



Association pour la participation des
entreprises françaises à l'harmonisation
comptable internationale



ASSOCIATION FRANÇAISE DES ENTREPRISES PRIVÉES

ESMA
103 rue de Grenelle
75007 Paris
France

Paris, January 5, 2012

Re: Consultation on Considerations of materiality in financial reporting

Dear Sir / Madam

On behalf of ACTEO, AFEP and MEDEF, we are writing in response to the consultation relating to "Considerations of materiality in financial reporting" (the Consultation).

As a preliminary to responding to the Consultation, we would like to provide you with some brief background information about the organisations we represent:

- **ACTEO** is the "Association for the participation of French companies in the harmonisation of international accounting" (preparer organisation) which represents nearly 60 members, including the vast majority of the CAC 40 groups, and across many different sectors of activity.
- **AFEP** - "Association des Entreprises Privées" – represents at present more than 90 of the top private sector companies operating in France. The purpose of AFEP is to present the views of large French companies to international institutions and bodies, and to the French authorities, mainly with regard to the drafting of non-industry-specific legislation, notably on financial affairs.
- **MEDEF** is the French Business Confederation: the leading network of businessmen and women in France.

Our views

The need for guidance

The concept of materiality has been in existence for a very long time and is recognised in most bodies of GAAP, not just IFRS. We think that the concept is sufficiently well understood by preparers, auditors and users, and is applied reasonably consistently. In our view no clarification is required in addition to what it currently included in IFRS.

We therefore do not think that ESMA should issue any guidance concerning the materiality concept. As it is currently defined in the IFRS Framework and in the FASB's Conceptual Framework (and summarised on page 6 of the consultation document), materiality is an entity-specific concept, to be judged in the context of an entity's financial statements.

We fully support the IASB's and the FASB's decision not to specify a uniform quantitative threshold and believe that ESMA should reach the same conclusion.

Materiality should be assessed in the context of the specific circumstances and therefore should not be standardized, but rather only explained and defined on the basis of principles. We suspect that a proliferation of rules (that is, more detailed guidance) can have the negative effect of encouraging the search for loopholes and discouraging the use of judgement about what is really important information for the user.

The need for disclosure about materiality

In respect of the need for disclosures about materiality, we are opposed to incorporating any additional notes in the accounting policy section of financial statements for the following primary reasons:

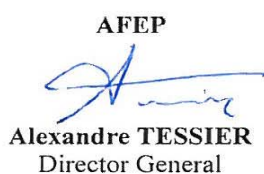
- Materiality is an explicit and implicit notion already integrated in the IFRS standards (and Framework): the IFRS compliance statement is therefore sufficient and adequate disclosure.
- Any additional explicit disclosures that could be required, would certainly lead companies to provide a list of quantitative indicators, which would be contrary to a principle-based definition that we want to see maintained. We think that the principle-based approach is more efficient and leads to more helpful information for the user.

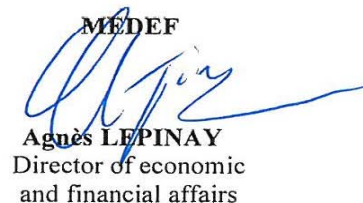
Please do not hesitate to contact us if you require further information or explanation,

Yours faithfully,

ACTEO

Patrice MARTEAU
Chairman

AFEP

Alexandre TESSIER
Director General

MEDEF

Agnès LEPINAY
Director of economic
and financial affairs