IAFEI Weekly Update

Knowledge, Resources, News, and Announcements

This is an issue of IAFEI Weekly Update for the week of March 11, 2024.

Valued All IAFEI Board members, ExCom members & Advisory Committee members:

The following interesting and useful articles and information await you in this issue. I hope you enjoy reading them. My special thanks to Piergiorgio, Conchita, and Yaguchi-san for their contributions.

- **IFRS** **February 2024 IASB Update and podcast now available**
  (Contributed by Ms. Conchita Manabat) ... Page 2
- **Accountancy Europe** **Accountancy Europe SME Update - March**
  (Contributed by Mr. Tsutomu Mannari) → Read the online article
- **S&P Global Ratings** **Live Webinar & Q&A: TSMC And Water: A Case Study Of How Climate Is Becoming A Credit-Risk Factor**
  (Contributed by Ms. Conchita Manabat) → Register online
- **ecoDA** **Press release: Barometer on Gender Diversity**
  (Contributed by Ms. Conchita Manabat) ... Page 2
- **Business Europe Headlines**
  - ✓ **22 February 2024: Strong industry call for a European Industrial Deal, etc.** → Read the online article
  - ✓ **1 March 2024: The WTO matters for businesses, etc.**
    → Read the online article (Contributed by Mr. Piergiorgio Valente)
- **OECD** **Latest news from the OECD on international tax matters.**
  (Contributed by Mr. Piergiorgio Valente) → Read the online article
- **Moody's Events** **APAC Economic Outlook: Varied Challenges, Diverse Prospects (March 21, 2024)** (Contributed by Ms. Conchita Manabat)
  → Read more and register online
- **HR** **Hard to swallow "Human Capital" Series No.2**
  (Contributed by Mr. Yaguchi; Translated by Mr. Mannari) ... Page 3

Please feel free to circulate this within your organization. I am hoping that this Weekly Update may increase the value of IAFEI membership. If you have any suggestions, or recommendations, or would like to participate to provide articles. Please do not hesitate to contact me.

Thank you for your continuous support and I would love to hear from you.

Tsutomu Mannari
Chairman of IAFEI

(Total 5 pages)

February 2024 IASB Update and podcast now available |

Tune into the latest International Accounting Standards Board (IASB) podcast, featuring highlights from the IASB meeting held on 19-22 February. In this episode, IASB Executive Technical Director Nili Shah is joined by IASB Chair Andreas Barckow and IASB Vice-Chair Linda Mezon-Hutter to discuss the following projects:

- changes to the IASB work plan (00:45);
- progress made in the post-implementation reviews of IFRS 15 Revenue from Contracts with Customers (02:32) and IFRS 9—impairment (05:38);
- developments in the Rate-regulated Activities project (08:09); and
- discussions on the Second Comprehensive Review of the IFRS for SMEs Accounting Standard (12:52).

A full summary of the IASB meeting can be found in the February 2024 IASB Update. Send in any questions that you would like to have answered in future episodes of the IASB podcast.

You can find all our podcasts on our podcast page. They are also available on Spotify, iTunes and on our YouTube channel. In addition, please note the updated dates for the December 2024 IASB meeting, which will now be held 9-13 December 2024.

→ Read more

(Source: IFRS Foundation News Alert)

ecoDa/Ethics & Boards Barometer on Gender Diversity in Governing Bodies in Europe |

Women are shattering the glass ceiling of corporate boards, yet chairmanships remain elusive.

“Surprisingly, women are more present at the helm of audit committees, which are extremely technical, time-consuming, and highly challenging positions, while there are still so few of them chairing the boards; Even if more women are CFOs than CEOs, it doesn't explain why so few women are presiding over Boards of Directors”, expressed Rytis Ambrazevičius, the chair of ecoDa.

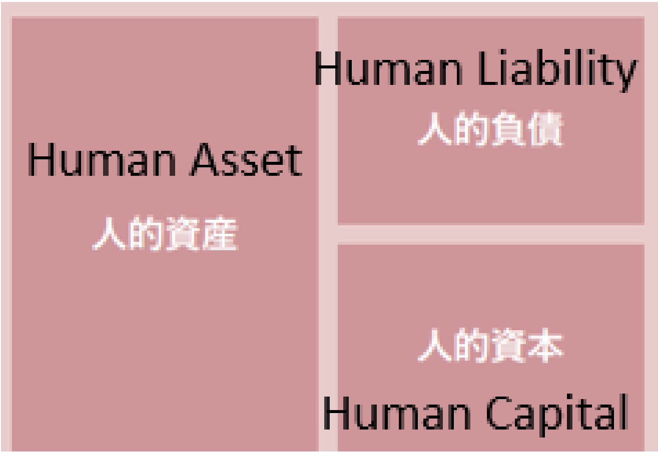
The 2024 ecoDa barometer, developed in partnership with Ethics & Boards, shows an improvement of the representation of women on Boards of Directors throughout the EU. This year an average of 40,2 percent of board directors in Stoxx Europe 600 companies are women. Only Luxembourg and Poland are lagging behind. … …

