



June 2016

National Executive

President's Dinner

Paul Jevtovik APM, Chief Executive Officer of AUSTRAC, spoke to members and guests on 'Regulations in the 21st Century'. Members were informed of AUSTRAC's approach to corruption and bribery, fraud and scams, the use of tax havens and financing terrorism activities. A major focus of the presentation was that with the increasing international activities and involvement in cyber security means that sharing of information with international jurisdictions and with companies in a more timely fashion is crucial in reducing these threats to activities.

Internet of Things (IoT): Members of the Internet of Things Alliance Australia made a presentation to Executive on its role and activities in fostering technology development that will transform vertical industry productivity, innovation and business opportunities in Australia. A copy of the presentation has been emailed to members for information. Should any member want more information, or would like to be involved in this process, please contact Peter Meehan (peter_meehan@bigpond.com).

Appointments: Executive noted that Jackie Callaway – Brambles Limited, has been appointed as a member of the Financial Reporting Council for a term of three years and Lynn Wood has been re-appointed as a Trustee of the IFRS Foundation.

G100 Purpose and Structure National Executive confirmed the purpose and structure of the G100 to better meet the challenges confronting CFOs and will engage with members to discuss the proposals.

Diversity in finance: Executive reviewed the initial results of the G100 membership survey on gender diversity and will discuss the final report at its meeting in July.

Communication with shareholders: Treasury has issued a Proposal Paper 'Technology neutrality in distributing company meeting notices and materials' following a recommendation by the Financial System Inquiry. To facilitate innovation and reduce costs for companies, while maintaining an appropriate level of shareholder engagement, a technology neutral mode for distributing meeting notices and materials is proposed. The G100 submission supports the proposals.

Taxation reform

The G100 has representation on the ATO's Large Business Stewardship Group. This enables members to raise issues through the G100 rather than directly, should they wish to do so. Members having issues with current or forthcoming legislation/guidance may contact Andrew Porter (aporter@afic.com.au).

DIARY DATES

Executive Meetings

28 July - Brisbane

6 October - Melbourne

15 December - Sydney

A Members' dinner will be held on the night before each meeting.

Member Activities

20 & 21 July: In conjunction with EY, breakfast forums in Melbourne and Sydney on 'The Disruption of the CFO's DNA'.

{Details of events will be sent to members separately}

The G100 also made a submission to Treasury on the Diverted Profits Tax proposals which expressed the view that the use of a threshold of 80% below Australia's company tax rate would include our major trading partners as potential tax havens.

Corporate reporting

Insurance: The IASB has issued a series of webinars on the upcoming insurance contracts standard IFRS 4 which will be issued by the end of 2016:

- The need for change and the history of the project (issued 1 April)
- What is an insurance contract? (issued 8 April)
- Initial measurement of insurance contracts (issued 15 April)
- Subsequent measurement of insurance contracts (issued 22 April)
- Modifications to the general model: variable fee contracts (issued 29 April)
- Other modifications to the general model (issued 6 May)
- Presentation and disclosure (issued 13 May)
- Applying the Standard for the first time (issued 20 May).

Presentation slides and further details can be obtained from the Insurance webinar page at www.ifrs.org.

Insurance and financial instruments: The Board will revise IFRS 4 *Insurance Contracts* in September to resolve issues being encountered with the interaction of IFRS 4 and IFRS 9 *Financial Instruments* by early adopters of IFRS 9. The revision will give companies issuing insurance contracts the option of removing from their profit and loss calculations, any volatility that may be caused by changing the measurement of financial assets to apply IFRS 9 ahead of the operative date of the forthcoming revised insurance contracts standard. This new standard is due for release in later 2016 and it will have an effective date of no earlier than 2020. The September revisions to the current IFRS 4 will also give companies whose predominant activities are insurance-related an optional temporary exemption from applying IFRS 9 until 2021.

