



October 2015

National Executive

President's Dinner: Michael Andrew, Chairman – Board of Taxation, addressed a dinner at the Langham Hotel, Melbourne on 16 September. Members and guests were informed of the changing role of the Board of Taxation and its activities in preparing for tax reform which includes fringe benefits tax issues and preparing recommendations for reporting on tax transparency.

Chief Executive Women: Executive members met with representatives of Chief Executive Women (Kathryn Fagg, Rebecca McGrath and Sally Herman) and participated in a “CEO Conversation” – an innovative tool to drive for better business outcomes through empowering women leaders. The “*Gender Diversity Kit*” and “*The Leadership Shadow*” and other materials are available at www.cew.org.au. Key areas discussed included: flexible work practices, job re-design, symbols and systems, measurement and ways in which the G100 could improve diversity both in the finance function and more broadly.

G100/EY CFO First 100 Days Program: Members are reminded that they should contact Peter Meehan 0417 509 022 to discuss candidates for participation in the program which is exclusive to G100 members.

Remuneration Report: Executive discussed approaches to streamlining the remuneration report with Margot Le Bars and Regina Fikkers – PwC Partners, with a view to achieving a common sense approach. Discussion focused on the need for action, consistent with the Government's deregulation agenda and what could be achieved in the short term by adopting similar principles as for streamlining financial reports including:

- adopting a logical framework and order;
- removing repetition;
- plain English narrative;
- using visual design.

Executive agreed to participate in a project with PwC to rationalize remuneration reporting.

Taxation reform

Tax Transparency: The Board of Taxation is considering issues associated with tax transparency and has formed a working group to advise it on the practical implications of various approaches, including the development of a voluntary code for increased public disclosure of tax information by high profile companies including large multi-nationals. The G100 has CFO representation on the working group.

Diary Dates 2015

Executive Meetings

26 November - Sydney

Member Activities

25 November: Members' dinner in Sydney

{Details of events will be sent to members separately}

G100 Discount Rate

The G100 Discount Rate is produced monthly and made available on the website.

In the main Australian companies are now using the G100 Discount Rate rather than government bond rates as the discount rate when measuring employee benefit liabilities. This has had a significant one-off positive impact on profit for many companies with large numbers of employees and/or defined benefit plans.

Corporate reporting

Insurance Contracts and IFRS 9: The IASB has confirmed that it will issue an ED on a package of temporary measures to address concerns about issues from implementing IFRS 9 before the new insurance contracts standard is effective.

The ED will contain proposals to amend IFRS 4 *Insurance Contracts* to give companies whose business model is to predominantly issue insurance contracts the option to defer the effective date of IFRS 9 until 2021 (the 'deferral approach'). It would also give insurers who implement IFRS 9 the option to remove from profit or loss some of the accounting mismatches and temporary volatility that could occur before the new insurance contracts Standard is implemented (the 'overlay approach').

The IASB expects to issue a final Insurance Contracts Standard in 2016.

Materiality: Deloitte has published *'Thinking Allowed: Materiality'* (www.iasplus.com) which is designed to assist those with the responsibility of deciding what information to include in a financial report and how to present it. The report observes that materiality involves the exercise of judgment which requires an understanding of the characteristics of the primary users of financial statements and the decisions they are using them to support and the information about the entity's activities which is relevant to making those decisions.

Leases: The IASB has issued an updated work plan which indicates that it expects to finalise the new leases standard before the end of 2015.

Cutting the Clutter: KPMG has released *'A new era in Corporate Reporting'* (www.kpmg.com.au) which reviews recent corporate reporting and trends in de-cluttering reports. The review of financial reports of ASX 200 entities indicates that entities are seeking to better explain results and prospects against their strategies as well as reducing the size and complexity of their annual financial reports.

Streamlining Financial Reports: G100 and PwC will soon publish a review of annual financial reports of ASX 200 companies as part of the initiative to streamline financial reports. A copy of the report will be sent to members and published on the website.

Proposed amendments to IFRS 15: The IASB has issued ED/2015/6 *'Clarifications to IFRS 15'*. The ED proposes to clarify:

- how to identify the performance obligations in a contract;
- how to determine whether a party involved in a transaction is the principal (responsible for providing the goods or services) or the agent (responsible for arranging for the goods or service to be provided to the customer); and
- how to determine whether a licence provides the customer with a right to access or a right to use the entity's intellectual property.

The IASB is seeking comments by 28 October 2015.

Disclosure initiative

The main features of the project are:

Materiality: The IASB proposes to issue an ED of a Proposed Practice Statement *'Application of materiality to financial statements'* with a 120 day comment period within the next three months.

