22 July 2014

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr Hoogervorst,

Re: ED/2014/1 'Disclosure Initiative' (Proposed amendments to IAS 1)

Australia and New Zealand Banking Group Limited (ANZ) is listed on the Australian Securities Exchange. Our operations are predominantly based in Australia, New Zealand and the Asia Pacific region. Our most recent annual results reported profits before tax of A$9.0 billion (US$9.0 billion) and total assets of A$703 billion (US$655 billion).

We are supportive of the IASB's work on the *Conceptual Framework for Financial Reporting* ('Conceptual Framework') and its *Disclosure Initiative* implementation and research projects and, in this context, welcome the opportunity to comment on the short-term project to clarify certain presentation and disclosure requirements of IAS 1 *Presentation of Financial Statements*. Overall, we support the narrow-focus amendments proposed in the exposure draft (ED), however we believe improvements could be made in the following areas:

- The proposed differentiation between *presentation* and *disclosure* is being introduced on a piecemeal basis in advance of the Conceptual Framework project. Additionally, the proposed differentiation has not been addressed holistically either within IAS 1 or IFRSs more broadly. Accordingly, to avoid creating inconsistencies and ambiguity through the amendments proposed in the ED, we recommend they either be deferred until the IASB has progressed its Conceptual Framework project or contemporaneous amendments be made to all IFRSs which use this terminology.
- While we do not object to the removal of the examples in paragraph 120, we believe the stated basis for doing so as outlined in paragraph BC21 of the Basis for Conclusions creates uncertainty as to the IASB's view on how paragraphs 117(b) and 119 should be applied in deciding whether to disclose a particular accounting policy. Specifically, the removal of the examples on the basis (per paragraph BC21) that they are in the nature of operations for many entities and are unlikely to be entity-specific could be read to imply that the IASB considers accounting policy disclosure is **only** required where a feature that is unique to the entity exists (i.e. policies commonly applicable to many entities would not be disclosed). Accordingly, we recommend that the IASB's Basis for Conclusions be revised to clarify the circumstances in which it would expect a non entity-specific accounting policy to be disclosed.

Detailed comments, where applicable, on the questions raised in the ED are attached as an Appendix to this letter. Whilst not detracting from our support for the ED proposals (other than the matters noted above), the Appendix also outlines various recommended drafting refinements to improve the clarity and understandability of the proposed amended standard.

Should you have any queries on our comments, please do not hesitate to contact me at shane.buggle@anz.com.

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Yours sincerely

Shane Buggle

Deputy Chief Financial Officer

Copy: Chairman, Australian Accounting Standards Board (AASB)

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APPENDIX

Question 1—Disclosure Initiative amendments
The amendments to IAS 1 arising from the Disclosure Initiative aim to make narrow-focus amendments that will clarify some of its presentation and disclosure requirements to ensure entities are able to use judgement when applying that Standard. The amendments respond to concerns that the wording of some of the requirements in IAS 1 may have prevented the use of such judgement. The proposed amendments relate to: (a) materiality and aggregation (see paragraphs 29–31 and BC1–8 of this Exposure Draft); (b) statement of financial position and statement of profit or loss and other comprehensive income (see paragraphs 54, 55A, 82, 85A and 85B and BC9–BC15 of this Exposure Draft); (c) notes structure (see paragraphs 113–117 and BC16–BC19 of this Exposure Draft); and (d) disclosure of accounting policies (see paragraphs 120 and BC20–BC22 of this Exposure Draft). Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

Our comments on each of the proposed amendments, including concerns and alternative suggestions are set out below.

Materiality and aggregation:

We are concerned that the proposed differentiation between *presentation* and *disclosure* is being introduced on a piecemeal basis in advance of the Conceptual Framework project. Additionally, the proposed differentiation has not been addressed holistically either within IAS 1 or IFRSs more broadly. For example:

- the terms *presentation* or *disclosure* (or other grammatical forms of those words) are used in paragraphs 17(b), 34, 36, 38C, 38D and 40C of IAS 1 but are not proposed to be amended by the ED; and
- the comments made in BC7 are somewhat <u>inconsistent</u> with paragraph 48 of IAS 1.

Accordingly, to avoid creating inconsistencies and ambiguity through the amendments proposed in the ED, we recommend they either be deferred until the IASB has progressed its Conceptual Framework project or contemporaneous amendments be made to all IFRSs which use this terminology. In the latter scenario, we recommend the different meanings of *presentation* and *disclosure* (as outlined in paragraph BC7), be added to the Definitions in paragraph 7 of IAS 1.

To enhance the clarity and understandability of the proposed amended standard, we make the following recommendations:

- We believe that the last sentence of paragraph 31 would be more appropriately worded as follows to enhance consistency with both *The Conceptual Framework for Financial Reporting* and terminology used elsewhere in IAS 1 (e.g. paragraphs 38, 55, 57(a), 57(b), 85, 112, 117 and the proposed amended paragraphs 54 and 113A):

  An entity shall also consider whether presentation or disclosure of information about matters addressed by an IFRS <u>is relevant to an understanding of the financial statements</u> ~~needs to be presented or disclosed to meet the needs of users of financial statements~~, even if that information is not included in the specific disclosure requirements of ~~the~~ that IFRS.

