

Business Reporting Leaders Forum – Notes of Meeting/ Conference Call held on Friday 16 May 2014.

There were some 50 registered attendees in Melbourne, Sydney and on the phone; no roll-call was undertaken.

The agenda for the BRLF was:

1. Introduction – John Stanhope (10 mins)
2. Global developments in <IR> - Jessica Fries (25mins + questions) (40 mins)
3. Work of BRLF Leadership Group – John Stanhope (20 mins)
4. Q&A/ Next steps – John Stanhope (20 mins)

Introduction

John welcomed everyone to the first BRLF of the year. He explained that work had been performed by a small sub-set of the BRLF since the IIRC framework was released and he would discuss this work later in the meeting; but firstly he wanted to introduce Jessica Fries (CEO of Accounting for Sustainability and Deputy Chairman of the IIRC) to provide an overview of international developments.

Global developments in <IR> - Jessica Fries

[Jessica's slide pack was sent through after the meeting and is attached to these minutes].

Key points included:

- Asia – growing focus in <IR> by stock exchanges and regulators in Malaysia, Singapore, Japan and India
- Brazil - <IR> growing fast due to activity of investor groups (MDS) and take up by companies (initially market driven); Stock Exchange now requiring <IR> on a 'report or explain' basis.
- USA – regulatory framework for filings hard to change for a principled based framework like <IR>; however Prudential's proxy statement provided a detailed overview and description of their business model. It is likely that others will follow, and provide more <IR> type information in their reports outside the regulatory filings.
- Europe – EC directive on ESG driving broader reporting; UK Strategy Report can be an integrated report.
- South Africa has adopted the IIRC <IR> framework

On other matters:

- The IIRC pilot program will end in September 2014; and be replaced by a Business Network (and Investor Network).
- Sector specific groups have been established to determine what is important/ can be cut in sector specific reports (i.e. Banking is led by Liz Prescott)
- A Public Sector network is being established too.
- FRC Reporting Lab in UK has addressed a number of specific issues in reporting (i.e. net debt; business models). It is a confidential environment where user needs and preparer concerns can be discussed and improvements agreed.
- IIRC is tracking take-up around the world; but many organisations not in the Pilot are applying the principles now. The Singapore stock exchange is considering an approach to benchmark organisations' disclosures as they move toward <IR>.
- Jessica explained that the experience on introducing <IR> in South Africa had been a 'race to the top' as organisations see real brand improvement (and recognition) by being a leader in implementation of <IR>. It has not resulted in new reports focused on 'good news' only.
- Jessica commented that 'thematic issues' like food security are dealt with at the country, sector and company perspective if the issue is material to their value creation story in the <IR>.
- She also commented that institutional investors were indeed 'dialling it up' to require improved reporting. Indeed in Australia, certain superfunds have committed to preparing their own integrated reports, supported by the IIRC.

Work of the BRLF Leadership Group

John Stanhope explained the background to establishing the BRLF Leadership Group. The key points were:

- The full BRLF has been and continues to be a great forum for discussion on developments in <IR> and broader corporate reporting; however it is not the right forum for driving action
- With release of the IIRC <IR> framework in December and other developments in Australian corporate reporting (ASIC RG247 on OFRs; ASX Corporate Governance Principles (v3) release; the Government's focus on reducing the burden on business as well as the B20 agenda); now was considered a good time to determine what was stopping corporate reporting reform and take action if required.
- In order to include a broad group of stakeholders, but keep the numbers at the meetings manageable, CEOs of the various industry bodies were approached (in effect to represent their various constituents). Invitees included BCA, G100, investor groups (ACSI, ASFA, PCA, ASA etc), AICD, GRI and others. This group provided a balanced cross section of the broader BRLF.
- There have been 3 meetings in 2014. At the first meeting it was agreed that to get action on corporate reporting, there were a couple of issues that needed to be dealt with at a Government level – including a need to address the director liability issue. It was agreed that a letter would be written to the Minister and John Stanhope would meet with him to explain the background, requirements and subsequent benefits in the quality of corporate reporting.
- There was significant discussion around the content of the draft letter. Everyone agreed that there needed to be corporate reporting reform, but on the specific matters discussed in the draft letter there were differences of opinion in both content and approach. The initial draft covered: director liability and safe-harbour; establishment of task force to investigate further reporting simplification and potential introduction of <IR>; support of a paper to the B20 on corporate reporting as it relates to attracting superfund monies into large infrastructure projects; and assurance over <IR>.
- In the end a letter was written to Matthias Cormann and Josh Freydenberg which set out the objectives of the group and the various points of view, but still asked that Government step in to help address the director liability issue as it is limiting the effectiveness of corporate reporting reform; as well as establish a task force to undertake work similar to the UK to restructure certain unwieldy parts of current reporting (i.e the remuneration report.)
- A copy of the letter is attached to the BRLF website.
- John explained that Paul Druckman will be in Australia to meet with Treasury and various people involve with the B20, but it is unlikely that <IR> will be on the agenda. The Government has a 4 prong agenda and wants actions to be taken on them. It was suggested that the BRLD contact the C20, as the <IR> agenda would also link to their agenda and it may be an easier option. **(Action: to investigate meeting the C20 sherpa/ introducing Paul).**

End of meeting. Next meeting date will be in July when Paul Druckman and Jonathan Labrey are in Australia. Exact date not yet known.