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

Via email: commentletters@ifrs.org

ICGN
International Corporate Governance Network

05 September 2012

Dear Mr. Hoogervorst,

Re: Exposure Draft Annual Improvements to IFRSs 2010-2012 Cycle

We are writing on behalf of the International Corporate Governance Network (ICGN). The ICGN is a global membership organisation of over 500 institutional and private investors, corporations and advisors from 50 countries. Our investor members are responsible for global assets of US$18 trillion.

The ICGN's mission is to raise standards of corporate governance worldwide. In doing so, the ICGN encourages cross-border dialogue at conferences and influences corporate governance public policy through its Committees. We promote best practice guidance, encourage leadership development and keep our members informed on emerging issues in corporate governance through publications and the ICGN website. Information about the ICGN, its members, and its activities is available on our website: www.icgn.org.

The purpose of the Accounting and Auditing Practices Committee (A&A Practices Committee) is to address and comment on accounting and auditing practices from an international investor and shareowner perspective. The Committee through collective comment and engagement strives to ensure the quality and integrity of financial reporting around the world.
http://www.icgn.org/policy_committees/accounting-and-auditing-practices-committee/

ICGN continues to support the establishment of a single set of independently developed, high quality international accounting standards, which primarily serves the needs of current investors in their decisions as capital providers and secondarily, potential investors and other users.

We are pleased to respond to your request for comments on the Exposure Draft (ED) 2012/1, Annual Improvements to IFRSs 2010-2012. We reviewed the ED and overall generally agree with the proposed amendments. We provide a response to specific questions to emphasize certain aspects of the proposed amendments.

Please find our commentary on the specific questions where we have provided additional emphasis and clarity that we believe is useful for investors.

Question 1
Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We support the proposed amendments to IFRS in this Exposure Draft in general and we have added additional commentary on several individual topics below. We believe that the structure and regularity of the Annual Improvement Cycle to make necessary (non-urgent) amendments to IFRSs is an efficient way for a relatively large amount of small and diverse amendments to be handled. We strongly advocate improvements in clarity of financial disclosure and measurement requirements that limit the scope for interpretation of IFRSs in order to improve comparability of accounts for users.

Question 2
Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? If not, why and what alternative do you propose?

We believe that amendments that clarify or correct inconsistencies should be effective as soon as practically possible – allowing for a reasonable transitional period where appropriate. The disclosure of comparative reporting periods is valuable for investors and other stakeholders. For the majority of topics in this Exposure Draft, the effective date is set at annual periods beginning on or after 1 January 2014. We support this, but we would suggest bringing the proposed effective date for the suggested amendments to IFRS 3 *Business Combinations (*and consequently IFRS 9 *Financial Instruments)* in line with the effective date for the other amendments, 1 January 2014. (In the Exposure Draft the amendment to IFRS 3 has an effective date of annual periods beginning on or after 1 January 2015.)

We are also in favour of applying all amendments retrospectively for at least one comparative reporting period, where the information can reasonably be expected to be available. This includes IAS 1 *Presentation of Financial Statements* where we disagree with BC3 and believe that the proposed clarifications should be applied retrospectively as their impact on the renegotiations of loans would be limited and not apparent. We also believe that the amendments to IAS 36 *Impairment of Assets* should be applied retrospectively. In most cases, the additional disclosure that would be required can be expected to already be available, and we believe any potential additional costs in collecting the information would be limited.

IFRS 2 *Share-based Payment: Definition of 'vesting condition'*

We support the proposed amendment and welcome the separation in definition between a *performance* and a *service condition.* We believe this would be helpful for users. We support the clarification that employees failing to complete a specified service period fail to satisfy a service condition, and that a performance condition might include a market condition, but that it should be defined by reference to the reporting entity's own activities. While we understand that this topic deals with the definition of vesting conditions, we would like to emphasize that transparent disclosure of management remuneration, including share-based payments, is vital to good governance.

