



Wider corporate reporting and the International Accounting Standards Board

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Wider corporate reporting: background and context

- Role of the International Accounting Standards Board (Board) examined as part of the IFRS Foundation Trustees' latest review of structure and effectiveness (2015-16).
- Trustees' Request for Views (RFV) in July 2015 set out view that Board's current approach of co-ordination and co-operation with other bodies active in this arena – such as the International Integrated Reporting Council (IIRC) and the Corporate Reporting Dialogue (CRD) - should continue.
- Large majority of respondents agreed with this current strategy.
- Trustees reaffirmed Foundation's strategy towards wider corporate reporting: Board should play an active role, but not be at the forefront of leading developments in areas outside the traditional boundaries of financial reporting.
- Trustees also agreed to dedicate a modest amount of staff resource to this area to monitor developments and to develop a study of what the future role of the Board should be.
- Outcome of Trustees' review noted in Board's Agenda Consultation Feedback Statement November 2016.

Wider corporate reporting: staff work to date

- Initial research of extensive literature, which has revealed:
 - as anticipated, a confusing myriad of frameworks, standards, goals and codes, but equally
 - growing support for companies to report on a broader range of factors than purely financial ones, from a range of stakeholders – investors, regulatory community, accounting profession, academia.
- Monitoring developments in the field, including the work of the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD). View is that TCFD recommendations relate more to narrative reporting, such as in management commentary.
- Enhanced contacts with bodies such as the IIRC, the CRD and the Sustainability Accounting Standards Board (SASB).
- Initial work undertaken on mapping the provisions of the IIRC's 2013 Integrated Reporting (<IR>) Framework with the Board's 2010 *Management Commentary Practice Statement* (MCPS).
- Papers presented to the Board at its March 2017 meeting (initial survey of the wider corporate reporting landscape) ([Agenda Paper 28A for that meeting](#)).
- Presentation to Advisory Council April 2017 ([Agenda Paper 9 for that meeting](#)).
- Presentation to Accounting Standards Advisory Forum (ASAF) July 2017 ([Agenda Paper 9 for that meeting](#)).

Wider corporate reporting: evidence of benefits

- Growing evidence that companies with robust sustainability practices and reporting deliver improved economic performance.
- Oxford University and Arabesque Partners 2015 meta-study of 200 studies reported that 88 per cent of relevant sources reviewed found that companies with robust sustainability practices demonstrate better operational performance.
- Study revealed similar positive results relating to cost of capital and share price performance.
- 2015 review of over 2,000 empirical studies by Deutsche Asset Wealth Management and University of Hamburg revealed that the business case for ESG investing is “empirically very well founded”.
- Initial study of integrated reporting quality in South Africa by Mary Barth and others revealed positive associations in relation to stock liquidity, firm value and expected cash flows. A number of academic papers reveal similar positive findings, but some others are less positive about <IR>, in particular taking the view that it should be more about reporting to all stakeholders on sustainability in the wider sense rather than reporting to investors on business sustainability and value-creation.

Implications for the Board's work: general

- Staff view on the basis of the research to date is that wider corporate reporting is gaining in prominence and importance and important that the Board is across such developments and plays more of an active role in them.
- That does **not** mean that the Board should involve itself in developing IFRS Standards on integrated/sustainability/other wider reporting issues.
- But Board should set out a view on how it sees its Standards fitting with wider reporting issues that focus on long-term value creation.

Implications for the Board's work: options (1)

- At its March 2017 meeting, the Board tentatively decided to play a more active role in this area and considered a number of options ([Agenda Paper 28B](#)). Outcome reported to the Advisory Council.
- Existing Standard-setting activities – question put to Board whether any of the research pipeline projects (Extractive Activities, Pollutant Pricing Mechanisms, Provisions) should be moved to the active research agenda. Board did not push for this.

Implications for the Board's work: options (2)



- Alternative option presented to the Board is a proposal to revise and update the MCPS. Board asked the staff to do further exploratory work before considering whether or not to take on any such project. Board acknowledges that it was not included in the Board's Work Plan following the latest Agenda Consultation. Advisory Council expressed some caution and agreed that further work needed before any consideration of such a project.
- That further work is now underway.

Implications for the Board's work: updating the MCPS – possible proposal

- Staff view is that there is merit in revising and updating the MCPS. Possibility raised by Board Chairman Hans Hoogervorst in his [comments](#) to the IIRC Council in April 2017.
- MCPS shares much in common with the <IR> Framework, but predates it as it does many other developments outlined in the preceding slides.
- As an indication, any update would need to look at areas such as the following;
 - Purpose – focus on value creation;
 - Reporting on a company's business model;
 - Greater emphasis on integration, connectivity and linkage;
 - Explicit reference to a broader range of capitals, including those related to environmental and social aspects.
- Staff view is that revising and updating the MCPS to reflect such developments could be seen as to aiding better communication by companies, even though it is non-mandatory.
- **BUT** – Board yet to consider formally such a proposal, so at present everything is tentative. Watch this space.

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