

Business Reporting Leaders Forum

At KPMG Sydney on 26 November 2012



Society for Knowledge Economics

SKE Vision, Mission, Work Streams

- Vision

“To position Australian workplaces as the most innovative, productive, sustainable and fulfilling in the world”

- Mission

“To develop and improve the quality of leadership, culture and management practices in Australian workplaces (public, private, large and small) to maximise innovation, productivity and sustainability”

- Work Streams

- **High Performing Workplaces** Research (release in September)
- **Workplace of the Future** policy development (Forum in November/December 2011)
- **Business Reporting Leaders Forum**

BRLF Purpose

‘Collaborating with Australian stakeholders and working with global initiatives to promote and drive the development and implementation of a strategy-aligned integrated business reporting framework, thereby reducing complexity and enabling efficient allocation of capital.’

BRLF Values

- **Collaborative** and inclusive
 - (all parties welcome)
- **Open** and sharing
 - (our IP is available to all that have interest in it)
- **Connected** here and internationally
 - (strong global and local network)
- Our work has **practical** relevance and application
- **Determined** to accomplish our vision and mission

2012 BRLF Objectives

- 1 Engage Australian stakeholder groups in a collaborative approach to improve business and integrated reporting
- 2 Collaborate with relevant global forums to minimise 'reinventing of the wheel' and promote Australian position
- 3 Contribute the Australian perspective to <IR> proposals, frameworks and other literature

2012 BRLF Objectives

4. Work with Australian government/ regulators/ standards setters/ other bodies towards endorsing <IR> proposals
5. Raise stakeholder awareness of <IR> and build capacity through ongoing communications and dialogue

Today's Meeting – a broad cross-section of the reporting supply chain in Australia

Chief Financial Officers	Directors / Chief Executive Officers	Accounting Firms	Investor Relations Officers & Sustainability Officers	Investors & Analysts	Other Stakeholders
<p>Geoff Harris Group of 100</p> <p>Andrew Poulter Boral</p> <p>David Huxtable, CBA</p>	<p>John Stanhope [m] Telstra (co-chair)</p>	<p>Michael Bray, Penny Stragalinos (m) KPMG</p> <p>Nick Ridehalgh, Simone Schlitter KPMG</p> <p>Francie Garretto, Liza Maimone, Nadia Carlin PwC (m)</p> <p>Keith Reilly Grant Thornton (Aus)</p> <p>Michael Langhammer Pitcher Partners (m)</p>	<p>Janette O'Neill, Lauren Owens & Alex van der Sluys NAB (m)</p> <p>Cara Peterie, Landcom</p>	<p>Hamish Tadgell [m] Goldman Sachs JB Were</p> <p>Alison George, Regnan</p>	<p>Alan Dayeh, Ro Coroneos, & Terence Jeyaretnam (m) Net Balance</p> <p>Margaret Stolmack Talent Optimizer</p> <p>Marc Mahon, Fair Work Australia</p> <p>Geoff Williams DIALOG (m)</p> <p>Victoria Whitaker, GRI</p> <p>Judith Fox, CSA</p> <p>Robert Pritchard Resources Law International</p> <p>Jo Cain, BECA (m)</p> <p>Bastien Mignonneau, Banarra</p>

Academia	SKE	Accounting Bodies	Regulators / Exchanges / Standard Setters/ Government
<p>Brad Potter (m) University of Melbourne</p> <p>Trish Strong University of NSW</p> <p>Anna Young Macquarie Uni</p>	<p>Steve Vamos SKE</p>	<p>John Purcell (m) & Denis Pratt CPA Australia</p> <p>Stephen Harrison GAA</p> <p>Geraldine Magarey & Karen McWilliams ICAA</p> <p>Marina Michaelides (m) AuASB</p>	<p>Liz Prescott IIRC</p>
<p>Dr Sharron O'Neill University of Sydney</p> <p>Prof Carol Adams La Trobe University (m)</p>			

