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Cogito Series

The Future of Corporate Reporting – creating the dynamics for change

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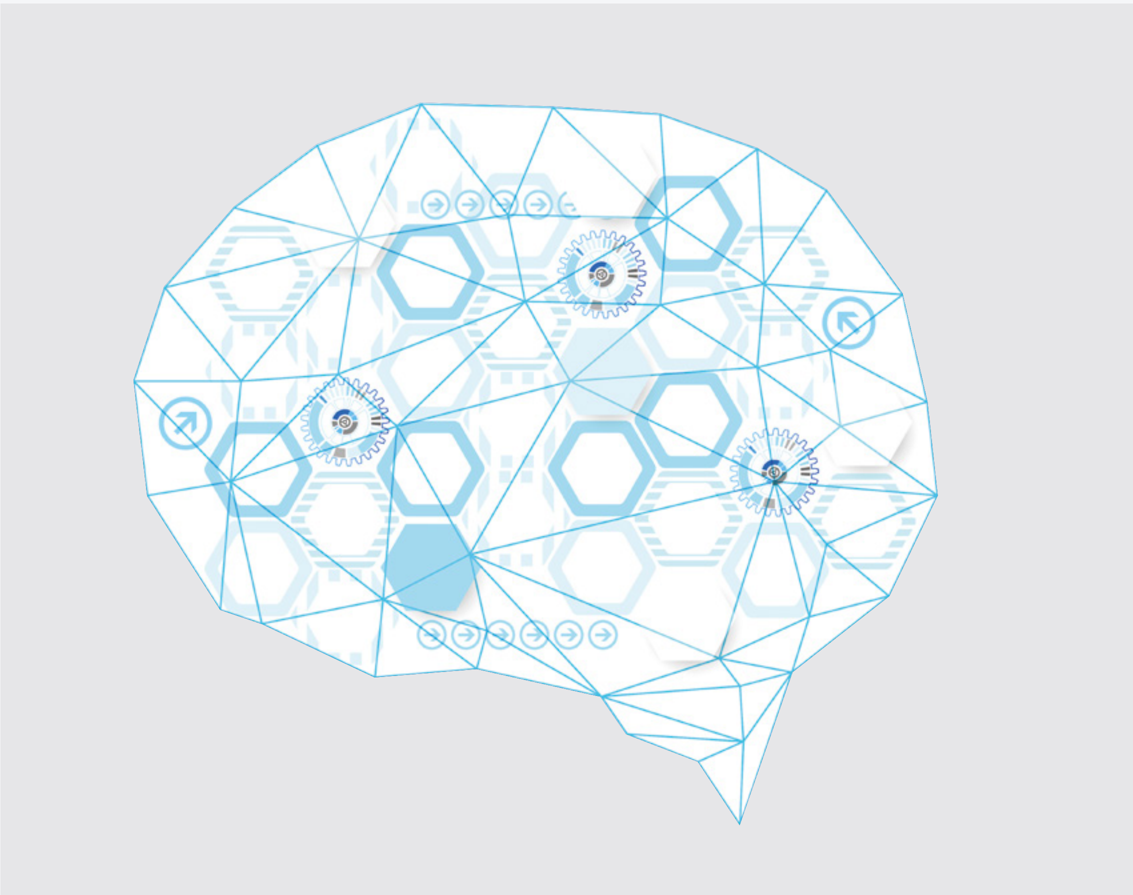
– creating the dynamics for change

COGITO

This document is part of the *Cogito series*, a selection of thought-provoking publications by the Federation of European Accountants (FEE).

Cogito (i.e. I think) is set up to provide new ideas for the European accountancy profession. With this series we aim to enhance innovation and our contribution to business and society.

This publication aims to stimulate debate; the views expressed thus do not reflect the official positions of FEE or any of its 47 member bodies.



Foreword

Corporates and investors are moving fast in a rapidly evolving world, and corporate reporting also needs to change to reflect these dynamics.

As FEE represents 47 professional institutes of accountants and auditors from 36 European countries, with combined membership of over 800,000 professionals working e.g. as preparers, auditors, analysts and practising accountants, we are committed to developing corporate reporting and considering the broad issues affecting its future. For this reason corporate reporting is one of the three strategic priorities of FEE. This paper stands as a key building block of FEE's long standing involvement in shaping corporate reporting and its future, but we hope it will also be the start of a much broader discussion beyond the accountancy profession.

The ideas presented in the paper are also relevant in the debate for building a Capital Markets Union across Europe, as corporate reporting is a key element in channelling funds from investors across the globe to European companies needing capital to grow.

We are convinced that, in particular, the growing difference between the market capitalisation and net asset value of leading global corporates represents a key rationale for review, enhancement and change of the existing corporate reporting model, so as to capture comprehensively the true value drivers of current businesses.

