CORPORATE ADVISOR SPRING EDITION 2023

HALL CHADWICK

WHAT'S INSIDE:

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INTRODUCTION

In this issue of Corporate Advisor, we explain 11, financial-reporting, corporate-governance regulatory topics of crucial importance to CFOs and directors.

We should approach ASIC's guidance with a renewed perspective. The Hall Chadwick team is confident that referring to the appendix outlining *ASIC's focus areas for the reports ending on 30 June 2023* will provide valuable assistance to preparers, audit committees, and directors.

ASIC's current areas of focus remain consistent with previous years. These areas include the valuation of assets, establishment of provisions, evaluation of solvency and going-concern assessments, considerations of events occurring after year-end and before completing financial reports, as well as comprehensive disclosures within financial reports.

What gives them a different complexion is the current uncertain market and economic conditions.

Keep in mind AASB 17, which pertains to insurance contracts. Its scope goes beyond insurance companies. Understand what an insurance contract is and make appropriate plans and disclosures accordingly.

We also need to bear in mind the commission's announcements during the year on corporate restatements, penalties for non-lodgement of accounts, failure to hold annual general meetings, greenwashing, whistleblowing, and actions taken for breaches of AFS licence.

Lifting the eyes a little, we see substantial developments in sustainability led by *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures*. They're from the International Sustainability Standards Board and coupled with the federal government's consultation paper on *Climate-related financial disclosure* look at managing climate risks. Planning to accommodate these new directives is essential.

We thank Stephen Newman for telling us about the forthcoming AML/CTF Tranche 2.

If you require assistance, reach out to your Hall Chadwick engagement partner.

ASIC focus areas for 30 June reporting

By Drew Townsend, Partner, Hall Chadwick (NSW)

The Australian Securities & Investments Commission has urged directors, preparers of financial reports and auditors to assess the impact of uncertain market and economic conditions while reporting for full and half-years ending 30 June.

ASIC commissioner Danielle Press said: 'Directors should ensure that investors are properly informed on the impact of changing and uncertain economic and market conditions, "net zero" targets and other developments on financial position and future performance. Impacts on asset values and provisions should be assessed, and uncertainties, key assumptions, business strategies, and risks disclosed.'

ASIC has highlighted several areas for attention, in particular:

- Asset values
- Provisions
- Solvency and going-concern assessments
- Events occurring after year-end and before completing financial reports
- Disclosures in the reports and operating and financial reviews, and
- The impact of a new accounting standard for insurers.

Companies will be affected differently by changing and uncertain economic and market conditions according to their industry, where they operate, how their suppliers and customers are affected, and a range of other factors.

Directors and management should assess how the current and future performance of an entity, the value of its assets and provisions and business strategies might be affected by changing circumstances, uncertainties, and risks such as:

- The availability of skilled staff and expertise, which can affect revenues and costs
- The impact of rising interest rates on future cash-flows and discount rates used in valuing assets and liabilities
- Inflationary impacts that may differ between costs and income
- Increases in energy and oil prices
- Geopolitical risks, including the Ukraine-Russia conflict
- Impacts of climate change, climate-related events, and transitioning to 'net zero'
- Technological changes and innovation
- COVID-19 conditions and restrictions during the reporting period
- Changes in customer preferences and online purchasing trends
- The discontinuation of financial and other

support from governments, lenders, and lessors

- Legislative and regulatory changes, and
- Other economic and market developments.

Several uncertainties and risks might affect asset values, liabilities, and assessments of solvency and going concern.

Some factors may also be relevant in assessing the ability of an entity's borrowers, debtors, and lessees to meet their obligations to the entity, and the ability of key suppliers to continue to provide goods and services.

Industries most affected by the above factors include construction, owners of commercial property, large carbon emitters, and agriculture.

Uncertainties may lead to a wider range of valid judgements on asset values and other estimates. They might change from period to period. Disclosure uncertainties, key assumptions, and sensitivity analysis are important to investors.

'Assumptions underlying estimates and assessments for financial-reporting purposes should be reasonable and supportable,' said Ms Press.