Agenda & Objectives

Objectives

- a. To discuss feedback from Amsterdam re Pilots; and from Druckman visit to Australia
- b. To discuss progress on two hot topics – Directors Liability & Assurance

Agenda

- 2.00pm** Welcome - Steve Vamos
- 2.10pm** Outcomes from Amsterdam – Year 1 Pilot Feedback - Michael Bray
- 2.30pm** IIRC in Australia – Highlights from Paul Druckman’s recent visit – Liz Prescott (IIRC)
- 2.50pm** Directors Liability – The Issues – Nicci Steele (AICD)
- 3.10pm** Table discussion on Solutions to Director Liability Issue – Nick Ridehalgh (facilitator)
- 3.30pm** Afternoon Tea
- 3.50pm** Feedback on Director Liability Solutions - Nick Ridehalgh (facilitator)
- 4.10pm** Integrated Assurance – findings of working group– TBD
- 4.45pm** Wrap up - Steve Vamos
- 5.00pm** Drinks & Networking

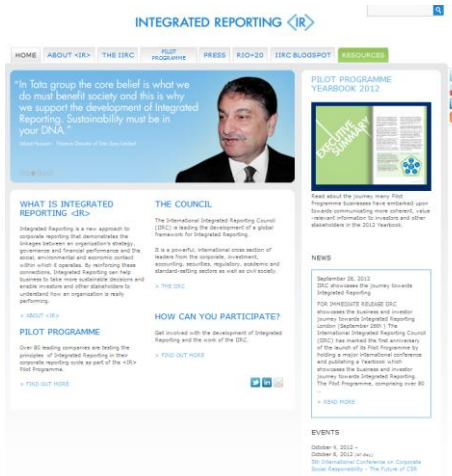
Outcomes from Amsterdam – Year 1 Pilot Feedback

Michael Bray - KPMG

Outcomes from Amsterdam – Year 1 Pilot Feedback

- Working group attendees comprised a large and diverse group. The world is ‘integrating’, but still a lot of ‘combination’ (financial and sustainability reporting) exists in reporting and not much evidence of integrated thinking as a collective.
- Deep and broad attendance by pilot companies
- Excellent presentations by pilots, investors and South Africa
- Released
 - Pilot Yearbook - Follow the progress of IIRC’s Pilot Programme and Investor Network
 - Pilot Database - Review the growing database of <IR> report or disclosure examples
- Soon - Statement by pilot and investor community
- Next –
 - Release of consultation draft of framework April 2013
 - Pilot Conference in June 2013
 - Release of Version 1 of Framework December 2013
 - G20 in Australia in 2014

Outcomes from Amsterdam – Year 1 Pilot Feedback



<http://www.theiirc.org/>

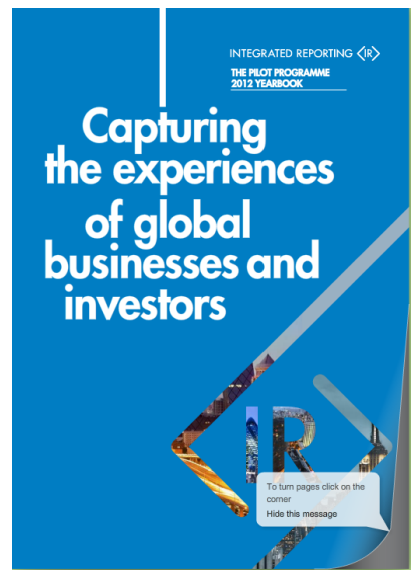
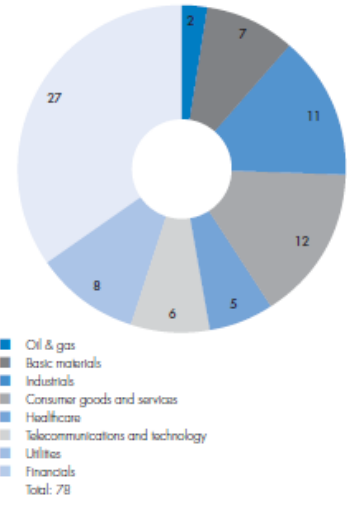
- The IIRC Pilot Programme Investor Network**
- AMP Capital Investors
 - APG
 - Arsalig Partners
 - ATP
 - Australian Council of Superannuation Investors (ACSI) (on behalf of StatewideSuper + AustralianSuper)
 - Calvert
 - CFA Institute
 - Colonial First State Global Asset Management (including First State Investments)
 - DWS Investment GmbH (DB Advisors of Deutsche Bank Group)
 - European Society of Financial Analysts Societies (EFFAS)
 - Element
 - Ethos Foundation
 - Government Employees Pension Fund of South Africa
 - Hermes EOS
 - Interamerican Development Bank
 - Natixis Asset Management
 - Newton Investment Management Ltd
 - Norges Bank Investment Management (NBIM)
 - Pax World
 - PGGM
 - Railways Pension Trustee Company Limited
 - Rathbone Brothers Plc
 - Rockefeller Financial
 - Skandinaviska Enskilda Banken (SEB)
 - Victorian Funds Management Corporation

