

EFRAG

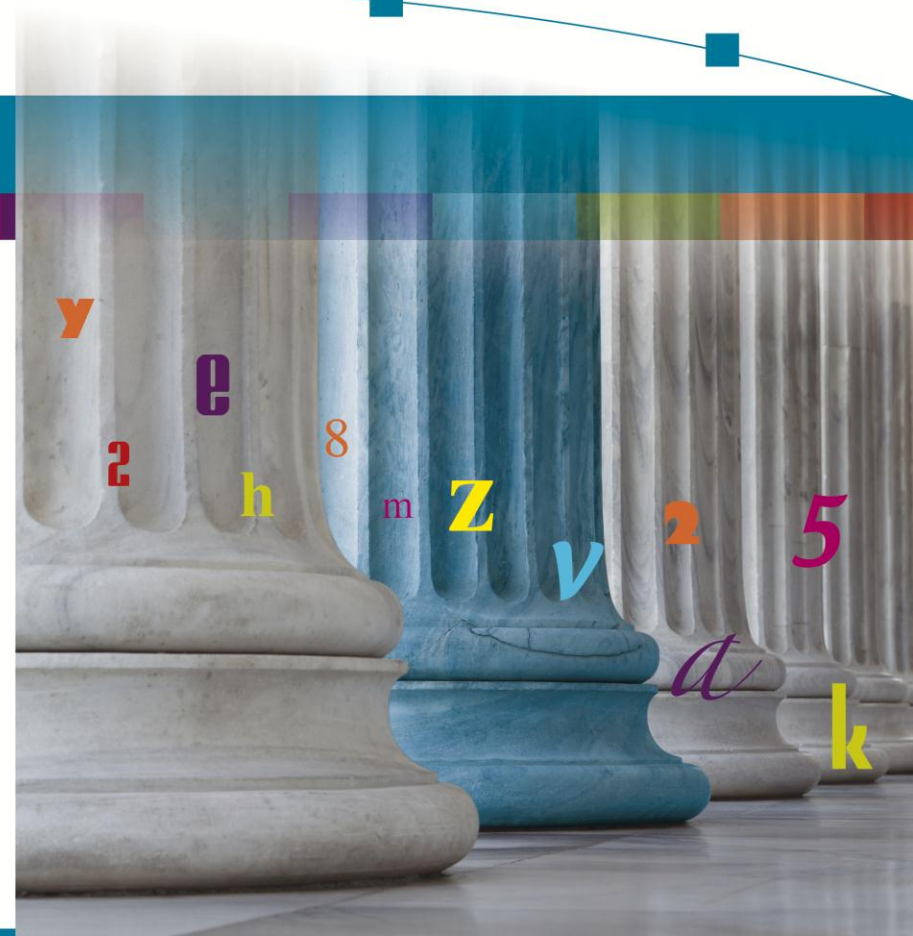
European Financial Reporting Advisory Group ■



Stewardship (or Accountability)

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on behalf of the five partners*



Bulletins



- Prudence
- Stewardship
- Reliability
- Business model
- ...and three others



What the Framework (2010) says

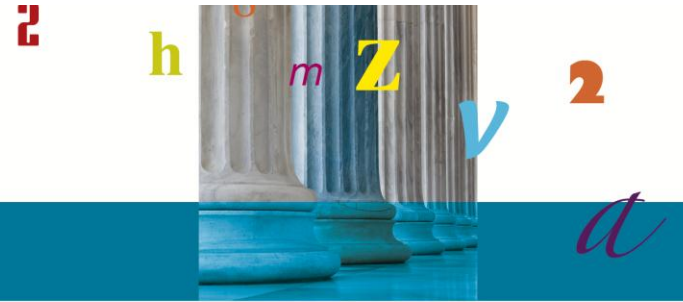


- Objective is decision-usefulness
 - buy/sell/hold securities
 - amount, timing, uncertainty of cash flows
- Information on how efficiently management have used resources
 - useful for voting
- Both cash flow prospects and stewardship are important (BC 1.27)



Stewardship/Accountability

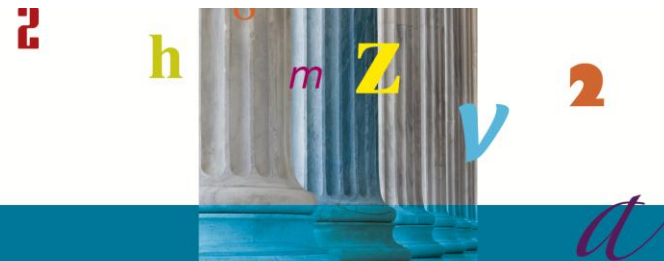
Why stewardship is important



- Users can assess management
- Controls management
- A basis for dialogue



Dialogue



- Essential for the agent-principal relationship
 - benefits both parties
 - management need to report credibly
- Affects management behaviour
- Requires reporting on business success
 - ie the business model—not just the value of assets and liabilities



Stewardship/Accountability Governance



- Financial statements are part of governance
- Information from other sources also needed to assess stewardship
 - ...but same is true of other objectives
- Assessing management requires
 - highlighting unusual items,
 - enabling comparison with other entities



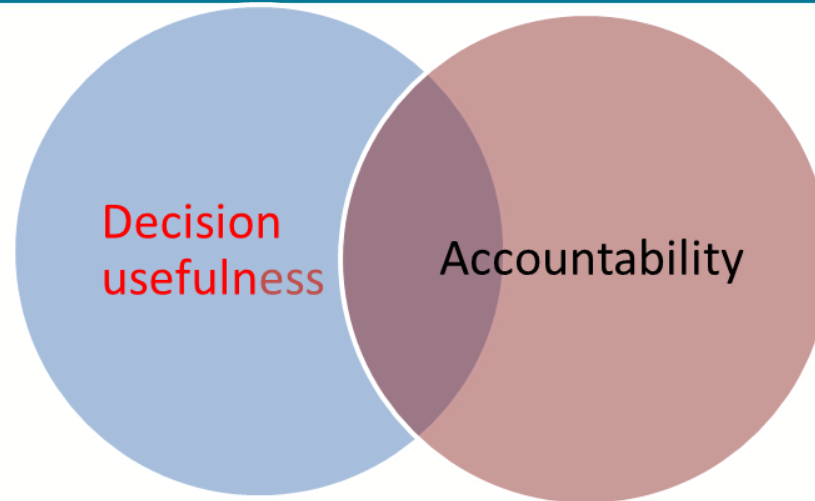
What difference does it make?



- Stewardship emphasises
 - long term considerations
 - value of reporting past transactions & events
 - completeness, transparency, reliability
- Examples in Appendix to the Bulletin



Relationship to decision-usefulness



Possible views

- Information is the same for both objectives
- Information is different—objectives are incompatible
- Information is similar and overlaps—but views differ on how much!

See “The use of information by capital providers”



Three views



- Existing Framework is adequate
- Accountability is the primary objective
- Accountability is a primary objective, alongside decision-usefulness



Questions to consider



- As standard-setting involves making choices, is there a risk that stewardship/accountability information will be overlooked?
- Is a decision-usefulness objective adequate?
- What aspects of financial statements that would be affected by stewardship/accountability ?
- What are the disadvantages of giving more emphasis to stewardship/accountability ?



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