- We encourage the IASB to expediently complete its broader review of other IFRSs which use 'as a minimum' or similar terminology (as referred to in paragraph BC4) so as to prevent a situation where the mere fact that a standard retains the 'as a minimum' terminology implies a different disclosure threshold from another standard where that terminology has been removed.

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Statement of financial position and statement of profit or loss and other comprehensive income

We agree with the proposed amendments.

To enhance the clarity and understandability of the proposed amended standard, we make the following recommendations:

- We recommend that the language in paragraph 85B be reworded in line with the language in paragraph BC14(c) to remove the reference to "each excluded item" (which is undefined) and enhance clarity. For example:

  An entity shall, subject to materiality, present line items in the statement(s) of profit or loss and other comprehensive income that reconcile any subtotals presented in accordance with paragraph 85 to the subtotals or totals required by this IFRS ~~by presenting each excluded item in the statement(s) of profit or loss and other comprehensive income~~.

- We suggest the proposed requirement in paragraph 55A(c) should be reworded as follows to clarify that sub-totals can be changed in certain circumstances:

  (c) be consistent from period to period unless a changed presentation satisfies the criteria set out in paragraph 45.

Notes structure:

We have addressed our comments on paragraph 117 under *Disclosure of accounting policies* below.

With the exception of the following observation, we agree with the proposed amendments.

We note that paragraph 113A could be read to imply that an entity should reassess the order of its notes at each balance date to give prominence to disclosures that it views as more relevant to an understanding of its financial position or financial performance for the reporting period. We view the reduced year on year comparability that would result as undesirable and recommend that a qualification be added to paragraph 113 (so that it applies to both paragraphs 113A and 114) to state that the note order should be consistent from period to period unless a change in order satisfies the criteria set out in paragraph 45.

Additionally, as a minor observation, we recommend that paragraph 115 be reworded as follows for clarity:

> *An entity shall cross-reference each item presented in the statement of financial position, ~~and in~~ the statement(s) of profit or loss and other comprehensive income, ~~and in~~ the statement~~s~~ of changes in equity and the statement of cash flows, to any related information in the notes.*

Disclosure of accounting policies

While we do not object to the removal of the examples in paragraph 120, we believe the stated basis for doing so as outlined in paragraph BC21 of the *Basis for Conclusions* creates uncertainty as to the IASB's view on how paragraphs 117(b) and 119 should be applied in deciding whether to disclose a particular accounting policy. Specifically, the removal of the examples on the basis (per paragraph BC21) that they are in the nature of operations for many entities and are unlikely to be entity-specific could be read to imply that the IASB considers accounting policy disclosure is only required where a feature that is unique to the entity exists. By extension this would imply that an accounting policy does not require disclosure unless:

- it addresses a particular transaction, other event or condition that is entity-specific; or
- IFRS does not cover a particular issue and therefore management has used its judgement to develop and apply an accounting policy for the entity; or

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- o IFRS contains more than one acceptable accounting policy from which the entity has made a selection.

Accordingly, we recommend that the IASB's Basis for Conclusions be revised to clarify the circumstances in which it would expect a non entity-specific accounting policy to be disclosed having regard to:

- o the "*relevant to an understanding of the financial statements*" criteria in paragraph 117(b); and
- o the "*whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position*" criteria in paragraph 119.

In addition, to enhance the clarity and understandability of the proposed amended standard, we make the following recommendations:

- Given the proposed removal of the "*summary of*" terminology (in relation to significant accounting policies) from paragraphs 114(b) and 117 of IAS 1, we recommend that the IASB reconsider the wording of paragraphs 10(e) and 122 to avoid an inconsistency in the amended standard.
- Having regard to the removal of the "*summary of*" terminology in relation to significant accounting policies, we recommend that the IASB clarify in the Basis for Conclusions that the removal of this language is not intended to suggest that more detailed/lengthy accounting policy disclosure is expected following the proposed amendment.

Question 2—Presentation of items of other comprehensive income arising from equity-accounted investments
Do you agree with the IASB's proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments amendments (see paragraphs 82A, BC1–BC6 and the Guidance on implementing IAS 1)? If not, why and what alternative do you propose?

We agree with the IASB's proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments.

In the context of enhancing the clarity and understandability of the proposed amended standard, we note that:

- footnote (b) to the examples illustrating the presentation of profit or loss and other comprehensive income under the <u>one statement</u> approach on pages 26 and 30 of the ED; and
- footnote (a) to the examples illustrating the presentation of profit or loss and other comprehensive income under the <u>two statements</u> approach on pages 27 and 31 of the ED,

contain the following sentence:

> *This example assumes that the share of associates' other comprehensive income relates only to property revaluation (hence, the classification in the statement of changes in equity).*

Given the footnotes refer to a statement of changes in equity which is presented a number of pages later in the standard, we recommend a cross reference be included in the bracketed text to clarify where users can find that statement of changes in equity.

Additionally, as a minor observation, we note that footnote (b) to the examples illustrating the presentation of profit or loss and other comprehensive income under the <u>one statement</u> approach could also be applied to the "Share of other comprehensive income of associates" line item in the alternative net of tax illustrations on pages 26 and 29 of the ED.

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Question 3—Transition provisions and effective date
Do you agree with the proposed transition provisions for the amendments to IAS 1 as described in this Exposure Draft (see paragraphs 139N and BC23–BC25)? If not, why and what alternative do you propose?

We agree with the proposed transition provisions.

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