Technology has always been instrumental in shaping society and markets. However today it transforms the environment in which we operate, live and think in a way and at a pace that are both unprecedented. New business models are emerging, existing ones are disrupted, and yet corporate reporting does not seem to be keeping up with these developments.

The debate on the future of corporate reporting in this paper starts by addressing its main elements: companies' stakeholders, the content of corporate reporting, the corporate reporting process itself, and finally ways to enhance innovation in the current legislative environment.

This paper can hopefully be the starting point to move from necessary discussion and debate to action and innovation across Europe (and beyond), shaping efforts to design the future of corporate reporting.

We urge all parties with an interest in corporate reporting to provide their views on this paper and participate in the debate. Therefore, please consider the questions summed up in Appendix A. You can submit comments via the designated website http://bit.ly/15futurecorprep until 30 June 2016.

This paper has been developed by the FEE team and the FEE Corporate Reporting Policy Group. We acknowledge the great input of the FEE Policy Group, led by its Chairman, Mr Mark Vaessen, and its Deputy Chairman, Mr Stig Enevoldsen, and we would like to offer a warm thank you to all of its members. We would also like to thank Ms Sue Harding for her input to initial discussions and development of the paper.

Petr Kriz
FEE President

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FEE Chief Executive

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Executive summary

Corporate reporting is an essential means by which companies communicate with stakeholders as part of their accountability and stewardship obligations. This paper puts forward ideas for corporate reporting to evolve in a way that will keep pace with the developing economic reality and address the needs of a wider stakeholder audience. This process of communication and accountability has consequences for a broad range of constituents, and as a result the suggestions in this Cogito Paper should be of interest to politicians and policy makers, (accounting) standard setters, regulators, enforcers, companies and the broad range of their stakeholders including investors, and, it goes without saying, the accountancy profession that FEE represents.

Rapid changes in the broader business environment, including questions raised by the financial crisis, have increased concerns over whether corporate reporting is continuing to fulfil its objectives. There is already a vast amount of literature and an increasingly public debate on the future of corporate reporting. In addition, an increasing number of companies worldwide are already in the process of improving their corporate reporting in practice, often by way of experimentation. This demonstrates that the momentum for change towards better communication and improved accountability is building. However, a common view has yet to emerge even on what the problems are, let alone how to adapt corporate reporting to fix them in order to achieve a better depiction of the economic position and performance of entities.

This paper focuses on those areas that are likely to drive future developments in corporate reporting. It explores different ways of addressing the main challenges in these areas in order to stimulate discussion among different constituents.

Technology will undoubtedly play an important role in the evolution of corporate reporting in the future, both as a driver and an enabler for change. As a starting point, corporate reporting needs to keep pace with changes in technology. Some even believe that unless corporate reporting keeps up with these changes, it may lose some of its relevance and importance. Technology will significantly change the way that corporate reporting is prepared and the way that it is delivered to its audience. Having said that, technology should not merely allow entities to produce more information, but should instead enable them to provide information that is more relevant and timely.

It cannot be predicted exactly how technological changes, including the extended use of mobile devices, big data and other key developments, will affect corporate reporting in the future but it seems highly likely that it will have a significant effect.

A growing audience for corporate reporting

The paper starts by identifying that the audience for corporate reporting is continually growing and diversifying and it is envisioned that, at some point, corporate reporting needs to properly address the needs of this ever wider audience – potentially being society at large.

Financial reporting, currently still the main means of corporate reporting, is not a new concept, but a practice that has evolved over time. At present, it only addresses a certain group of stakeholders: existing and potential investors, lenders and other creditors (capital providers). However, it is argued that the current economic model assumes that companies are not only accountable to capital providers but to a wider stakeholder audience. Therefore, the paper puts forwards the view that corporate reporting will have a much wider stakeholder audience in the future. Having said that, addressing a wider stakeholder audience does not mean that companies should produce different reports. A single, easy to understand report should aim to address the needs of a wider stakeholder audience.

Amongst other developments, one result of the increased interest in corporate affairs is that new stakeholder groups have emerged (e.g. NGOs) and as a result companies need to reassess the whole reporting process. This includes identifying their stakeholders; assessing which are the key stakeholder groups that they are accountable to; understanding their key stakeholders' needs; and identifying ways to address those needs. Therefore, the paper suggests that companies should engage more closely with different stakeholder groups to better understand their information needs, rather than presuming to know which changes in their reporting process would be helpful to them.

Content of corporate reporting

Building on this premise of a growing audience, the content of corporate reporting in the future should expand to address the wider needs for corporate information.

In defining the content of corporate reporting, the paper focusses on two broad areas: financial reporting and Non-Financial Information (NFI) Reporting. Financial reporting has existed for a longer time, is more developed and much more advanced in terms of standards, regulation and other requirements than NFI. NFI is defined throughout this paper as anything other than financial information. The content of corporate reporting should not be limited to what can be positively defined today.

