Policy Forum's top 10 issues for 2017

Corporate Reporting

1. Member preparedness for implementation of new complex financial reporting requirements: Entities using International Financial Reporting Standards (IFRS) will be required to adopt three new, complex and far-reaching accounting standards in the areas of leasing, revenue recognition and accounting for financial instruments. Significant effort is required to analyze how the new standards apply to the company's business, to prepare the data capture and to implement and test new systems requirements as well as educate the business and stakeholders in advance of adoption. Some experts have said implementation of these three standards could be more work intensive than Y2K readiness or the initial adoption of IFRS.

***2. Continued evolution to a more challenging and demanding reporting environment in a cost-conscious world* (*)**: Financial executives are well aware of the pressures to control or reduce costs while at the same time adding value. The financial reporting environment continues to exert increasing demands on finance organizations, whether it is new auditor reporting standards requiring more detail in their reports, certification of financial controls, implementation of complex financial reporting standards or increased transparency of reporting. What are the implications for organizations and boards and what actions do they need to take?

***3. Corporate reporting - More than accounting* (*):** In today's complex business world, there is data, there is information and there are Key Performance Indicators (KPI). KPIs are fast and efficient tools used to measure business performance, helping decision makers adjust to the business realities in a more timely fashion. Financial executives are facing increasing challenges to identify, measure and disclose the most useful business analytics and KPIs, that help guide their company's success (please also see the CCR's paper on Non-GAAP measures).

Governance and Risk:

***4. Ensuring governance keeps pace with growth and improving risk management capabilities/practices* (*[ii]):** Good governance practices should contribute to an organization's ability to create value, regardless of its size or structure (private company or publicly listed). However, one size does not fit all. As an organization grows and evolves (e.g. going from private company to publicly listed), its governance structures and practices must keep pace. Effective risk management, ultimately the responsibility of the board at public companies, should both create value for an organization and help deal with uncertainty. An organization's ability to swiftly and effectively identify, assess, and manage existing and emerging risks is an important competitive advantage that should be integrated into business processes. Ensuring that frameworks and practices suit the organization's culture and business model, which can change over time, are keys to ensuring a successful and sustainable program.

***5. Sustainability, Corporate Social Responsibility and ESG* (*):** From changes in customer and investor preferences to dealing with potential physical risks (e.g. water shortage) to new regulations and reporting requirements, ESG factors are affecting organizations' business strategies and operating processes. Effectively identifying and managing ESG risks and opportunities is becoming increasingly important for organizations to succeed in this environment. A particular concern at this time is carbon taxes and offsets. Carbon tax is usually defined as a tax based on greenhouse gas emissions (GHG) generated from burning fuels. It puts a price on each tonne of GHG emitted, sending a price signal that will, over time, elicit a powerful market response across the entire economy, ideally resulting in reduced emissions.

Treasury and Capital Markets:

6. Cash flow best practices, treasury risks, and raising money/financing**:** A critical priority for senior financial executives is understanding and managing the cash flow of an organization, as well as having the ability to assess risks to an organization's cash flow. Treasury faces risks that include those posed by fluctuations in foreign exchange, interest rates and commodity prices as well as political and regulatory risks. In order to raise money and obtain financing, it's important for Treasurers to keep abreast of the latest issues and opportunities affecting public and private companies as well as other organizations. In addition, FEI Canada's treasury and capital markets committee maintains a focus on the unique needs of the smaller, entrepreneurial business and has been working on a cash flow model as a tool for members.

Taxation:

7. Income tax simplification**:** We asked, and you responded: Nearly seven in ten members who answered our recent tax simplification survey rate the current Canadian corporate tax system as complicated, and we have passed this message in a submission to a House of Commons Finance Committee studying the issue.

Information Technology:

***8. Cybersecurity and business continuity* (*):** Beyond their traditional roles in Finance, many CFOs also have assumed responsibility for IT. As IT grows more complex, so does the burden of keeping up with developments. The importance of business continuity is reiterated with every flood, storm, power failure or other disaster, as well as simple human error. Likewise, threats to cybersecurity are increasing daily as hackers grow more skilled, creating more pressure on executives to stay on top of best practices. At the same time, many organizations are working with outdated infrastructure and budgetary constraints limiting their ability to stay current, train staff and update their hardware and software. FEI Canada's study *Cyber Security and Business Continuity* also highlighted concerns with the readiness of Canada's IT infrastructure; risks that could impact both the corporate world and the public domain. We recommend the government create a task force to review this high-risk area and to implement cyber security standards and a policy that protects Canadians and the network infrastructure upon which our economy and national security depend.

***9. Disruption through digital transformation and block chain technology* (*):** 'Blockchain' is more than a fad, a buzzword, or even technical jargon. Blockchain is a technological advance that will have wide-reaching implications that will not just transform financial services but many other businesses and industries. Read more to understand the probable impact digital transformation technologies may have on your business.

***10. Data analytics and big data* (*):** Organizations are now grappling with data sets so large they present challenges such as data capture, storage, analysis, curation, search, sharing, transfer, visualization, querying, updating and information privacy. How will this be managed in the future while protecting privacy?

[ii] (*): Issue to be covered at FEI Canada's 2017 Annual Conference presentations, panels or round tables.

Interested in joining Policy Forum? Contact Chair Norm Ferguson at NFerguson@ogilvielaw.com or Laura Bobak, FEI Canada's Communications & Research Manager at lbobak@feicanada.org