IFRS 3 *Business Combinations: Accounting for contingent consideration in a business combination*

We support the proposed amendment. We also think that this could be applied with effect from 1 January 2014, in line with most of the other proposed amendments, and that it should be applied retrospectively for at least one comparative reporting period. In terms of contingent consideration, we believe that in order for users to be able to form an adequate view of the underlying economic performance (and its volatility) it is preferred to have resulting gains and losses recognized through profit and loss for the period, rather than through the other comprehensive income. We therefore agree with the rationale of BC3 and BC4 to this amendment.

IFRS 8 *Operating Segments: Aggregation of operating segments &Reconciliation of the total of the reportable segments' assets to the entity's assets*

We support the proposed amendment and welcome the additional disclosure when operating segments have been aggregated and when aggregation changes. Regularly changing the definition of segments is unfortunately a common hindrance to users of financial reporting. The ability to analyse in further detail aggregation judgments made by management, economic indicators used, and management's view on the separation of operating segments will help users form a view of the performance of the individual activities of (complex) entities where details can be obscured by consolidation. The suggested reconciliation of assets will also be helpful for users. We recommend that not only the total external assets of the segments are disclosed (those that reconcile to the reported total of the consolidated balance sheet), but that also the internal assets (the level of assets used by segment within a group in doing business with other segments within that group before these internal assets get netted off), so that users can form a view of the performance, size and structure of the segment separate from the other segments in the group.

IFRS 13 *Fair Value Measurement: Short-term receivables and payables*

We support the proposed amendment as this entails a technical clarification for reporting entities that can reasonably be expected to have little to no effect on other stakeholders. We agree that IFRS 13 contains guidance for using present value techniques to measure fair value so removing paragraph B5.4.12 and AG79 respectively does not change practice in the measurement of short-term receivables and payables.

IAS 1 *Presentation of Financial Statements: Current/non-current classification of liabilities*

We support the proposed amendments clarifying current and non-current liabilities. This amendment would provide a more accurate view of the underlying liquidity of the reporting entity and allow limited discretion by the reporting entity. We also agree that when different loan terms apply with the same lender and the reporting entity has discretion to refinance, the liability should be classified as non-current. We believe the amendment should be applied retrospectively by at least one reporting period to facilitate a like-for-like comparison of working capital, liquidity, subordination and balance sheet structure.

IAS 12 *Proposed amendment to Income taxes*

We do not support paragraph 30a of the proposed amendment. We have concerns that this amendment has wider implications than just for the recognition of deferred tax assets in relation to debt securities that are classified as available-for-sale, which was mentioned as the inducement for proposing the improvement.

IAS 24 *Related Party Disclosures: Key management personnel*

We support the proposed amendments and extension of the definition of related parties. In addition, we believe it is important to have more specific disclosure on separate management entities (e.g. number of key management personnel involved, nature of services, employment benefits, post-employment benefits and amounts recognized in the profit and loss accounts) which currently is not required. We strongly urge such an addition so that reporting entities are not incentivized to set up separate management entities to avoid more detailed disclosure.

IAS 36 *Impairment of Assets: Harmonisation of disclosures for value in use and fair value less costs of disposal*

We support the proposed amendments; however we believe they should be applied retrospectively to at least one comparative reporting period.

If you would like to discuss any of these points, please do not hesitate to contact Kerrie Waring, ICGN Chief Operating Officer, at +44 207 612 7079 or kerrie.waring@icgn.org. Thank you for your attention and we look forward to your response on the points above.

Yours sincerely,

Janine M. Guillot
Co-Chair, ICGN Accounting and Auditing Practices Committee

Elizabeth Murrall
Co-Chair, ICGN Accounting and Auditing Practices Committee

Michelle Edkins
Chairman of the ICGN Board of Governors

C c: ICGN Board Members
ICGN A&A Practices Committee

16 Park Crescent London W1B 1AH United Kingdom
t: +44 (0)207 612 7098 f: +44 (0)207 612 7085
e: secretariat@icgn.org w: www.icgn.org
VAT No.927 1665 09 Registered in England No.6467372