Financial reporting

Financial reporting, and in particular financial statements as the main means through which it is communicated, is seen by some to be losing its relevance among its intended users (capital providers). Some believe that users are increasingly basing their economic decisions on alternative sources of information. This is attributed to a lack of timeliness – usually market-moving information is available much earlier via other corporate announcements.

Furthermore, some believe that financial statements fail to represent the relevant information with due prominence as, all too often, they consider that current frameworks require an overload of financial information and detailed disclosures. The relevant information is then buried in the ever-increasing volume of the financial statements. Therefore, despite big steps that have been taken over the last 20 years, financial reporting and in particular the end result – financial statements – still need to evolve to retain their relevance and not be seen merely as a compliance exercise.

The paper recommends that financial information should be provided on a more timely basis to be more relevant and become market-moving. This might be partly achieved by working on reducing the level of detailed information and volume of financial statements.

Nowadays, across the world, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) provide an international solution for financial reporting, at least entities listed on regulated markets are required or allowed to report under IFRS.

Preparers, accountants and users should engage with the IASB and urge them to work towards improving IFRS. This includes the effective completion of the IASB's Disclosure Initiative project, in which a set of principles is being developed for a proportionate application of the disclosure requirements of different individual IFRSs (based on relevance and materiality) with the aim of making financial statements more accessible and relevant to users. Further developments are needed, such as grouping the different disclosure notes according to their relevance and materiality, enhancing the presentation of different notes, and introducing the notion of materiality in the judgments made regarding disclosure requirements.

Furthermore, the paper suggests the integration of the management report with the financial statements in order to avoid duplication, as some of the information required in management reports already exists in financial statements.

Finally, preparers should consider how new tools introduced by innovations in technology can enhance the effectiveness of the preparation and presentation of their financial statements.

NFI Reporting

Compared to financial reporting, NFI is at a much earlier stage of development but continues to gain more prominence in external reporting. Indeed consensus seems to be building that financial information alone can no longer represent a complete picture, in particular, since the economy has moved away from primarily relying on tangible assets to relying also on intangible assets, which are often not captured in financial reporting as they are not recognised on the balance sheet.

Furthermore the growing and pressing demand from stakeholders to have a better understanding of a company's longer-term value drivers, prospects and risks, including its impact on the environment and on society, continues to fuel the development of NFI and necessitates a rethink of corporate reporting. The interconnection between financial and non-financial aspects of a business is also becoming more widely recognised.

In an effort to respond to stakeholders' needs, including those of investors, various actions have been taken in the last decade by policy makers, regulators, standard setters (even though the NFI standards have different levels of authority currently) and companies (on a voluntary basis) in order to establish a framework for NFI. However, as NFI has a huge scope the result has been different layers of regulations and recommendations, which often deal with the same areas of NFI in different ways, often without addressing more complex issues, such as a notion of materiality. The results are confusion, disengagement and other adverse reactions among preparers and stakeholders.

Different constituents should start monitoring and engaging in the process of developing the frameworks. Furthermore, there is a need for decisive leadership to enable the development of a common, international NFI reporting framework. However, such a framework should not be restrictive in terms of the scope of the application of NFI reporting in order to foster experimentation and innovation.

The CORE & MORE model for the Future of Corporate Reporting

None of the reports currently available can address the needs of a wider stakeholder group as a single standalone report. Financial statements alone cannot present a comprehensive picture of the company's affairs, while on the other hand NFI alone cannot depict a company's financial performance, position and return to investors and other capital providers.

In an effort to address these limitations, different layers of reporting requirements have been added, resulting in a patchwork of different, often unconnected, reports including financial statements, strategic and management reports, Country-by-Country reporting and Environmental, Social and Governance (ESG) reporting. Companies try to address the needs of a diverse stakeholder audience by producing different reports which sometimes have overlapping scope and content. In addition, where there is no overlap, different reports are usually not connected to each other, resulting in confusion for stakeholders, since they might not be able to find the information that they are looking for nor be able to assess its completeness.

In trying to improve the interconnectivity of all these various strands of reporting, the initiative of the International Integrated Reporting Council <IIRC> and the development of the Integrated Reporting <IR> Framework is the most promising. <IR> is still developing but it is at present one of the main facilitators for improving reporting in practice, and as such may provide a way forward for the future of corporate reporting. However <IR> currently is still in an experimentation phase and it needs to evolve further to fulfil its mission to establish integrated reporting and thinking within mainstream reporting practice as the norm in the public and private sectors.

Apart from this push from the <IR> initiative towards a new reporting model, currently there is not a single comprehensive report that summarises the corporate affairs of a company like an overarching report or executive summary report. The concept of CORE & MORE, as developed in the paper, focuses on how to bring that about.

