

# Focus on Improvement

Strategy for European Proactive Financial Reporting Activities



 **EFRAG**

European Financial Reporting Advisory Group ■



# 1. Introduction

- 1.1** Europe is one of the largest economies in the world. Its ongoing economic strength depends, in part, on the efficient flow of capital. Efficient markets rely on transparent and high-quality financial information to assist decision-making by capital providers and demonstrate the extent to which management has discharged its stewardship obligations. A common financial language is essential to achieving those ends.
- 1.2** EFRAG wishes to be instrumental, through its proactive work, in influencing future standard-setting developments by engaging with European constituents and providing timely and effective input to the early phases of the IASB's work. However, that effort needs to be strategic and directed to ensure Europe continues to play a leadership role in international debates about the shape of IFRS. It is now time for EFRAG to provide a sharp focus on improving financial reporting.
- 1.3** This strategy is directed at achieving that end. Through our proactive work, in developing new thinking, based on sound and practical research, EFRAG will be well-placed to respond to the changing demands on financial reporting.
- 1.4** This strategy has been endorsed by EFRAG's Planning and Resources Committee (EFRAG PRC) which includes at present National Standard-Setters from France, Italy and United Kingdom.
- 1.5** There are many challenges facing those trying to use financial statements to make decisions. It is important that changes to the accounting model offer practical solutions and enhance the quality of information provided to users of financial reports. It is clear that the needs of users should be paramount in any proposed changes. EFRAG can contribute, through its proactive work, to providing a European perspective to addressing financial reporting issues. To do that effectively, our efforts must be targeted and the aim of this strategy is to assist in providing us with direction about how we can best utilise our proactive resources to promote improvements in financial reporting.



## 2. Our Strategic Aims

**2.1** Our strategy is underpinned by a set of aims that contribute to achieving EFRAG's overall objectives. We have four strategic aims. They are to:

*Aim 1: Engage with European constituents to ensure we understand their issues and how financial reporting affects them;*

*Aim 2: Influence the development of global financial reporting standards;*

*Aim 3: Provide thought leadership in developing the principles and practices that underpin financial reporting; and*

*Aim 4: Promote solutions that improve the quality of information, are practical, and enhance transparency and accountability.*

These four aims are linked and inter-dependent so all of our proactive work needs to demonstrate how it responds to each of these aims. It is therefore important to consider how proposed activities will contribute to achieving each of these aims, particularly over the longer term.

**2.2** We expect that sometimes the emphasis will shift because of demands at a particular point in time and we must be flexible enough to respond to that.

**2.3** EFRAG PRC's proactive projects represent a collaboration between EFRAG and National Standard-Setters. There may be circumstances where EFRAG will work with other partners or undertake projects on our own – it will depend on how we can best satisfy our strategic aims.

**2.5** In meeting our strategic aims we need to ensure that our outputs are high quality, timely, and that we use our resources wisely.



## 3. Our Proactive Process

**3.1** This strategy is the first stage in the development of our proactive work. It provides the road-map to guide and direct our work. It is, however, just the beginning and other parts of the process are important too. The diagram below shows how the strategy fits into the overall process.



**3.2** The final output of each project must be approved by EFRAG TEG (participating National Standard-Setters may wish to seek approval by their own Boards).

**3.3** We expect that our processes to support our proactive work will continue to develop over time as we work constructively with our partners and learn from the evaluation of completed projects. One particularly critical aspect in the process is the engagement of EFRAG TEG to ensure there is a clear direction and technical leadership provided to projects. Input provided by the Boards of National Standard-Setters is encouraged as an additional resource to the work of EFRAG.

## 4. Measuring Our Success

- 4.1** This strategy is, by its very nature, an aspirational statement of intent. It is important that we measure, in a transparent way, our progress periodically against the strategic aims to ensure that project outputs are timely and have a high impact. The EFRAG PRC will review projects underway. The day-to-day management of projects is the responsibility of the team in charge of the project, and EFRAG PRC's principal role will be to co-ordinate resources and set the overall direction.
- 4.2** The success of this strategy depends on the strong and effective working relationships with EFRAG and National Standard-Setters. Those working arrangements will need to be reviewed periodically to ensure that they are delivering and continually improving.
- 4.3** We will also need to maintain our positive and constructive dialogue with the IASB. As part of measuring our success, the focus will be on delivering outputs that contribute significantly to the global standard-setting agenda.
- 4.4** We will formally report our progress towards realising this strategy as part of the EFRAG Annual Review.



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