Operating and financial reviews should complement financial reports and tell the story of how an entity's businesses are affected by COVID and non-COVID factors. Underlying drivers of results and financial position should be explained, as well as risks, management strategies, and prospects. Forward-looking information should have a reasonable basis, and the market should be updated through continuous disclosure if circumstances change.

See Appendix: ASIC focus areas for 30 June 2023 reports for the detail.

ASIC reminders about reporting

By Stewart Thompson, Partner, Hall Chadwick (NSW)

Directors are primarily responsible for the quality of financial reports. They should ensure that management produces quality and timely financial information for audit. Companies must have appropriate processes, records, and analysis to support information.

Appropriate experience and expertise should be applied in reporting and auditing, particularly in more difficult and complex areas, such as asset values, provisions, and other estimates.

The circumstances in which judgements on accounting estimates and forward-looking information have been made, and the basis for those judgements, should be properly documented and disclosed.

ASIC will review the full-year financial reports of selected listed and other public-interest entities.

Improved material business risk disclosure needed

By Steven Nguyen, Partner, Hall Chadwick (VIC)

ASIC's surveillance and subsequent analyses of a selection of 30 June 2022 annual reports has led to a further six listed entities disclosing material business risks in calendar-year-end interim reports.

The six entities (which made disclosures between 22-28 February) are DomaCom Ltd, Dubber Corporation Ltd, Family Zone Cyber Safety Ltd, Maas Group Ltd, SILK Laser Australia Ltd, and Zelira Therapeutics Ltd.

Sixteen listed entities have now made additional risk disclosures through market announcements or subsequent interim financial reports, following ASIC inquiries of their 30 June 2022 annual reports.

ASIC was concerned that risks had not been sufficiently disclosed in operating and financial reviews.

DomaCom Ltd, an investment manager, also provided improved disclosure that clarified the nature and performance obligations of campaign management fees (previously described as upfront platform fees). This followed ASIC's inquiries about recognising the fees. The enhanced disclosures did not affect recognition and measurement of revenue.

ASIC reminds directors of the importance of high-quality operating and financial reviews, including disclosure of material risks that might affect the achievement of a listed entity's strategies and prospects. Directors must ensure that they provide investors with useful and meaningful information about the impact of changing and uncertain market conditions on current and future performance.

ASIC encourages investors and other interested parties to review additional material disclosed in OFRs. The commission also recommends that OFR preparers for other entities review additional disclosures. It might help them to improve their own disclosures.

ASIC continues to review closely a selection of annual reports on a risk-based approach, to ensure that entities are correctly disclosing their material business risks as part of directors' reports.