The proposal involves an overarching report or executive summary – the CORE report – in which a company includes the key information that is important for obtaining a fair understanding of the key elements of the company's affairs, the key financial results, and the additional information that is considered to be relevant and material for the company's stakeholders. Some examples of the latter could be information about the company's objectives, strategy and business model, information about the past and expectations about the future, and risk and risk mitigation processes. It is imperative that a company selects the content of the CORE report based on relevance and materiality since it serves as the executive summary for the detailed information included in the MORE reports that follow. While some standardisation of the content of the CORE report would enhance comparability, a certain level of flexibility for companies is preferable so that they are able to define the content of the report based on their own business objectives and models, and based on their analysis of their key stakeholders' needs.

The CORE report would be accompanied by additional layer(s), the MORE reports, which include detailed information, for example detailed disclosures for financial statements that can support the information which is included in the CORE report. MORE reports could include a wide range of information that may be part of the CORE report. The purpose of having additional layer(s) is to enable the reporting of detailed information that stakeholders may be interested in, depending on their information needs.

The enhanced use of technology would facilitate the presentation of the CORE & MORE reports. Presenting the CORE report with (hyper)links to the MORE layers would allow readers to click on those parts that they are interested in and access the level of detail that they need to fulfil their information needs.

The timing of the reporting would be expected to better meet the needs of stakeholders, as parts of the report, i.e. the CORE report, would be expected to be available on a timely basis while more detailed information, i.e. specific disclosures, could become available at a later stage, so that the publication of the CORE report is not unduly delayed. Furthermore, a proposal on updating the CORE & MORE elements is put forward. Updating is a challenging task and therefore needs careful consideration. The paper introduces a dynamic, a periodic and an ad-hoc element of corporate reporting which could eventually replace the whole series of different reports or documents that currently are needed to present the big picture of the company. Elements of the CORE & MORE reports could be updated independently based on the nature of the information to be reported.

Policy making and innovation in corporate reporting

Finally, a discussion is needed on how to achieve the necessary changes to foster innovation for the corporate reporting of the future. In other words, we need to develop a common view on a roadmap as to how change can be facilitated and what role the different constituents can play in this. Innovation and evolution in the area of corporate reporting may at some stage require changes in mind-set, standard setting, regulation and enforcement. While the continued development of corporate reporting will rely on innovation and new ideas, it is crucial that this innovation takes place within a structured but flexible and thus principles-based regulatory environment. Such flexibility is also needed as changes in technology cannot be dictated or regulated.

In many instances, the issues identified cannot be solved by issuing a new piece of legislation, recommendation or similar instrument. The dynamics for change also assume a change in culture and mentality beyond a 'business as usual' attitude. To achieve the overall objective, the efforts of different constituents, including preparers, policy makers, (international) standard setters, enforcers and stakeholders are coordinated.

Preparers should explore and experiment with different possibilities in corporate reporting. They also need to establish two-way, open communication with stakeholders to be able to establish best practices. Policy makers and standard setters should explore ways to ensure that experimentation and innovation are fostered in the regulatory and/ or legislative environment. Enforcers and auditors should assist in the process of experimenting and move away from a 'checklist' approach. Application of professional judgement is needed to ensure that a company discharges its legal responsibilities while addressing the needs of its stakeholders. A possible way forward is to allow parallel experimentation with a specific group of companies reporting under a new model. This will assist in identifying the differences between the companies participating in these experimentation groups compared to the overall population and highlight the benefits from a new approach to corporate reporting.

Currently change is impeded by a vicious circle: preparers and stakeholders of corporate reporting will only innovate if auditors and enforcers allow experimentation; auditors and enforcers will only allow experimentation if policy makers and standard setters alter some of the detailed requirements; and policy makers will only alter detailed requirements if preparers and stakeholders are willing to innovate... This circle limits the drive for initial change. However, policy makers are expected to allow adequate room for the experimentation that is proposed, such that innovation and market-led best practices will emerge to help shape the future of corporate reporting.

The journey has already started – please join and participate in the discussion to shape the future of corporate reporting

This paper aims at stimulating debate across Europe and beyond on the future direction of corporate reporting. A few questions are included at the end of each chapter, and politicians, standard setters, preparers, stakeholders, enforcers, accountants, auditors and other corporate reporting constituents are urged to participate in the debate.

Introduction

Species either evolve or become extinct. This phrase from the philosophy of evolution has proven true for life, but is applicable for economy as well. Following the financial crisis, the accountancy profession, together with other professions involved in financial services, have been heavily criticised by some constituents. In this context, the key question needing to be addressed is: “Is it accounting and reporting that failed, or other principles which are more deeply rooted in the culture of modern capitalism?” Whatever the answer, the future of corporate reporting needs to be considered in the context of a changing corporate world.

Many argue that all that is needed is stricter regulation: imposing tighter corporate reporting rules on companies will achieve greater transparency in the information provided. However, others believe that the most relevant aspects of corporate reporting lie within the culture surrounding it and go beyond legal requirements. For instance, business ethics are often overlooked but are crucial for the long term sustainability of a company, while much of what legislators introduce is simply seen as additional checklists that corporates need to comply with in the short term.