→ Read more

(Source: ecoDa)

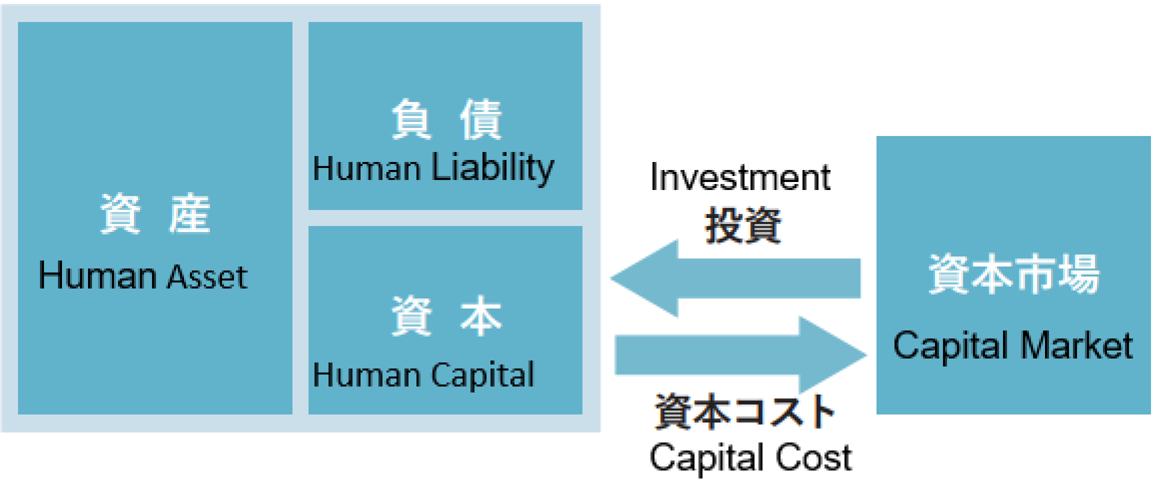
Hard to swallow "Human Capital" Series No.2

This HR Balance sheet concept was first invented by Mr. Hiroshi Yaguchi & introduced at IAFEI Webinar on the 27th of Feb. IAFEI Chairman Mr. Mannari.
IAFEI Weekly update will introduce his concept as a series of 4 weeks by translating into English from the original Japanese article.



In 1989, he graduated from the Faculty of Economics at the University of Tokyo and joined Sumitomo Banking Corporation (currently Sumitomo Mitsui Banking Corporation). After experiencing business research, human resources, and corporate finance at the bank, he established the Japan CFO Association in 2000. CFO, develop an education business to build a network of management and finance departments and train corporate finance professionals. He has served as the Asian representative and president of the International Federation of Financial Executives (IAFEI). Established the Japan CHRO Association in 2018 and the Japan CLO Association in 2020 to strengthen the corporate functions of companies including human resources and legal affairs.

The following article is a continuation of the previous article (Series No. 1).