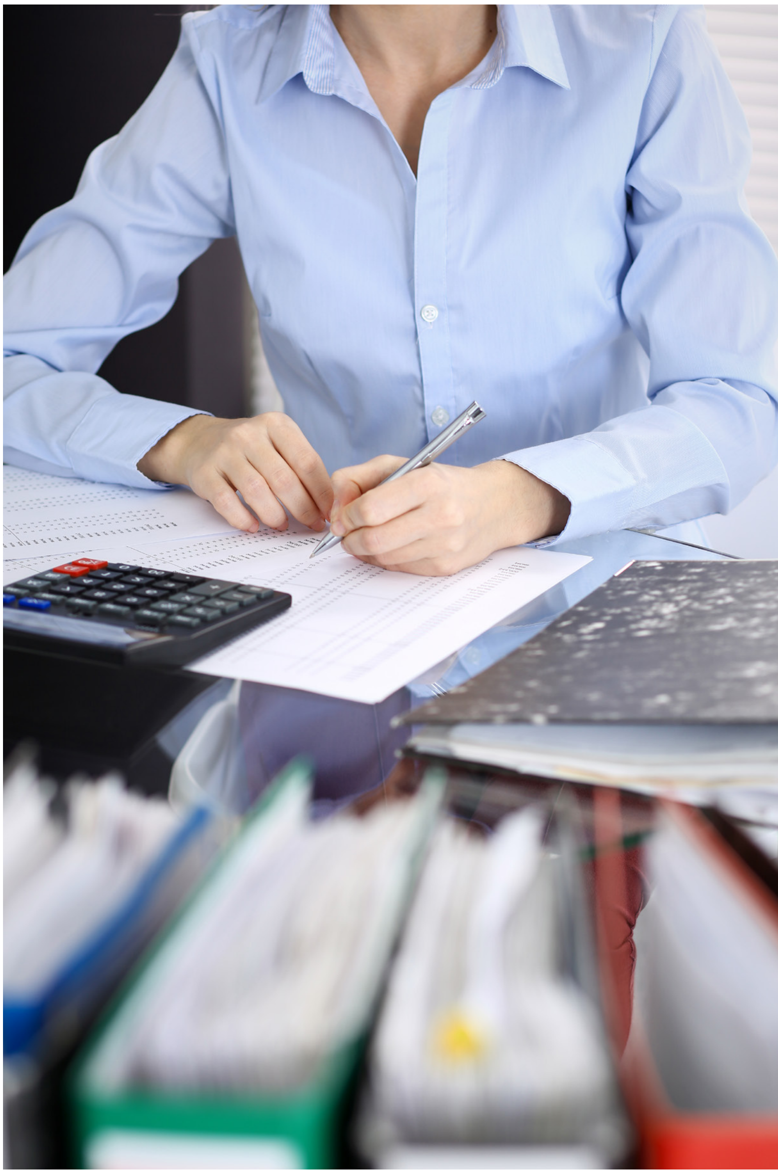
ASIC regulatory guide 247 *Effective disclosure in an operating and financial review* provides guidance for directors of listed entities on providing useful and meaningful information.

ASIC updates guidance on reportable-situations regime

By Chris Nicoloff, Partner, Hall Chadwick (WA)

ASIC has released updated guidance on the reportable-situations regime (formerly breach reporting).

The updates to regulatory guide 78 *Breach reporting by AFS licensees and credit licensees* clarify aspects of the existing guidance and provide new help on operational issues that have arisen since the regime's implementation on 1 October 2021.



The updates to RG 78 include:

- Clarifying the circumstances in which licensees may group several reportable situations into one report
- New guidance on information to include when licensees describe a reportable situation, and
- New guidance for licensees on ASIC's expectations when licensees are providing updates related to a reported breach.

The commission is also making minor changes to the prescribed form for lodging reportable situations (accessed using the regulatory portal). The changes will begin on 5 May and will clarify how some questions should be answered, pointing licensees to guidance available in RG 78.

ASIC published a summary of the changes that it has made to RG 78 and has made changes to the prescribed form on 5 May.

New guidance on whistleblowing

By Mark Delaurentis, Partner, Hall Chadwick (WA)

ASIC's report 758 G*ood practices for handling whistleblower disclosures* aims to help entities improve their arrangements for handling whistleblower disclosures.

It adds to guidance on ensuring that whistleblowing is effective and encourages workers to speak up.

The report sets out good practices the commission saw in a review of seven entities' whistleblower programs. ASIC found that programs with thoughtful and well-publicised arrangements for protecting whistleblowers and handling disclosures got useful tip-offs about workplace concerns. From a variety of industries, the seven entities were more able to identify and address issues at an early stage.

ASIC commissioner Danielle Press said, 'Whistleblowing is a key part of a transparent, accountable, and safe work culture. Whistleblowers need to know that, when they have reasonable grounds to suspect misconduct or an improper situation involving a firm, they can raise the issue without being victimised.

'ASIC's report reiterates the important role that whistleblower programs play in alerting entities and boards to changes necessary to help improve overall corporate performance and governance.

'ASIC will continue to review entities' whistleblower policies and arrangements for handling whistleblower disclosures, including when we receive reports from whistleblowers alleging breaches of the whistleblower protections. Where serious harm is identified, ASIC will consider the full range of regulatory tools available, including, where appropriate, civil, or criminal enforcement action.'

It reminds entities that they are obliged to handle whistleblower disclosures confidentially and protect whistleblowers.

Australian companies must comply with whistleblower protection provisions in Part 9.4AAA of the *Corporations Act 2001*.