Stakeholders generally seem to agree that corporate reporting needs to go beyond the financial aspects of a business; a wider viewpoint is crucial to make truly informed decisions about the company, and for the functioning of the overall economy. While various thought leaders and businesses have recognised this, the corporate reporting model has not been keeping pace. Thoughts need to turn into coordinated actions.

Over the last years, discussions on the future of corporate reporting have been vigorous both inside and outside of FEE. Following these discussions, we are pleased to present this paper in which we bring together the key themes on the Future of Corporate Reporting.

The paper aims at **stimulating the debate on the need for a change in corporate reporting** to meet stakeholders’ needs in an increasingly complex business environment.

The purpose of the paper

Companies have to continually focus on their business models and the way in which they conduct their activities in order to keep pace with, and even getting ahead from, changes in the overall environment. Likewise corporate reporting has to evolve in order to remain relevant in the future.

This paper outlines the main developments in corporate reporting and refers to the key changes coming from market participants and from European and international standard setters and policy makers. Many of the initiatives are already underway.

The paper should be seen as an effort to bring relevant developments together, to stimulate a discussion and create the dynamics for change.

Whilst our discussion is set mainly against the backdrop of European regulation and policy, we invite all constituents wherever they are based to participate in shaping the ways corporates will communicate with their stakeholders in the future.

Scope, some key working definitions and terminology

In this paper, **corporate reporting is used as a mechanism for communication, accountability and stewardship** to stakeholders. Compliance with legal requirements is assumed to be met at a minimum, while companies have the ability to exceed those minimum requirements if they choose to do so. The nature and extent of corporate reporting is open for exploration.

The paper frequently refers to examples from Europe, European authorities and European Union (EU) Regulations and Directives. While this is natural for FEE as its constituents are mainly from Europe, the notion of corporate reporting has no geographical boundaries. Today, global markets make national, regional or even continental boundaries less relevant.

Many discussions seem to begin with debates over what is meant by 'corporate reporting' and who its 'users' are. Often the debate also ends with these discussions – distracting participants from making much progress. Therefore, some key working definitions and concepts that are used in this paper are set out below. The terminology used in the paper should not be seen as an effort to perfectly define the different concepts discussed; instead it should merely be seen as the working definitions that are being used.

Fairly general, non-detailed definitions are intentionally used in an effort to enable broader discussion and leave space for innovative ideas on the future of corporate reporting. Those ideas themselves may help identify which terms need or do not need further definition later in the journey. The Glossary in Appendix B explains specific accounting terms and describes key European and international institutions.

Corporate

The paper mainly focuses on large companies, especially those that are considered as Public Interest Entities (PIEs), not on small and medium-sized entities (SMEs). PIEs are defined in the EU Audit and Accounting Directives[1] and include certain credit institutions and insurance undertakings. However, it is acknowledged that smaller financial institutions and insurance undertakings might have different needs than larger ones – even though in both cases they will be classified as PIEs.

The paper does not specify in the scope whether corporate refers to subsidiaries, associates, joint ventures or investment entities, nor does it specify whether the discussion is relevant for separate or consolidated reports.

Finally, no analysis of any specific issues for public sector/government-controlled entities has been included. The discussion is expected to be appropriate for all types of corporates even though it is acknowledged that for public sector entities there are more specific issues to be addressed.

SMEs

Ultimately there might be a trickle-down effect, where appropriate, to SMEs, including those that are listed. However, their corporate reporting needs are typically different from those of PIEs. Most importantly, reporting for SMEs often differs significantly by country as it is based on national law, making their reporting a more difficult and varied challenge to approach from a European perspective. Therefore, specific challenges relating to SME reporting are not considered in this paper.

At FEE, we acknowledge the importance of SMEs as the corner stone of the European economy and we will look at the SMEs' angle to corporate reporting at a later stage.

Reporting

By 'reporting' the paper refers to financial and non-financial information published by the company. This would certainly include information currently communicated in a company's annual and interim reports, summary financial statements, earnings releases and investor/analyst presentations. Such reporting is considered irrespective of the form of delivery, on paper or electronically, static or dynamic.

It also includes, for example, the group's reporting on the company's investment position, information for share and debt-holders, sustainability reporting and reporting on environmental, social and governance matters. The paper does not include, for example, communications of operating units, marketing information to customers, or detailed information on the technical aspects of products.

Reference and link to audit and assurance

Changes to corporate reporting will inevitably have an impact on the way it is audited or assured. Where a change in corporate reporting would necessitate a change in audit or assurance, the paper refers to it in high level terms without proposing any particular solution.

Indeed, at this stage, matters relevant for audit and assurance, especially those dealing with the statutory audit of financial statements, have only been flagged but not addressed in detail as it appears more relevant to do so after having the output of the discussion on corporate reporting more broadly.

