

Business Reporting Leaders Forum

*Video Conference - KPMG Melbourne and
KPMG Sydney on Monday 17 August 2015*

Attendees – a broad cross-section of the reporting supply chain in Australia



Academia	BRLF/ IIRC	Accounting Bodies		Regulators / Exchanges / Standard Setters/ Government
<p>John Dumay Nonna Martinov-Bennie Keith Reilly Macquarie University</p> <p>Jean Du Plessis Deakin University</p> <p>Trish Strong University of NSW</p> <p>Brad Potter University of Melbourne</p>	<p>Liz Prescott - IIRC Nick Ridehalgh - KPMG/BRLF</p>	<p>Marina Michaelides Merran Kelsall AASB Melbourne</p> <p>Richard Mifsud AASB Sydney</p>	<p>Geraldine Magarey Stephen Harrison Chartered Accountants Australia & New Zealand</p>	

Agenda

Time	Subject	Presenter
8.30	Welcome	John Stanhope
8.40	Update on BRLF leadership activities <ul style="list-style-type: none">• G20/ B20• Treasury• AICD• Assurance	John Stanhope/ Michael Bray
9.05	Presentation on the <IR> Competency Framework	Nick Ridehalgh & Liz Prescott (IIRC)
9.20	Discussion on <IR> Competency Framework and response to IIRC specific questions. Confirm summary of BRLF responses. thoughts	Nick Ridehalgh & Liz Prescott (IIRC)
8.50	Discussion on next BRLF meeting, and close at 9.00 am	John Stanhope

Update on BRLF Leadership Activities



Infrastructure & Investment Taskforce Recommendations



Cross-Cutting Streams	Themes	Infrastructure & Investment Taskforce	Other taskforces (Financing Growth, Trade etc)	Outcome
Taskforce Chair		<i>Ferit Şahenk</i> (Chairman of Doğuş holding)		
Governance & Sustainability	Integrated Reporting <IR> <i>Mervyn King</i>	Implement 2014 B20 Reco'tion : IIRC / IASB Review <i>John Stanhope</i>	e.g. <IR> enabler of financial stability	B20 & G20 Recommend Integrated Reporting adoption
	Other G&S Themes			
Digital Economy / Food Security				
Outcome		Increased Availability of Financing Infrastructure & Other Long-Term Investment		Integrated Reporting Recognised as a 'Main Page Enabler'



EVIDENCE OF GROUNDSWELL?

- Engaging G20 – Bof E, HRH
- Evidence for G20 nations to act upon
- Australia

'MAIN PAGE'

Increase the availability for long-term financing for investment, including for infrastructure, by removing unnecessary disincentives for long-term investment, setting out coherent national plans to promote the development of local capital markets, and promoting the provision of appropriate credit enhancement instruments and/or co-investment mechanisms for infrastructure projects where required.

ESSENTIAL ENABLER

A review by the **Integrated Reporting Council** and International Accounting Standards Board in relation to making corporate reporting more conducive to infrastructure and other longer-term investment, and eliminating or addressing current barriers.

UNLOCKING INVESTMENT IN INFRASTRUCTURE

Is current accounting and reporting a barrier?

B20 Panel of six international accounting networks
June 2014



Update on BRLF Leadership Activities

Recent Australian Market Design Activity

2014 Initiatives	2015 Advocacy
1. Assist in bringing directors and investors together on director liability and 'safe harbour' for companies	<ul style="list-style-type: none">• Dialogue - Assistant Treasurer, Secretary of The Treasury, Treasury Department, Attorney-General's Department• Request to Attorney-General for referral to Australian Law Reform Commission• BRLF to continue facilitating Investor / Director dialogue• Draft letter to AICD
2. Independent taskforce reporting to Assistant Treasurer on dismantling corporate reporting red tape to complement other aspects of corporate reporting reform	<ul style="list-style-type: none">• ASX CG Principles now ahead of FRC core objectives ('corporate' versus 'financial')• Discussed with Treasury ability of FRC to carry out task - Independent Taskforce preferred• Right implementation pathway for Australia - 'Corporate / External Reporting Council'?
3. Local implementation of B20 Recommendations on making corporate reporting more conducive to infrastructure and other long-term investment	<ul style="list-style-type: none">• IIRC appointments to 2015 B20 Infrastructure & Investment Taskforce• 2-Part Integrated Reporting Recommendation in current draft<ul style="list-style-type: none">• IIRC / IASB / World Bank Review• National action to remove blockages & challenges for global recommendation• Dialogue with Secretary of The Treasury & Treasury Department about right implementation pathway for Australia (e.g. 'if not, why not?' ASX Corporate Governance Principle)
4. Encourage International Auditing & Assurance Standards Board to develop an Integrated Reporting Assurance Framework	<ul style="list-style-type: none">• Discussion Paper on Integrated Reporting Assurance Framework issued by International Auditing & Assurance Standards Board in December 2014



EVIDENCE OF GROUNDSWELL? JUST STARTING?