Some important developments were:

Date	Development
1 January 2020	*Corporations Act* has required public companies, large proprietary companies, and trustees of RSEs to have a whistleblower policy that sets out matters and to make that policy available to its officers and employees.
November 2019	ASIC released regulatory guide 270*Whistleblower policies*, which contains guidance and good practice tips on establishing and implementing a whistleblower policy and program.
June 2020	ASIC released information sheet 247 *Company officer obligations under the whistleblower protection provisions*, which summarises the obligations of company officers and senior managers under the whistleblower provisions.
2020	ASIC selected and reviewed a sample of 102 whistleblower policies from entities that are subject to the requirement to have a whistleblower policy. ASIC conducted this review to improve its understanding of how entities are responding to the requirements and found that many policies fell short.
October 2021	ASIC published an open letter to CEOs urging entities to improve their whistleblower policies.

Companies fined for reporting breaches

By Doug Bell, Partner, Hall Chadwick (WA)

ASIC continues to prosecute companies for failing to comply with their obligations to lodge financial reports. Some companies were also convicted and fined for failing to hold annual general meetings and reporting to members. Some non-lodgers were placed on good behaviour bonds.

ALT Financial Group has been convicted on several counts, including failing to lodge annual financial reports with ASIC. The company was fined $123,000.

One of the largest handed down for these breaches, the fine reflects the seriousness of the offences and the potential impact they might have had on shareholders and creditors – being denied information that would have enabled them to make informed decisions about their investments or dealings with the company.

The company failed to appear in Downing Centre Court and was convicted in its absence on thirteen charges for failing to:

- Lodge annual financial reports with ASIC for the 2018 to 2021 financial years
- Report to members for the 2018 to 2021 financial years
- Hold an annual general meeting in 2018 to 2021, and
- Comply with the requirement to have at least three directors, excluding alternate directors.

ASIC stated that '[it] will continue to prosecute companies that are negligent in their reporting responsibilities aimed at assisting shareholders, creditors and members of the public make informed decisions.'

The *Corporations Act* requires:

- Disclosing entities, public companies, large proprietary companies, and registered schemes to prepare financial reports each financial year (s.292)
- Disclosing entities to prepare financial reports each half-year (s.302)
- A disclosing entity and registered scheme to lodge the complete financial reports within three months after the end of a financial year. All other entities are required to lodge their financial reports within four months after the end of a financial year (s.319)
- A disclosing entity to prepare or obtain a report for a half-year and lodge the report with the commission within 75 days after the end of the half-year (s.320), and
- Public companies to hold AGMs within 18 months after registration and at least once per calendar year and within five months after the end of its financial year (s.250N).

Compliance with these requirements provide shareholders, creditors, and the public with important information, enabling them to make informed decisions.

Inaugural sustainability-disclosure standards released

By Mark Taylor, Partner, Hall Chadwick (QLD)

Newly sustainability-disclosure standards issued by International Sustainability Standards Board (ISSB) come into effect for annual periods beginning on or after 1 January 2024 or upon legal endorsement of an effective date.

In the first year of adoption, entities may make disclosures only about climate-related risks and opportunities. In the second year, disclosure of material sustainability-related risks and opportunities must be made.

The standards create a common language for disclosing the effect of climate-related risks and opportunities on a company's prospects. They will help to improve trust and confidence in disclosures about sustainability and inform investment decisions.

IFRS S1 provides a set of disclosure requirements designed to enable companies to tell investors about the sustainability-related risks and opportunities they face over short, medium, and long terms. IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1.

Both fully incorporate the recommendations of the Task Force on Climate-related Financial Disclosures.

The standards are designed to ensure that companies provide sustainability-related information alongside financial statements – in the same reporting package.

The ISSB will begin working with jurisdictions and companies to support adoption. First steps will create a 'Transition Implementation Group' to support companies that apply the standards and launch initiatives that lead to effective implementation.

The ISSB will also continue to work with jurisdictions wishing to require incremental disclosures beyond the global baseline. It will also work with the Global Reporting Initiative to support efficient and effective reporting when the international standards are applied in combination with other reporting standards.