In 2014 FEE published a paper about the future of audit and assurance[2]. In that paper FEE's views on the fact that accountants and auditors are working towards achieving more efficient, transparent and trustworthy corporate reporting are explained. The common objective is therefore to improve quality in both corporate reporting and assurance, and to make audit, assurance and other services as relevant as possible.

Next steps

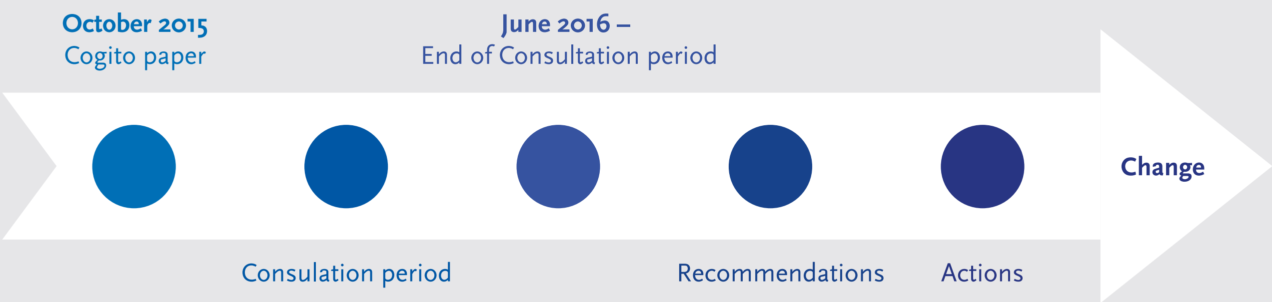
The main areas for the Future of Corporate Reporting are outlined in four chapters:

1. A growing audience for corporate reporting
2. Content of corporate reporting
3. CORE & MORE – a new approach for corporate reporting
4. Approach to policy making and innovation

Some questions are included at the end of each chapter to stimulate the debate among different constituents. Appendix A contains the full list of all questions. All constituents are invited to respond **via the designated website** http://bit.ly/15futurecorprep to identify the dynamics of change and contribute to shaping the future of corporate reporting. The deadline for comments on this paper is **30 June 2016.** Constituents are given ample time to consider the ideas put forward in this paper during a whole reporting cycle, starting from October and ending in June of the next year.

FEE is likely to hold a series of events in Brussels and/or across Europe to stimulate the discussion on the future of corporate reporting, each one likely to focus on a different aspect. Relevant updates will be available on the FEE website[3].

As a next step in the journey to shape the future of corporate reporting, the paper aims at issuing a set of recommendations that would reflect the comments received and it would be expected that international standard setters, in cooperation with other constituents, take a leadership role to coordinate these efforts.



Technology drives and enables change

As corporate reporting is an integral part of the corporate world, companies need to keep pace with changes in technology that might affect their reporting in order to be able to survive.

Changes in technology are critical for a company as they affect all the aspects of how companies conduct their business, for example, enabling faster processing of information at reduced costs, increasing multitasking possibilities in all of their business operations. Technological innovations, especially in recent years, have also resulted in changes in corporate communication, culture and mind-set.

The corporate reporting of the future should take full account of changes in technology. Developments in the model for **future corporate reporting should be flexible and able to adapt to changes** in technology which affect the way people interact with an entity and which significantly affect the delivery of the information itself.

Most people would agree that technology has changed their way of working and living significantly. Current developments in technology and social media already bring an unprecedented level of immediacy and sharing of information. Accessibility of corporate reporting has extended to stakeholders well beyond the investment community that represents its historical target. Information published on websites and through other digital means is instantly available to global audiences.

References are made to changes in technology in the individual chapters of this paper as **technology is at the heart of the innovations that are needed in corporate reporting.** The use of technology not only allows access to corporate reporting to a wider stakeholder audience, it also drives changes in policies and legislation designed to keep pace with the needs of the modern financial markets and assists in presenting corporate reporting in a more interactive and easy-to-read way.

Aspects that affect corporate reporting

The paper refers to four main areas in which technology affects business as usual for corporate reporting. These are:

- Content of corporate reporting
- Delivery of corporate reporting to stakeholders
- Stakeholders’ assessment and usage of the content of corporate reporting
- Communication between the entity and its stakeholders

Content of corporate reporting

Technology allows preparers to add more content to corporate reporting than before. This should not merely mean more voluminous reporting with additional information, but making the content more relevant.

Technology could assist in presenting relevant information to stakeholders without adding complexity or undue cost to preparers. The content of corporate reporting is influenced by a number of factors and by a range of parties including international standard setters, regulators and policy makers, enforcers and other key stakeholders. Technology can ease the preparation and development of the content of corporate reporting. With strong information technology systems, companies can better manage the flow of information so as to deliver the appropriate content in an effective manner.

