Dear Kathy,

Thank you again for the opportunity of inviting Equifax to contribute feedback to the AASB around the recently issued Exposure Draft (ED 295) on the Tier 2 Simplified Disclosures Project.

As a leading provider of credit ratings and counterparty risk assessment services across Australasia, Equifax is routinely engaged to assist financiers, insurers, businesses and Government in making informed credit, procurement and risk management decisions.

Equifax is a strong advocate for improved transparency and recognises the broader economic benefits that emanate from improved accessibility to data and information. We believe it is important Australia maintains robust disclosure standards and we would generally not support a reduction in disclosures.

While we recognise there is much information available on listed entities, we also recognise broad market concern around the opacity and limited transparency across the broader mid-market. This has an adverse impact on the trading confidence between companies and their customers, suppliers, funders and partners.

Financial disclosures are critical to informing users of financial statements, and our own empirical research shows the importance disclosures have on identifying early warning signs of distress. Any reduction in disclosure and reduced transparency has the potential to materially impact the ability for users to make and evaluate decisions on the allocation of scarce resources.

While financiers will typically obtain securities to partly protect their risk exposure, reports on corporate insolvency by ASIC reveal that unsecured creditors receive back less than 11c in the dollar. The transparency of financial statement information and disclosures are critical to these and other users of financial statements.

Equifax strongly supports the proactive approach taken by the AASB in seeking to consult with users of financial statements around the proposed Tier 2 Simplified Disclosures (ED 295). We understand the AASB has held a number of roundtables to discuss these proposals, and while these included preparers and auditors of financial statements, we acknowledge there has been limited input or feedback from users of these statements.

Equifax commends the consultative approach taken by the AASB and encourages further consultation with users of financial statements in this process. In our capacity as one representative of users of financials, I am happy to confirm our recent discussion and that we are broadly comfortable with the following proposals in the Simplified Disclosures ED:

- The lower level/more general nature of disclosures for financial instruments
- Option not to present a Statement of Changes in Equity
- Additional disclosure of audit fees

However we also highlight our concern around a reduction in disclosures generally, and have raised specific concerns around a reduction of disclosures compared to the Special Purpose Financial Statements (SPFS) in relation to:

- individually material income and expenses
- cash flow reconciliation (considered essential information for understanding the relationship between operating cash flows and profit/loss).

We also reiterate the importance of the following disclosures to users of financial statements:
• disclosure of tax reconciliation, and
• separate presentation of discontinued operations/assets held for sale on the balance sheet; disclosure of information in the notes about assets/disposal groups for which there is a binding sale agreement not considered sufficient.

Thanks again for the opportunity to contribute in this consultation process. Please let me know if you have any queries, or if there is anything else we can do to assist.

Wishing you and the team a very Merry Christmas. All the best for the holiday season,

Best regards,
Brad

Brad Walters

Head of Product and Rating Services | Commercial