ASIC's actions and ACCC's scrutiny for greenwashing

By Nikki Shen, Partner, Hall Chadwick (WA)

ASIC has released a comprehensive report outlining its 35 interventions conducted between July 1, 2022, and March 31, 2023, in response to greenwashing surveillance efforts. Concurrently, the report highlights the escalating trend of environmental, social, and governance credential representations by listed companies, managed funds, and superannuation funds.

Karen Chester, Deputy Chair of ASIC, explained that the report elucidates the rationale behind ASIC's actions against greenwashing. The interventions, which were prompted by the release of the 'How to avoid greenwashing' information sheet in the previous June, span from ensuring prompt corrections to issuing public infringement notices and even initiating civil penalty proceedings where potential misleading disclosures are observed.

Ms. Chester emphasised that all 35 interventions serve the fundamental goal of fostering transparent and equitable markets, safeguarding retail investors and financial consumers from misinformation regarding investments' 'green credentials.' The intention behind these interventions is to cultivate fair practices, and ongoing surveillances and investigations indicate ASIC's commitment to sustained regulatory actions.

During the aforementioned period, ASIC's efforts resulted in 23 instances of corrective disclosures, 11 cases of issued infringement notices, and one instance of commencing civil penalty proceedings. The transparency surrounding the interventions, coupled with their outcomes, aims to educate the market on strategies to counteract greenwashing.

The report further extends transparency by shedding light on the nature of ASIC's interventions. It specifically delves into matters related to net-zero statements and targets, terms like 'carbon neutral,' 'clean,' or 'green,' fund labels, and the application of investment exclusions and screens. Issuers and advisers are advised to reference the report alongside 'Information Sheet 271: How to avoid greenwashing when offering or promoting sustainability-related products' when preparing disclosures. This approach ensures sustainability-

related claims are well-founded and compliant with regulations.

Notably, the Australian Competition & Consumer Commission (ACCC) has initiated investigations into various businesses suspected of 'greenwashing.' The investigations follow an internet sweep that unveiled concerning claims made by 57 percent of 247 entities regarding their environmental or sustainability practices. Sectors like cosmetics, clothing and footwear, and food and drink raised the highest proportion of concerns.

ACCC Deputy Chair Catriona Lowe expressed the significance of accurate and substantiated environmental claims. The ACCC will scrutinize businesses using broad terms like "environmentally friendly," "green," or "sustainable" and require substantial evidence such as scientific reports, transparent supply-chain information, or third-party certification to support these claims. The ACCC's enforcement actions will ensure consumer trust in green claims remains uncompromised.

Operating under the Competition and Consumer Act 2010, the ACCC wields powers to gather information, documents, and evidence relating to potential contraventions. It can also issue substantiation notices to compel individuals or businesses to provide information and documents supporting their claims.

Mandatory sustainability reporting, on the way

By Clive Massingham, Partner, Hall Chadwick (QLD)

Mandatory sustainability reporting, already a reality in New Zealand through obligatory climate-related disclosures, is fast approaching in Australia and other global jurisdictions.

The first two IFRS sustainability standards have been issued. They are expected to pave the way for mandatory reporting in Australia, Treasury signalling that the ISSB's standards could become mandatory for Australia's large-listed companies and financial institutions in the 2024-25 financial year.

To assist finance professionals to prepare for mandatory sustainability reporting, CA ANZ launched new guides that provide practical insights and actions to help them get ready.

Getting Started: Materiality – the first – focuses on how materiality is defined in the standards and its relevance for financial reporting. It includes tips for finance professionals to assist them to get started on a comprehensive materiality assessment.

The second guide, *Getting started: Data and systems*, focuses on data and systems, summarising what the standards mean in terms of data required to underpin disclosures. It includes tips on how financial teams should prepare.

The third guide *Getting started: Connection to finance* summarises how sustainability-related financial disclosures and financial reporting connect. It includes practical considerations about internal processes and controls.

Climate-related financial disclosure

By Michael Hillgrove, Partner, Hall Chadwick (WA)

The federal government has outlined proposals that will help Australian companies and investors to maximise economic opportunities in the shift to cheaper, cleaner, and more reliable energy.