- > Engaging Group of 100, ICAANZ, CPA Australia, Investors
- > Others

Draft Letter to AICD

Rationale

- Corporate reporting reform critical to enabling more infrastructure and other long term investment, based on private sector financing (superannuation, pension funds)
- A window to bridge investment propositions and financing possibilities not enabled by current corporate reporting model
- Director liability for forward-looking and risk-oriented statements – a critical blockage in Australia

Draft AICD letter

- An interim step to AICD's broad-based 'honest and reasonable director defence'
- Based on public policy grounds - better information for capital markets
- Preparing Integrated Reports under IIRC's <IR> Framework is a 'business judgement' – voluntary
- But must apply the Framework
- Clarify with a note to s180(2) of the Corporations Act
 - “This subsection operates in relation to any integrated reports prepared in accordance with the Integrated Reporting Framework issued by the International Integrated Reporting Council, including integrated reports forming part of Operating & Financial Reviews in Directors Reports required under this Act, and integrated reports included in other non-mandatory corporate reports. Such integrated reports, including forward-looking and risk-oriented statements therein, are business judgements for the purposes of s180(2).”
- Request for Comment

The Detail

Essence of s180(2) requirement should be met by applying <IR> Framework
<p>Good faith ... for a proper purpose</p>	<p>Integrated Report Defined - <IR> Framework paragraph 1.1 An integrated report is a concise communication about how an organisation’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.</p>
<p>Directors:</p> <ul style="list-style-type: none"> ● inform themselves about the subject matter to the extent they reasonably believe to be appropriate ● rationally believe that the judgement is in the best interests of the corporation. That the judgement is a rational one is a given unless the belief is one that no reasonable director would hold. 	<p>Integrated Reporting Governance - <IR> Framework paragraph 1.20 An integrated report should include a statement from those charged with governance that includes:</p> <ul style="list-style-type: none"> ● An acknowledgement of their responsibility to ensure the integrity of the integrated report ● An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report ● Their opinion or conclusion about whether the integrated report is presented in accordance with this Framework <p>or, if it does not include such a statement, it should explain:</p> <ul style="list-style-type: none"> ● What role those charged with governance played in its preparation and presentation ● What steps are being taken to include such a statement in future reports ● The time frame for doing so, which should be no later than the organisation’s third integrated report that references this Framework. <p>Integrated Report Guiding Principles – Freedom From Material Error (para 3.46) Freedom from material error does not imply that the information is perfectly accurate in all respects. It does imply that:</p> <ul style="list-style-type: none"> ● Processes and controls have been applied to reduce to an acceptably low level the risk that reported information contains a material mis-statement ● When information includes estimates, this is clearly communicated, and the nature and limitations of the estimation process are explained
<p>Without having a material personal interest in the subject matter of the judgement</p>	<p>Integrated Report Guiding Principles – Reliability & Completeness An integrated report should include all material matters, both positive and negative, in a balanced way and without material error</p> <p>Integrated Report Guiding Principles – Balance (para 3.44) A balanced integrated report has no bias in the selection or presentation of information. Information in the report is not slanted, weighted, emphasised, de-emphasised, combined, offset or otherwise manipulated to change the probability that it will be received either favourably or unfavourably.</p>

INTEGRATED REPORTING <IR>

**Seeking your views on
the <IR> Competence
Matrix**

The story so far

- Developments in learning of <IR>
- Global project
- Global advisory group

Timeline

Preparation March – July 2015 Development of the <IR> Competence Matrix as a first draft with input from the advisory group	Feedback and revision August – October 2015 Global feedback encouraged especially from learning institutions and training providers and business	Launch By end 2015 Launch of the <IR> Competence Matrix to include delivery through institutions and training providers
---	--	---

Background

- IIRC does not wish to deliver training itself
- IIRC wishes to create a competence matrix identifying the knowledge, skills and attitudes needed for <IR> to be successfully adopted
- Educators will use the competence map to develop training programmes in <IR>

Principles used

- Market-led
- International
- Practical
- Adaptive

<IR> Competence Matrix

- Introductory level
- Practitioner level

Four competence areas

Integrated Reporting The vision for better corporate reporting	Integrated thinking Creating value over time
Preparing the integrated report Communication value creation	Implementing Integrated Reporting From financial management to value management

Features of the approach

- Learning outcomes
- Emphasize integrated thinking
- Linkages with governance
- Whole business perspective

Discussion on the <IR> Competence Matrix

The <IR> Competence Matrix

- Do you believe the competence areas are appropriate?
- Are the levels (introductory/practitioner) capture adequately the competence to be achieved?
- Does the draft matrix include adequate coverage of related disciplines of strategy and corporate reporting?

Who needs training and in what order of priority?

- Board members
- Preparers
- Investors
- Assurers
- Others?

Training programmes

- Do you have examples of current good practice already available?
- How long do you think <IR> training programmes should be?
- Which organizations are best placed to offer <IR> training?

On behalf of the IIRC thank you very much for your time and contributions.

INTEGRATED REPORTING <IR>

BRLF wrap up

John Stanhope