

# Australian Business Reporting Leaders Forum

10 April 2014

Senator the Hon Mathias Cormann, Minister for Finance  
The Hon Josh Frydenberg MP, Parliamentary Secretary to the Prime Minister  
Parliament House  
Canberra ACT 2600

Dear Sirs

## **CUTTING RED TAPE – THE CRITICAL ROLE OF CORPORATE REPORTING REFORM**

I am writing to you as Chairman of the Australian Business Reporting Leaders Forum (BRLF).

The BRLF has existed since 2010. It is a forum where various members of the corporate reporting supply chain come together and consider trends and issues in relation to corporate reporting, and explore solutions which are suited to Australian capital markets. It is focused on making corporate reporting more conducive to investment, and promoting ideas on how to dismantle the current **volume, complexity** and **red tape** in corporate reporting in Australia, which has built up over time through a myriad of requirements from a number of government agencies.

The forum's purpose was advanced in 2013-14 with the appointment of your government and its focus on cutting red tape, together with the release of the International Integrated Reporting (<IR>) Framework in December 2013, March 2014 changes to the ASX Corporate Governance Principles, and Australia's Presidency of the G20 and B20 in 2014, with their focus on growth and jobs, investment and infrastructure, and financial stability. An important momentum shift has occurred.

The BRLF believes that corporate reporting reform has a critical role to play in supporting all of these important change agenda items. It will drive better reporting for all users and less work for preparers, therefore increasing transparency whilst reducing cost. In addition most of us believe that <IR> is potentially a valuable framework to effect corporate reporting reform as it now has global recognition and increasing levels of acceptance.

Further to my recent meeting with The Hon Josh Frydenberg on 1 April 2014, where we discussed the critical role of Government in corporate reporting reform, and walked through a draft letter on current issues and proposed solutions, I reconvened the BRLF leadership group to finalise and endorse the draft letter.

### The Consultation Process Followed by the BRLF

We circulated the draft letter among the various participants in the BRLF Leadership Group, requesting comments. We received support for the draft letter from a number of participants, in particular the Group of 100 and the Australian Shareholders Association (retail shareholders). However, we did not achieve consensus across the group.

All participants agreed that there is need for change to the Australian corporate reporting framework. They also all agreed in principle that Integrated Reporting is likely to be a key component of effective corporate reporting reform.

The draft letter identified four key issues, and the differences among participants related to how these issues should be resolved. The key obstacles raised by participants in relation to their being able to endorse the draft letter were:

- A view held by some that the issue of when and if <IR> should be introduced in Australia should be resolved through the ASX Corporate Governance Council.
- Some participants expressed concern that Government endorsement and regulatory guidance on adoption of <IR> would result in 'quasi-regulation' and the imposition of new red tape, further encouraging a 'tick the box' approach to any corporate reporting reforms.

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- Some participants argued that director liability and safe harbour legislation must be fixed before or as part of any corporate reporting reform package, whilst certain investor groups commented that they had not yet seen proposed changes in these areas and so could not support the proposed changes without further discussions.
- One participant supported a media campaign, rather than Government action, as the next step in promoting the need for corporate reporting reform and demonstrating the benefits of <IR> as a potential solution.
- Some participants did not agree with the idea of an independent corporate reporting reform task force reporting to Government, as it might be too closely aligned with the Coalition's 'red tape' agenda, rather than just good policy.

We observe that there is a lot of individual activity among the various parties interested in corporate reporting reform without a common thread or voice to date. The aim of the BRLF is to promote an integrated response.

### The Government and Corporate Reporting Reform

We believe that as all agree on the need for change, but cannot agree on the timing and order of events, there is an urgent need and opportunity for Government action. We recommend that the Government:

- **Ask the AICD and investor groups to work together so that the government can legislate an 'honest and reasonable director' defence** in relation to individual director liability, and consider the need for **'safe harbour protection'** for companies using best endeavours to make more forward-looking disclosures. Resolving this matter would enable directors to engage in more forward-looking reporting in Operating & Financial Reviews, and for organisations to consider adopting the Integrated Reporting Framework.
- **Form an independent task force reporting to you**, to consider how to dismantle volume, complexity and 'red tape' around specific areas of current disclosure to complement other aspects of corporate reporting reform, including Integrated Reporting.

For example, this task force could draw on the approach being used in the UK, where a task force has been established to review remuneration reporting.

### The G20 and B20 and Corporate Reporting Reform

The 2013 G20 and B20 recognised the critical importance of corporate reporting reform when the B20 recommended (and G20 accepted) that the G20 ask the **major global accounting firms** to form a panel to make recommendations to the 2014 B20 as to **how corporate reporting can be made more conducive to investment - long term infrastructure investment** in particular.

Drafting of the paper is being led by KPMG. The draft paper has been submitted to the other accounting firms in advance of its submission to the B20. We request that the Government ask the B20 / G20 to consider and, if appropriate, **endorse** this paper, so that viable <IR> Framework adoption models can be **put forward** for G20 nations, together with a **call for rapid action** to develop an Integrated Reporting assurance framework.

I look forward to meeting you on a date to be arranged. I will contact your offices to make arrangements. Please contact me on 0418 314 975 if you need anything further in advance of this.

Yours sincerely



John Stanhope  
Chairman, Australian Business Reporting Leaders Forum

cc Mr Robert Milliner, Sherpa, 2014 B20