Year one The Pilot Programme



Participating business by country

- Australia**
 - mecu Limited
 - National Australia Bank Limited
 - Stockland
- Belgium**
 - Solvay
- Brazil**
 - AES Brasil
 - BNDES
 - Natura
 - Via Gutenberg
- Canada**
 - Vancity
- Chile**
 - MASISA S.A.
- China**
 - CLP Holdings Limited
- Denmark**
 - Novo Nordisk
 - Vestas Wind Systems
- France**
 - Danone
- Germany**
 - EnBW Energie Baden-Württemberg AG
 - Flughafen München GmbH
 - SAP
- India**
 - Tata Steel
- Italy**
 - Atlantia S.p.A.
 - CNDCEC
 - Enel S.p.A.
 - eni S.p.A.
 - Generali Group
 - PricewaterhouseCoopers Advisory
 - Terna S.p.A.
- Japan**
 - Ernst & Young ShinNihon LLC
 - Showa Denki Co. Ltd.
 - Takeda Pharmaceutical Company Limited
- Netherlands**
 - AEGON N.V.
 - AkzoNobel N.V.
 - BAM Group
 - BWise B.V.
 - Deloitte Netherlands
 - Ernst & Young Nederland LLP
 - Eureko (Achmea)
 - leasePlan Corporation N.V.
 - N.V. Luchthaven Schiphol
 - PricewaterhouseCoopers N.V.
 - Rabobank
 - Randstad Holding N.V.
- New Zealand**
 - New Zealand Post
- Russian Federation**
 - Rosneft
 - State Atomic Energy Corporation ROSATOM
- South Africa**
 - Eskom Holdings SOC Limited
 - Gold Fields
 - SASOL
 - STRATE
 - Transnet
- South Korea**
 - Hyundai Engineering & Construction
 - SK Telecom
- Spain**
 - BBVA
 - ENAGAS S.A
 - Indra
 - Industria de Diseño Textil S.A. (Inditex)
 - Telefónica S.A.
- Sri Lanka**
 - Diesel & Motor Engineering PLC
- Sweden**
 - AB Volvo - Volvo Group
- Switzerland**
 - KPMG International
- United Kingdom**
 - ARM Holdings plc
 - Association of Chartered Certified Accountants
 - The Chartered Institute of Building
 - The Chartered Institute of Management Accountants
 - Deloitte LLP
 - Grant Thornton UK LLP
 - HSBC Holdings plc
 - Rabobank
 - Marks and Spencer Group plc
 - NHS London
 - Sainsbury's
 - The Crown Estate
 - Unilever
- United States of America**
 - Cliffs Natural Resources
 - Edelman
 - Microsoft Corporation
 - Prudential Financial, Inc.
 - The Clorox Company
 - The Coca-Cola Company