Principles of disclosure: The IASB expects to issue a Discussion Paper, in Q1/2016, setting out overall principles and specific issues leading to a disclosure standard on the basic structure and content of financial statements. The DP will also address specific issues such as the presentation of non-IFRS information and performance measures and changes in accounting policies and estimates.

Review of structure and effectiveness of IFRS Foundation: The IFRS Foundation is required to undertake a review of its structure and effectiveness every five years. A request for views has been issued with comments requested by 30 November 2015. The Trustees are seeking comments on these strategic areas:

- ensuring that the relevance of IFRS is maintained: considering the evolving financial, and wider corporate, reporting landscape, as well as potential implications of technological developments for financial reporting;
- consistency of the application of IFRS: looking at the IFRS Foundation's approach to supporting the consistent application of IFRS and whether there is anything more it could, or should, be doing considering the limitations; and
- governance and financing: proposing further enhancements, including changes with respect to the size of the IASB.

IASB agenda consultation: The IASB has issued '*Request for Views: 2015 Agenda Consultation*' to seek input on the strategic direction and overall balance of its future work program. Comments are requested by 31 December 2015.

The IASB indicates that the 2015 agenda consultation process is constrained by both its capacity to take on additional technical projects and by the stakeholders' ability to deal with the changes that result from the standard-setting activities. Against this backdrop the IASB asks in the RV whether constituents believe that the IASB's current balance of projects (major/implementation/research) is right, whether any additional projects should be added to the major projects work program, whether enough implementation support is provided, and whether the current pace of change is right.

Accounting for sustainability: IFAC has issued '*Accounting for Sustainability: From sustainability to Business Resilience*' (www.ifac.org) which clarifies the role accountants can play in embracing sustainability and ensuring that sustainability is integrated in the broader business agenda and strategy. The briefing includes references to some of the many resources and tools which are available to develop knowledge and skills on the following topics:

- **Leadership and business strategy**
 - Identifying the business case at an organisational, project, or issue level
 - Facilitating leadership and commitment
 - Engaging the finance and accounting function
 - Connecting sustainability to strategy, risk and performance and identifying how decisions can be enhanced by integrating sustainability-related information.
- **Management, operations and accounting**
 - Generating information and analysis to support decisions
 - Reducing the sustainability impact of products, services and operations
- **Communications, reporting and disclosure**
 - Developing a business reporting strategy and approach
 - Integrating sustainability impacts into financial reporting
 - Assuring sustainability disclosures and reports.

Sustainability Reporting etc: CPA Canada has published a briefing paper discussing the evolving corporate reporting landscape as it relates to voluntary reporting of sustainability and related issues (www.cpacanada.ca). While principally focussed on the Canadian environment the discussion of the three types of voluntary reporting and reporting frameworks has broader relevance. The briefing paper covers:

- Discussion of the evolving corporate reporting landscape in a Canadian and global context; and
- Overview of three types of voluntary reporting and reporting frameworks:
 - sustainability reporting and the Global Reporting Initiative (GRI) guidelines,
 - integrated reporting and the International Integrated Reporting Council (IIRC) integrated reporting framework; and

- environmental, social and governance disclosures in SEC filings and Sustainability Accounting Standards Board's (SAASB) standards.

Accounting and low interest rate environment: EFRAG proposes to undertake a project on the accounting implications of low or negative interest rates with a focus on financial instruments. Many standards require some form of discounting in the measurement of assets and liabilities and there is an implicit assumption that interest rates are positive and that the present value of an asset to be recovered or a liability to be settled in the future is lower than the nominal amount. This project ties in with the IASB research project on Discount Rates.

ASIC

Funding model: The Australian Government has issued a Consultation Paper '*Proposed Industry Funding Model for the Australian Securities and Investments Commission*' (www.treasury.gov.au) requesting comment by 9 October 2015.

The Government considers that an industry funding model for ASIC would:

- ensure that the costs of the regulatory activities undertaken by ASIC are borne by those creating the need for regulation (rather than all taxpayers);
- establish price signals to drive economic efficiencies in the way resources are allocated in ASIC; and
- improve ASIC's transparency and accountability.

A copy of the Consultation Paper has been sent to members and we encourage you to lodge submissions as the implications of the funding models differ greatly depending on the size of the company and the industry in which it operates.

Capability: The Australian Government has also commissioned a forward-looking review to consider the capabilities of ASIC to examine and make recommendations on how efficiently and effectively ASIC operates to achieve its strategic objectives.

The review will assess ASIC's ability to meet future regulatory challenges and seek to ensure that it is equipped with the capabilities (leadership, strategy, people and processes) needed to deliver on its remit (www.treasury.gov.au).