The consultation paper *Climate-related financial disclosure* also looks at managing climate risks.

It's the next step in delivering the government's commitment to ensuring Australia's large businesses and financial institutions provide more information and greater transparency on how they are responding to climate change and contributing to the 'net zero' transformation.

The paper proposes:

- Mandatory reporting requirements commencing from 1 July 2024 for Australia's biggest listed and unlisted companies and financial institutions, other businesses subject to the requirements over time
- A three year transitional period, regulator action against only directors and reporting entities in regards to forward-looking statements and scope-3 emissions possible, and
- Broad alignment with international climate-disclosure standards.

The proposed climate-reporting regime will form part of Australia's broader sustainable financial framework. This will include a sustainable finance taxonomy and initiatives to tackle greenwashing and strengthen transparency of sustainability related financial products and markets.

Reforming AML/CTF regime to regulate high-risk entities

By Stephen Newman, Executive Counsel, Hope Earle

The Financial Action Task Force (FATF), an international body focused on combating money laundering and terrorist financing, counts Australia among its member countries. One of FATF's primary roles is to assess the AML/CTF (Anti-Money Laundering and Counter-Terrorism Financing) frameworks of member countries against it's 44 recommendations.

They provide a comprehensive framework that member countries should adhere to in their efforts to counter money laudnering, terrorist financing, and the financing of weapons of mass destruction proliferation.

The recommendations contain provisions dealing with designated non-financial businesses and professions (known by the acronym 'DNFBP'), also known as tranche-2 entities. These entities are considered high risk, and include lawyers, accountants, real-estate agents, trusts and company service providers, and precious metals and stones dealers.

There has been considerable debate over many years about whether tranche-2 entities should be regulated by Australia's AML/CTF legislation. Terms of the debate were highlighted in the December 2021 report by the Senate Select Committee on Legal and Constitutional Affairs on the adequacy and efficacy of Australia's AML/CTF regime.

Among other recommendations, the committee recommended that the government proceed promptly with consultations with stakeholders on the timely implementation of tranche-2 reforms.

The recommendation has finally been followed up by the release, on 20 April, of a consultation paper issued by the Commonwealth Attorney-General's Department on proposed reforms to simplify and modernise the operation of the AML/CTF regime and to regulate tranche-2 entities. Submissions on the consultation paper closed on 16 June.

Feedback received will be followed by a second round of consultations in September. It is unlikely that we will see any proposed legislation until the end of this year or more likely next.

The consultation paper says that out of more than two hundred jurisdictions Australia is now only one of five (the others being China, Haiti, Madagascar, and the United States) that do not regulate tranche-2 entities.

- It explains that in failing to regulate tranche-2 entities, concerns are that:
- It is not compliant with the FATF's global standards
- It is somewhat of a haven for laundering illicit funds
- It will be seen as a weak link in the international fight against financial crime if it does not plug this gap, and

- Is at risk of receiving low ratings in the next mutual evaluation of its AML/CTF regime (scheduled to occur between 2025 and 2027) and a potential 'grey listing,' that is, a country under increased FATF monitoring and the adverse economic consequences this potentially brings.

The consultation paper also highlights the following concerns about tranche-2 entities:

- They are particularly vulnerable to misuse and exploitation by transnational, organised crime groups and terrorists due to the services they provide
- They can disguise ownership and control of assets, facilitate tax evasion and the laundering of the proceeds of crime, and
- They can provide a veil of legitimacy to criminal activity.

Some of the services provided by accountants that would be regulated if the proposed reforms proceed are:

- Acting as a formation agent of legal persons
- Acting as or arranging for another person to act as a company officer, a partner of a partnership or a similar position in relation to other legal persons or as a nominee shareholder
- Providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership, or any other legal person or arrangement
- Acting as or arranging for another person to act as a trustee
- Managing client money, securities, and other assets
- Managing bank, savings, and securities accounts, and
- Buying and selling of businesses.