Pilot Programme business participants by sector



Outcomes from Amsterdam – Year 1 Pilot Feedback

INTEGRATED REPORTING  

HOME VIEW BY ORGANISATION ABOUT THIS SITE CONTACT US

SEARCH 

IR Guiding Principles

- Strategic Focus
- Connectivity of Information
- Future Orientation
- Responsiveness of Stakeholder Inclusiveness
- Conciseness, Reliability and Materiality


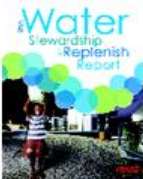













IR Content Elements

- All Contents
- Organisational Overview and Business Model
- Operating Context, Including Risks and Opportunities
- Strategic Objectives and Strategies to Achieve these Objectives
- Governance and Remuneration
- Performance
- Future Outlook

EMERGING INTEGRATED REPORTING DATABASE

This database is a resource for organisations on the Integrated Reporting journey. It contains examples of emerging practice in Integrated Reporting that illustrate how organisations are currently reporting material information about their strategy, governance, performance and prospects in a clear, concise and comparable format.

Recently Added Reports

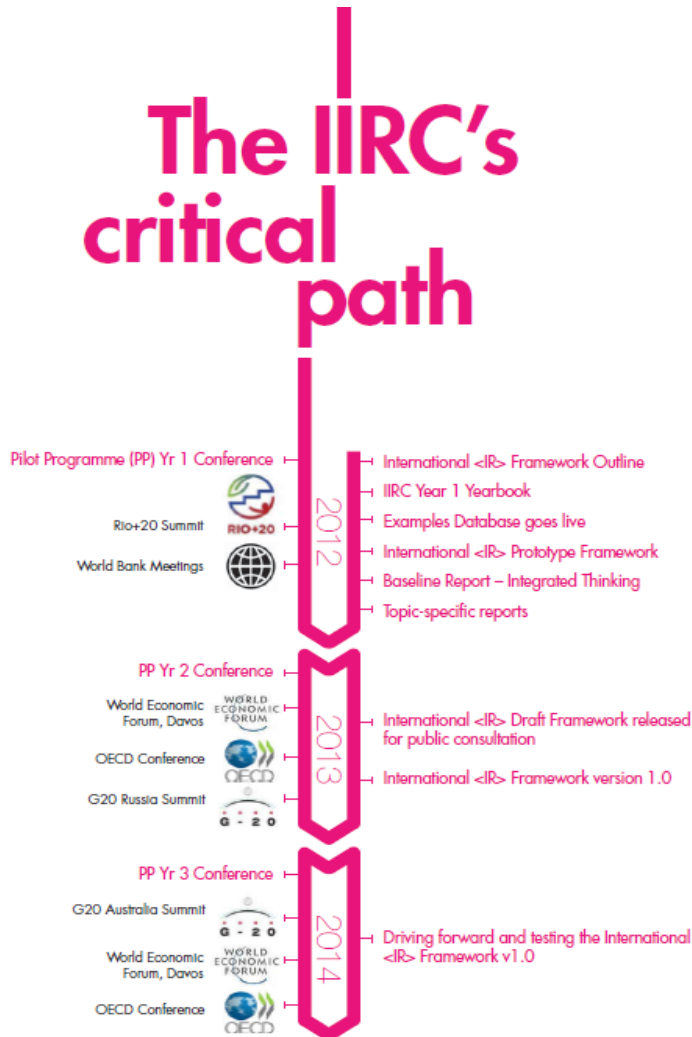
<http://examples.theiirc.org/home>

IIRC in Australia – Highlights from Paul Druckman's recent visit

Liz Prescott – IIRC (Melbourne)

IIRC in Australia – Highlights from Paul Druckman’s recent visit

The IIRC’s critical path



- Global developments
- IIRC – 4 phases of development
- Australian meetings and progress to date (regulatory and company level)
- More company pilots
- Way forward – role of Australia in 2013 -14
- Establishment of IIRC office in Australia/ East Asia

IIRC in Australia – Highlights from Paul Druckman’s recent visit

Implications for BRLF:

