



4 May 2016

Kris Peach
Chair, Australian Accounting Standards Board
By email: kpeach@asb.gov.au

Dear Kris

AASB Work Program - Regnan Perspectives

Thank you for our recent discussion. This letter reiterates and expands on key points.

Remuneration Guidance

We observe there has been significant innovation in, and enhancement to, remuneration disclosure since the two strikes rule was introduced, but this has all occurred 'voluntarily' and on individual company initiative, rather than in response to any particular framework. Principles based guidance could be useful in driving further improvement if it highlighted good practice and provided a conceptual framework for what constitutes 'good' disclosure. While there are other possible fora or organisations that could undertake this work, none clearly have a mandate for it or active plans to our knowledge. The AASB appears to have relevant skill sets to undertake such work. On the basis that broad consultation with all relevant stakeholders would be central to the approach, we are supportive of the initiative.

Voluntary Tax Transparency Code

Since we met, the federal government confirmed in the 2016 budget that the Voluntary Tax Transparency Code, proposed by the Board of Taxation, will be adopted, with the AASB to have a role in relation to guidance on effective tax rates.

Regnan considers that achieving meaningful and informative tax disclosure is a significant challenge. The Board of Taxation consultation to date appears to have been focused on a small number of potential reporters. Few user voices are evident. We would welcome the AASB reaching out to a broader group as it contributes to the next phase of this work.

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Intangible Assets

Regnan is concerned at the growing gap between market valuations and net book value recognised in financial accounts – intangible assets are an important component of this difference. Regnan has been active in the development of integrated reporting - via participation in the International Integrated Reporting Council investor network - and in advocating for the uptake of the (now finalised) integrated reporting framework which, in part, seeks to address this gap. In this context, we consider that there may be value in the IASB reactivating its work on intangible assets as a means to contribute to the conversation on how reporting entities should communicate with report users on intangibles – both booked and unbooked.

Other Priorities

Regnan staff are regular users of financial statements in our work, researching environmental, social and corporate governance related sources of risk and value for S&P/ASX200 stocks.

We observe a surprising diversity in financial statement disclosure, even among the large listed stocks that are our focus. We would be pleased to contribute to efforts by the AASB to narrow the diversity of practice toward the better end, especially in the areas of related party transactions, provisions, contingent liabilities and asset impairment.

We note the recent trend among leading companies to adopt simplified financial statements. We would value any efforts the AASB made toward wider adoption of this practice.

I look forward to continuing our dialogue on shared interests.

Sincerely

Alison George
Head of Governance

About Regnan

Regnan – Governance Research & Engagement Pty Ltd was established to investigate and address environmental, social and corporate governance related sources of risk and value for long term shareholders in Australian companies.

Its research is used by institutional investors making investment decisions, and also used in directing the company engagement and advocacy it undertakes on behalf of long term investors with \$82 billion, or ~5.5%, invested in S&P/ASX200 companies (at 31 Dec 2015).

Regnan was launched in 2007 having operated previously as the BT Governance Advisory Service. It is owned by institutional investors: BT Investment Management and Commonwealth Superannuation Corporation (CSC) (formerly ARIA).