Policies and procedures will be needed to undertake due diligence (know your client), to report 'suspicious matters' to AUSTRAC, cash transactions of $10,000 or more and international-funds transfers, develop and maintain an AML/CTF program, record and maintain information about specific transactions, and enrol and register with AUSTRAC. New obligations might also be introduced.

Appendix ASIC focus areas for 31 June 2023 reports

Focus area	Where to focus
Impairment of non-financial assets	1. Goodwill, indefinite useful life intangible assets and intangible assets not yet available for use must be tested annually for impairment. Entities adversely impacted in the current environment may have new or continuing indicators of impairment that require impairment testing for other non-financial assets. 2. The appropriateness of key assumptions supporting the recoverable amount of non-financial assets. 3. The valuation method used for impairment testing should be appropriate, use reasonable and supportable assumptions, and be cross-checked for reliability using other relevant methods. 4. An entity's market capitalisation will generally not represent an appropriate fair-value estimate for its underlying business but may be useful as an impairment indicator or in a valuation cross-check. Share prices may reflect transactions of relatively small proportionate interests as part of an investor's strategy for a share portfolio. Business may be sold in illiquid markets with few potential participants. A business acquirer may seek synergistic benefits or make significant changes to a business. 5. Values from applying the ratio of market capitalisation to revenue for other entities to the entity's own revenue will generally be more appropriately used in valuation cross-checks. Information may be dated and the limitations in using an entity's own market capitalisation may apply. Other entities must have closely comparable businesses, products, markets, cost structures, funding, and so on. 6. Disclosure of estimation uncertainties, changing key assumptions, and sensitivity analysis or information on probability-weighted scenarios. Key assumptions may include assumptions relating to the factors previously noted.
Values of property assets	1. Factors that could adversely affect commercial and retail property values should be considered such as changes in tenants' office-space requirements, on-line shopping trends, future economic or industry impacts on tenants, the financial condition of tenants and restructured lease agreements. 2. The lease accounting requirements, the treatment of rental concessions by lessors and lessees, and the impairment of lessee right-of-use assets.
Expected credit losses on loans and receivables	1. Whether key assumptions used in determining expected credit losses are reasonable and supportable. 2. Any need for more reliable and up-to-date information about the circumstances of borrowers and debtors. 3. Short-term liquidity issues, financial condition and earning capacity of borrowers and debtors. 4. Ensuring the accuracy of ageing of receivables. 5. Using forward-looking assumptions and not assuming that recent debts will all be collectible. 6. The extent to which history of credit losses remains relevant in assessing ECLs. 7. Whether possible future losses have been adequately factored in using probability weighted scenarios as necessary. 8. Disclosure of estimation uncertainties and key assumptions. 9. Expected credit losses should be a focus for companies in the financial sector and other sectors. Financial institutions should have regard to the impact of current economic and market conditions and uncertainties on ECLs. This includes assessing whether there are significant increases in credit risk for groups of lenders, the adequacy of data, modelling, controls, and governance in determining ECLs, and disclosing uncertainties and assumptions.
Financial asset classification	1. Financial assets are appropriately measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. Criteria for using amortised cost include whether both assets are held in a business model whose objective is to hold the assets to collect contractual cash flows, and contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding.
Values of other assets	1. The net realisable value of inventories, including whether all estimated costs of completion necessary to make the sale have been considered in determining net realisable value. 2. Whether it is probable that deferred tax assets will be realised. 3. The value of investments in unlisted entities.
Provisions	1. Consideration should be given to the need for and adequacy of provisions for matters such as onerous contracts, leased property make-good, mine-site restoration, financial guarantees given and restructuring.
Subsequent events	1. Events occurring after year-end and before completing the financial report should be reviewed as to whether they affect assets, liabilities, income, or expenses at year-end or relate to new conditions requiring disclosure.
General disclosure considerations	1. When considering the information that should be disclosed in the financial report and OFR, directors and preparers should put themselves in the shoes of investors and consider what information investors would want to know. 2. Disclosures should be specific to the circumstances of the entity and its businesses, assets, financial position, and performance. 3. Changes from the previous period should be considered and disclosed.