- Key director issues are Director Liability and Assurance – need to be resolved parallel with settling CP187 and steering an implementation path for integrated reporting in Australia
- ASX Corporate Governance Principle to emulate Johannesburg Stock Exchange ‘apply or explain’ rule?
- Monitor IIRC’s plans for G20 Meeting - Brisbane 2014

Directors Liability – The Issues

Nicci Steele - AICD

Directors Liability – The Issues

- AICD paper ‘the non executive director view on Integrated Reporting
- Support for integrated reporting (reduce complexity and burden/ if not why not approach)
- But practical challenges:
 - Jurisdictional and pre-existing reporting requirements
 - Increased regulatory oversight/ cost burden
 - Increased director liability/ need for improved safe-harbour
 - Strategic and competitive advantage
 - Assurance
 - Increased compliance/ reduced strategic oversight at Board level
 - Risk of more boilerplate reporting
 - Complexity for multi-nationals – if no global consensus
 - Reduced opportunity for SMEs to participate in the capital markets

Directors Liability – The Issues

- Priority issues for directors are:
 - Robust materiality criteria
 - Types of entities covered – carve out for SMEs?
 - Global consistency
 - Directors liability
 - Guidance on how <IR> fits in with current corporate law and frameworks
 - Cost/ benefits
- All the above should be encompassed in a principles-based, non-regulatory, ‘if not, why not’ style framework that recognised diversity of business, encourages innovation and promotes entrepreneurial activity.

Table discussion on Solutions to Director Liability Issue

In table groups, discuss the following questions:

‘Do you believe the director liability issue can be effectively managed when preparing an integrated report? How?’

and

‘What should the IIRC (BRLF) do to support a resolution to the director liability issue in Australia?’

Nick Ridehalgh (Facilitator)

Feedback on Director Liability Solutions

Nick Ridehalgh - Facilitator

Integrated Assurance – findings of working group

Facilitator - Simone Schlitter

Integrated Assurance – findings of working group

- **Overview of the Working Group (22 August 2012)**
- **Priority issues raised (and reported to IIRC)**
 - Who are the key users of assurance?
 - How extensive should assurance be?
 - What are the benefits of limited vs reasonable assurance?
 - Should assurance be over the report and the process?
 - What are next steps?

Integrated Assurance – findings of working group

Who are the key users of assurance?

Integrated Assurance – findings of working group

Working group responded that the key users of assurance were:

- The Directors are considered the key users of assurance. As elected representatives of shareholders and playing a critical role in the preparation of the <IR>, they need to be able to convey confidence in the creditability and reliability of the <IR>.
- Shareholders are key users of the integrated report and value assurance, however because certain classes of shareholders do not fully understand assurance they should not drive the type of assurance provided.

Integrated Assurance – findings of working group

- How extensive should assurance be?
- What are the benefits of limited vs reasonable assurance?
- Should assurance be over the report and the process?

Integrated Assurance – findings of working group

- **The extensiveness of assurance** is a question of cost versus benefits. Reasonable assurance will increase the costs, but directors need to assess whether the additional comfort provided by reasonable assurance is needed.
- Strong controls that have been confirmed by the three lines of defence (such as management controls and internal audit) may not require reasonable assurance.
- The <IR> Framework generates an assurance focus on more complex and difficult areas to substantiate assertions. Assurance over process, including governance and internal controls would help to address such challenges.
- For consistency there needs to be a base level of <IR> assurance, in accordance with an <IR> assurance framework.
- **Directors should build on that, based on their own assurance needs.** This will address their concerns over directors liability by addressing higher risk disclosures.

Integrated Assurance – findings of working group

- What are next steps?

Integrated Assurance – findings of working group

- Build a set of prototype assurance reports, addressing different levels of assurance and over report content and process.
- Consider if the IIRC pilot companies could participate in a pilot assurance program.
- Build an assurance guide, following on from the IIRC <IR> framework.

BRLF Close and Next Steps

Steve Vamos