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International Accounting Standards Board

30 Cannon Street
London EC4M 6XH
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30 March 2016

Re: IASB “Exposure Draft ED/2015/8 IFRS Practice Statement: Application of Materiality to Financial Statements”

Dear Sir/Madam,

We are pleased to have the opportunity to provide our comments on the “Exposure Draft ED/2015/8 IFRS Practice Statement: Application of Materiality to Financial Statements” (the ED).

We appreciate the IASB’s efforts to develop guidance on the application of materiality in the preparation of general purpose financial statements compliant with IFRS. Even though the aim of the guidance is to assist management in the exercise of judgement used in the application of the concept of materiality, this guidance may also be useful to promote better understandability of the content of this principle by other stakeholders.

We support the content of EFRAG Comment Letter to the ED. We would like to highlight the following remarks:

- with reference to the form of the guidance, we agree that the guidance should not be mandatory and we understand the reasons that support the nature of the Practice Statement proposed. However, the risk remains that a document not tied to a specific IFRS may lose relevance and have reduced visibility. An alternative could be to publish an implementation guidance to IAS 1, which accompanies but is not part of this standard;
- we think that the ED should be principle based. Consequently, we have some concerns about introducing examples regarding the application of the concept of materiality. We suggest eliminating or clarifying examples, such as the one in paragraph 28 a), in which the guidance seems to say that the closer the entity is to breaching a covenant, the lower the materiality should be. This may lead to situations in which materiality is set to a value that implies that almost all the figures in the financial statements are material;
- the ED fails to clarify the level of interference of stewardship in the assessment of materiality. We are convinced that the IASB should clarify that materiality is set with reference to the objective of general purpose financial statements (i.e. provide users with useful information).

We acknowledge that in some circumstances materiality may be affected by a secondary objective of the financial statements (such as stewardship). In these circumstances, we believe that the right place to explain that a different level of materiality has to be applied is not the general guidance on materiality but the specific standard which requires the information for purposes other than provide users with useful information. An example of this approach in current IFRSs is the different level of materiality due to stewardship in IAS 24 *Related Party Disclosures*.

Yours sincerely,

Angelo Casò

(Chairman)