Focus area	Where to focus
Disclosures in the financial report	1. Uncertainties may lead to a wider range of valid judgements on asset values and estimates. The financial report should disclose uncertainties, changing key assumptions and sensitivities. This will assist investors in understanding the approach taken, understanding potential future impacts, and making comparisons among entities. Entities should also explain where uncertainties have changed since the previous full-year and half-year financial reports. 2. The appropriate classification of assets and liabilities between current and non-current categories on the statement of financial position should be considered. That may have regard to matters such as maturity dates, payment terms, and compliance with debt covenants.
Disclosures in the OFR	1. The OFR should complement the financial report and tell the story of how the entity's businesses, results, and prospects are affected by economic and market conditions and changing circumstances. The overall picture should be clear, understandable, and be supported by information that will enable investors to understand the significant factors affecting the entity, its businesses, and the value of its assets. 2. The OFR should explain the underlying drivers of the results and financial position, as well as risks, management strategies and prospects. 3. All significant factors should be included and given appropriate prominence. 4. The most significant business risks at whole-of-entity level that could affect the achievement of the disclosed financial performance or outcomes should be provided, including a discussion of environmental, social and governance risks. The risks will vary depending upon the nature and businesses of the entity and its business strategies. An exhaustive list of generic risks that might potentially affect many entities would not be helpful. Risks should be described in context – for example, why the risk is important or significant and its potential impact and, where relevant, factors within the control of management. 5. Climate-change risk could have a material impact on the prospects of entities. Directors may also consider whether to disclose information that would be relevant under the recommendations of the Task Force on Climate-related Financial Disclosures. Following the TCFD recommendations will help position entities for any future reporting under standards being developed by the International Sustainability Standards Board. 6. Cyber-security risks could have a material impact for entities and require disclosure. Considerations include the impacts of a loss of personal data or a denial-of-service attack, such as the extent and nature of personal data held and possible impacts on revenue.
Non-IFRS financial information	1. Any non-IFRS profit measures (that is, measures not in accordance with all relevant accounting standards) in the OFR or market announcements should not be presented in a potentially misleading manner (see regulatory guide 230 Disclosing non-IFRS financial information).
Disclosure in half-year reports	1. Disclosure will also be important for half-year financial reports and directors' reports as at 30 June. Half-year reports should disclose information on significant developments and changes in circumstances since 31 December 2022.
New insurance accounting standard	1. AASB 17 is about insurance contracts. Its remit extends beyond insurance companies – an insurance contract is a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. 2. Insurers must continue to disclose the impact of the new insurance accounting standard in the notes to financial statements. Given that the new standard applies for periods commencing 1 January, it is reasonable to expect that insurers will be able to quantify the impact of the new standard in the notes to their full-year 30 June financial reports. 3. Insurers with half-years ending 30 June will need to follow the recognition and measurement requirements of the new standard and make disclosures on changes in accounting policies on the standard's adoption. 4. Insurers should refer to ASIC media release 20-286 Insurers urged to respond to new accounting standard (17 November 2020) for more information. 5. Private health insurers should consider the impacts on the deferred claims liability for changes in the backlog of delayed procedures in financial reports for the year ending 30 June. A liability may be required for a commitment to return premiums to existing policyholders for savings during the pandemic. 6. Private health insurers reporting for half-years ending 30 June should ensure that the treatment of deferred claims is consistent with the new accounting standard. Where no liability is recognised, the impact of the change in policy should be disclosed. Any significant impact on profit from a change in the level of deferred claims should be covered in the operating and financial review or review of operations.
Other	1. Consideration of whether off-balance-sheet exposures should be recognised on the balance sheet, such as interests in non-consolidated entities. 2. Reports should provide information about the impact where a group has operations in countries that have enacted Pillar II tax reforms and the group has operations in low-tax jurisdictions. 3. Ensuring the recognition of assets, liabilities, income and expenses in registered scheme balance sheets and income statements where individual scheme members have pooled interests in assets and returns with some or all other members in substance. 4. Large proprietary companies that were previously 'grandfathered' are required to lodge financial reports for years ending on or after 10 August 2022.

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