Delivery of corporate reporting to stakeholders

Some companies have moved away from traditional communication channels (being the printed or the pdf version of the annual report) and are experimenting with the use of additional/alternative ways to communicate with their stakeholders, for example social media.

New communication channels and new presentation techniques include interactive reports on websites (HTML-based reporting) where users can access the information that they need, create the charts that they want, or even compile the reports in which they are interested in a traditional pdf version. The management commentary and the notes could also be provided digitally through a range of textual, audio, video and graphic means with a high level of interactivity. Stakeholders could even be talked through elements of reporting or have it read to them. Undoubtedly, the use of new technological tools, mobile devices, and cloud computation and storage could be expected to significantly change, amongst others, the presentation of corporate reports.

Some companies are already experimenting with mobile applications (or apps) which generally provide a more limited range of information, but make this information instantly available (i.e. push notifications). Many companies now also provide various corporate reporting matters (and general communication content) through social media channels. Social media provides an opportunity for two-way communication, giving stakeholders the chance to communicate with the company, analysts and other parties to exchange ideas or provide feedback.

Finally, some argue that greater use of technology would enhance the timeliness of corporate information. Timely, and maybe even real-time, information is one of the most important elements of information. However, there is also a need for a periodic pause and an assessment of the (non-)financial performance over a predetermined period of time. The latter part cannot necessarily be presented on a real-time basis.

Stakeholders' assessment and usage of the content of corporate reporting

Technology reduces the time burden on users and enables them to process more information in less time. Using, for instance, the same set of raw data and information as the company's financial and regulatory reporting filings, users can decide which reports they need to draw on based on their needs. It can already be anticipated that changes in technology will influence the processing of information and data, the storage of data and financial reporting systems.

Custom-made reporting would assist users to arrive at informed decisions of their own instead of the company trying to guess or identify what they need. But there are other concerns. These include the security and reliability of information, the suitability of data to create tailor-made reports and the compatibility of systems, including operational systems and specific software programs. All these challenges should be addressed by the company in the process of developing its IT systems and adapting to developments in technology.

As long as the proper controls are in place, the extensive use of technology in reporting should enhance the reliability of information presented to users.

Communication between the entity and its stakeholders

Currently corporate reporting is set as a one-way communication between the entity and its stakeholders. This is due partly to its content (only to comply with regulatory requirements) and partly to the lack of use of technology to enable more open, two-way communication.

Because of the lack of interaction with stakeholders in more traditional communication models, management and those charged with governance of a company try to guess the needs of stakeholders and adjust corporate reporting accordingly, without necessarily managing to address what users are actually looking for. That said, some entities do try to engage with different stakeholder groups (focus groups) to obtain feedback and make changes where necessary.

An effective two-way dialogue with stakeholders could be helpful in improving corporate communication (and reporting). By accepting feedback from stakeholders an entity is in a better position to identify and address users' needs.

The main challenge for preparers then becomes the dedication of resources to monitor, analyse and act upon the feedback received.

Adaptability is key for survival in a rapidly changing world – and this includes utilising new technological possibilities in corporate communication. The content and delivery of corporate reporting will change as demand from stakeholders increases for more and more relevant corporate information.

Cost – Benefit

The use of new technologies might be limited by associated costs which may, for the company, outweigh the benefits for stakeholders. Depending on the number of different stakeholders and their specific needs, an entity will need to make an assessment of the costs and benefits of moving to a fully integrated system to enable a change in corporate reporting. Different alternative methods can be explored and developed in order to achieve the optimum benefits for the given costs.

Chapter 1

A growing audience for corporate reporting

A growing audience for corporate reporting

Recent developments show that businesses' actions and behaviour are not only affected by laws and regulations; nor are they independent from other factors, such as investors and consumers' pressure, public opinion, politics, morale and ethics. Today, many companies consider themselves as active members of society which, in return, means that they are growingly held accountable for their actions (and sometimes lack thereof).

In particular, the following trends have affected the way companies are perceived, judged and held accountable by a larger stakeholder audience:

- More stakeholder groups are interested in more aspects of corporate affairs
- From pension funds to activist investors and socially responsible investors, shareholders diversify and ask for enhanced transparency on a growing number of matters
- Groups that traditionally only had a limited interest in corporate reporting and therefore a more passive role such as employees, communities, social groups, have stepped up their appetite for information and influence
- With globalisation, a larger number of (potential) business partners and stakeholders are interested in more information on a wider range of corporate affairs from a larger number of countries
- Companies are expected to act ethically within the society they operate in. For example, with global supply chains, companies are even expected to perform their own due diligence to ensure that their business partners also act ethically and don't threaten their brand value or license to operate

Key issues

Corporate reporting currently focuses on capital providers including equity shareholders, debt providers and other creditors, and therefore is directly linked to financial reporting. But perhaps for this reason, it is failing to acknowledge the fact that the audience is growing. Any developments in corporate reporting should be designed to address the needs of wider stakeholder groups.