IFRS Foundation Annual Report: The IFRS Foundation has published its Annual Report for 2015 titled "*Focussing on the future*". The report for 2015 sets out the organisation's strategic priorities for 2015/2017, broken down into four strategic goals:

- ~ develop a single set of high quality, globally enforceable accounting standards,
- ~ pursue the goal of global adoption of IFRS,
- ~ support consistent application and implementation of IFRS, and
- ~ ensure continued independence, stability and accountability of the IFRS Foundation.

The report is available at www.ifrs.org.

Disclosure initiative: The IASB has posted a webinar (www.ifrs.org) which provides an overview of its disclosure initiative and its discussion paper on principles of disclosures which is expected to be issued by the end of 2016.

Revenue: The AASB has amended AASB 15 *Revenue from Contracts with Customers* to:

- ~ clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting license; and
- ~ include further 'practical expedients' on transition to AASB 15 incorporating International Financial Reporting Standard *Clarifications* to IFRS 15 *Revenue from Contracts with Customers*.

The amendments apply to annual periods beginning on or after 1 January 2018.

Share-based payments: The IASB has issued '*Classifications and Measurement of share-based payment transactions*' (Amendments to IFRS 2) to clarify the requirements for:

- the effects of vesting conditions on the measurement of cash-settled share-based payments;
- the classification of share-based payment transactions with a net settlement feature for withholding tax obligations;
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The revisions are operative for financial years commencing 1 January 2018 with early adoption permitted.

IFRS Foundation: The IFRS Trustees have concluded the 2015 review of the structure and effectiveness focussing on relevance, consistent application and governance and financing.

Following the review the Trustees intend to accelerate work to address barriers to high quality digital reporting by collaborating with investors, regulators and others to ensure the IFRS Taxonomy remains fit for purpose, place increased emphasis on activities to support consistent application and to enhance the visibility of the oversight of the IASB by the Trustees. The proposed amendments are outlined in an ED. Comments are requested by 15 September 2016.

ASX Corporate Governance Council

The Council met on 24 May 2016 and discussed:

KPMG research on corporate governance disclosures: The ASX Education and Research Program commissioned independent research by KPMG on the adoption of the diversity recommendations by listed entities and to analyse how listed entities have responded to the new recommendations in the third edition of the Principles and Recommendations. The reports are:

- ~ Adoption of diversity recommendations by listed entities
- ~ Adoption of new recommendations in the third edition by listed entities.

The reports are available at www.asx.com.au/regulation/corporategovernancecouncil/resources

Integrated reporting: The Council discussed a letter from John Stanhope – Chairman, Business Reporting Leaders Forum, proposing the inclusion of an integrated report in the ‘ASX Corporate Governance Principles and Recommendations’ on an “if not, why not” basis. While supportive of the goals of integrated reporting the Council considered that it would not be appropriate to launch another major review of the Principles and Recommendations when the changes have recently been operative.

ASIC

Focus on culture: As part of its focus on culture, Greg Medcraft – ASIC Chairman and John Price – Commissioner, have recently given speeches on ASIC’s focus on culture. The focus of the presentations is on the features of a positive corporate culture and why it matters, ASIC’s work around culture and conduct and the key drivers of culture. The speeches are available at asic.gov.au.

Corporate governance resource: ASIC has updated the corporate governance resource on its website to improve accessibility of its views and approach. The guidance includes sections on:

- Managing conflicts
- Director oversight of financials and audit
- Emergency risk management
- Culture
- Directors as gatekeepers
- Executive remuneration.

Further information is available at www.asic.gov.au/corporate-governance.

30 June financial reports: ASIC has indicated that it expects companies to be realistic about asset valuations and selection of accounting policies in their financial reports. The principal areas of focus are:

- Asset values
- Accounting policy choices
- Impact of new standards on revenue and financial instruments
- Material disclosures.

Digital financial reporting: ASIC has published a video on the implementation and use of digital tools for financial reporting and the benefits for preparers and users. More information is available on ASIC’s SBR web pages or from digital.reporting@asic.gov.au.

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