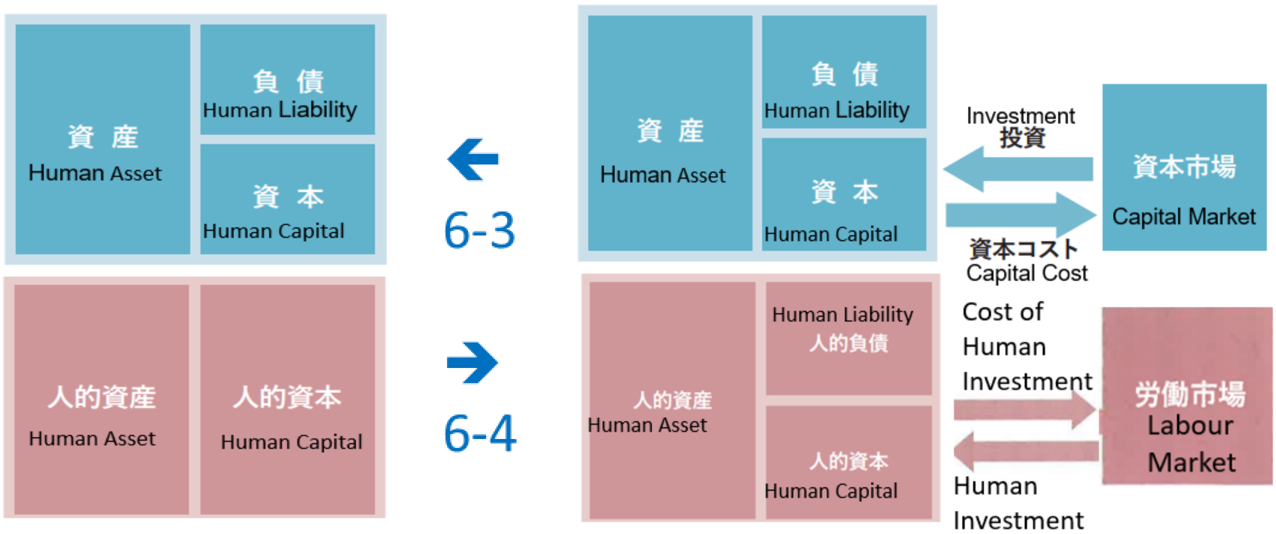


The limit of the balance sheet

In the first place, the reason why human capital attracted attention is that when overseas investors invest in companies, they are concerned about what kind of people working at the company and what kind of situation they are in as a source that creates future cash flow. In modern times, it has been said to be an information society, but it has also come to be called the era of concepts, and information and value proposition, instead of visible properties. People who work in the company have been important for a long time, but I dare say that it is a person as a group, and it would have been good if the group was motivated to work. Now, people as individuals, not groups, are becoming important, and we are entering an era where ideas and concepts conceived by one excellent person will greatly change the company's business. There are fabless companies in the manufacturing industry that do not have their own factories, and now that the information and service industries are increasing, no matter how much you analyse the assets on the left side of the balance sheet, you can't see the value that the company creates. Intellectual property such as patents attracts attention, investors pay attention to intangible assets, and it is an extremely natural trend to go in the direction of wanting to know about people working at the company. On the other hand, excessive distortion of capitalism has created a trend of ESG investment, and as part of S (Social), investors' interest in human information is increasing from the perspective of human rights issues and diversity as a background. This is why it attracts attention as non-financial information rather than financial information as interest in so-called invisible things and things that do not appear on the balance sheet.

What is Human Capital

Let's return to "human capital". Capital is a term for the balance sheet, so let's put human capital on the balance sheet. Of course, it's human "capital", so it's on the right hand side of the balance sheet. Then, what's on the left side? What is invested as capital becomes an asset as a company, so the human "asset" is the correct term. It is precisely that there are human capital and human assets as non-financial information on the bottom of the visible balance sheet [see Chart 6-3]. Human capital must be raised first. This is recruitment (human capital raising). Just as capital collects funds from the capital market, human capital must be recruited from the labor market. Human capital is not only including employees but also management people. It also includes the outside Board of directors. In order to hire them, it requires reasonable expenses such as job advertisements and fees paid to recruitment agencies, but this is the same as the cost of raising capital, including fees to securities companies, but that's not what's important. The important thing is that people in the labor market are happened to invest in the companies that they became to know by chance. Investors in the capital market invest funds in companies they know by chance and look forward to future returns. What about human investment? People invest their abilities, knowledge, experience, sensibility, values, and most importantly, time in the company instead of their cash.



The cost of human capital

Investing oneself to the company means that he or she expects some returns from his or her investment to the company. That is the cost of human capital. If the company can't provide more value than people expect, people will lose motivation or leave the company. This is no different from selling stocks if investors don't get more returns than they expect. Just as the cost of shareholder capital is not about dividends, the cost of human capital is not about salary. The fact that a person invests him or herself in the company means that each person has various expectations in their own time axis and values in terms of what they can get from the company. That is the cost of human capital [see Chart 6-4]. When people search for a job, let's think about what people use as a measure. The compensation including salary is easy to understand, but it shouldn't be all. There are various people with various expectations, such as having fun at work, being rewarding, being able to take a break flexibly, or acquiring skills. It is also said that the many young people who want to work in a company that can provide social value is increasing. What people want from the company is also diversifying.

This is exactly the same as investors who are investing their cash. They are not only investing because of the economic reasons such as the dividend is high, the stock price is likely to rise, and the cash ability is high, but also because of their socially meaningful activities and consideration for the environment and human rights. We can say that the investor expectations became to be diversified. ESG investment might be aiming for economic returns in the long term. However, they are also looking for other meaningful returns other than cash as well. It would be a tread that investors expectations are diversifying.

(to be continued to No. 3)