be very useful to users.

Question 13: What other possibilities should be considered?

We feel it is important to consider integrated reporting and whether an established framework as currently being worked on through the International Integrated Reporting Council (IRRC), development of key performance indicators by the Sustainable Accounting Standards Board (SASB) and inclusion of both financial and non-financial information would better focus the financial statement disclosure guidance.

Question 14: Do any of the suggested methods of organizing notes to financial statements improve the effectiveness of disclosure?

We see 5.22 as very helpful in outlining a possible logical order in understanding and providing foot notes disclosures.

These include:

a. *Disclosures about the entity as a whole*
b. *Disclosures about transactions or events that have had or will have a broad impact on the financial statements*
c. *Disclosures about the line items in the financial statements ordered by appearance in the statement of financial position followed by disclosures about the income statement*
d. *Disclosures about items not recognized in the basic financial statements*
e. *Accounting policies.*

Question 15: Are there different ways in which information should be organized in notes to financial statements?

We would tend to agree that organizing the notes to financial statements should be based on operating, investing and financing classifications. Although the FASB has postponed the Financial Statement Project we believe the statement of financial

position and comprehensive income being categorized through operating, investing and financing would be helpful to investors and we encourage the FASB to reconsider this project.

Chapter 6 — Disclosures for Interim Financial Statements

Question 16: Do you think that any of the possibilities in this chapter would improve the effectiveness of disclosures for interim financial statements?

The ICGN strongly believes that interim disclosures are an integral component of the annual reporting model and that interim disclosures are intended as an update to the latest annual financial statements. We believe the FASB should establish a high threshold which would limit items that are accounted for differently in interim versus annual periods, significant events or transactions and information that has changed significantly rom disclosures in the most recent annual financial statements.

Question 17: If you think that a framework for the **Board's** use in deciding on disclosure requirements for interim financial statements would improve the effectiveness of interim reporting, what factors should the Board consider when setting disclosure requirements for interim financial statements?

See answer 16.

Question 18: If you think that a framework for **reporting entities'** use in deciding on disclosures for interim financial statements would improve the effectiveness of interim reporting, what factors should reporting entities consider when providing disclosures for interim financial statements?

See answer 16.

Question 19: What impediments do you see regarding the development of a framework for the Board, reporting entities, or both that addresses disclosures for interim financial statements?

None that we can provide

Chapter 7 — Other Matters for Discussion

Question 20: Would the change to the requirements described in paragraph 7.8 for disclosure of the summary of accounting policies improve the effectiveness of disclosure?

See answer to question # 2, as we feel it is important to continue to disclos an entity's accounting policies and changes.

Question 21: Should the summary of accounting policies include information about industry-specific accounting policies?

We agree that the summary of accounting policies should include information about industry-specific accounting policies.

Question 22: Are the other required disclosures that could be modified or eliminated in the short term that would result in a significant reduction in the volume of notes to financial statements?

None that we can provide at this time.

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