The stakeholder audience for corporate reporting will continue to grow, change and diversify in the future

Society is forcing companies to assess their performance in ways that go beyond solely capital and profit. While the audience of corporate reporting has already expanded significantly, it is likely to continue growing, changing and diversifying in the future. In order to address the changing needs of a broader and more dynamic audience, it is necessary to assess how developments in corporate reporting can provide more useful information to them.

The analysis is based on the following four factors:
- Current reporting framework
- Access to, and interest in, corporate reporting
- Delivery of corporate reporting
- Regulatory environment

Current reporting framework

Some investors and other parties advocate that only the views of current equity shareholders and debt-holders matter to the setting of corporate reporting requirements. This is, in some ways, supported in the context of annual reports that are addressed to the current equity shareholders of the company and auditor reports that are aimed at the same shareholders.

The question of the audience of reporting is something that all reporting frameworks need to address. While the majority of reporting frameworks identify that the stakeholders of a company are not only defined as solely the capital providers, current or potential, nevertheless they usually refer to the capital providers as being the primary users to whom entities are accountable and have a stewardship obligation.

There is some confusion over the primary audience of financial information. IFRS is intended to meet the needs of primary users, as defined in the Conceptual Framework for Financial Reporting[I] as issued by the IASB, in making decisions about providing resources to the company[4]. At the same time however, the IFRS Constitution states that the standards should "help investors, other participants in the world's capital markets and other users of financial information make economic decisions"[5].

With regards to the accounting and financial reporting requirements in IFRS, following the financial crisis there has been a debate about whether their requirements should explicitly aim to promote financial stability, including information to meet the objectives of prudential regulators such as bank and insurance regulators, or indeed of a wider stakeholder set while not departing from the main purpose of fulfilling the needs of 'primary' users.

In addition, the framework for Integrated Reporting <IR> refers to the primary purpose of <IR> as being to provide information to the providers of financial capital on how an organisation creates value over time. The framework then identifies that other stakeholders can also benefit from <IR> as well[6].

Access to, and interest in, corporate reporting

Globalisation of markets and business, and interest in the optimal use of financial and non-financial resources, continue to bring greater interconnectedness and a need for a company to communicate to an increasingly wide audience and on a wider range of topics.

This in turn raises questions regarding the broader stewardship role of companies and whether, with increased interest in corporate reporting, the number of organisations and individuals a company is accountable to is also increasing. With growing public attention on the behaviour of business, actions which are deemed to be unacceptable pose a greater risk of unsettling a company's share price or necessitating a change in management. While the impact of this on financial and non-financial reporting may differ, it is crucial that developments in corporate reporting address this change.

I The existing and potential investors, lenders and other creditors.

Access to corporate reporting – Widespread access to corporate reporting is already provided through company websites. Companies are able to disseminate corporate reporting information to a wider audience than ever before. Elements of reporting such as annual reports can no longer be placed neatly into isolated boxes that are only accessed by certain parties. In some countries, annual reports used to receive limited distribution, legally being provided only to the company's current shareholders. However, in the current internet age when so much information is available and discoverable, such restrictions are no longer sustainable.

Interest in corporate reporting – Interest in the activities of corporates of all kinds is increasing. For example, reporting of information on key operational measures that are well understood by stakeholders without any specific financial background is a key aspect of the corporate report for some companies. This information is not only important for shareholders, but for employees, suppliers, customers, consumers, creditors and other capital providers, regulators, etc. This broad range of stakeholders has an equally broad range of relationships with a company – some are contractual whereas others are not. Some parties – contractual employees or debt-holders for example – have rights to certain information, whereas other parties – NGOs, affected communities, consumer at large – may have interests without rights. The impact of multinational companies in global economies also gives rise to a keener interest in their activities from a wide range of stakeholders. Finally, interest in corporate affairs is heightened by the impact that corporate activities have on a wide range of matters that affect society as whole.

Delivery of corporate reporting

As a company's control over the information delivered to specific audiences diminishes, there is a need for new ways to decide what to report and how, and it is likely that an even stronger need for judgement will emerge for companies in order to determine:

- The content of what is reported and how it is delivered
- How reported information will be accessed and used as part of an ongoing dialogue between a company and its wider stakeholders

Communication of corporate information should be easy to understand for all stakeholders

Companies should not produce separate reports for different stakeholder groups

Individuals and groups that are interested in a company may include parties that already know the company and its activities and transactions relatively well, and those that are less familiar with it. It is important that company information is communicated in a manner that is relatively easy to understand, with limited jargon and providing sufficient context. The challenge for companies and policy makers is how to take account of the different needs and knowledge levels of all of the different audiences for this reporting.

Regulatory environment

If corporate reporting is to shift to communicate with an ever wider audience, there is also a very significant question of whether the difference between the wider audience and the legal, regulatory or audit definition of the audience (i.e. solely shareholders) needs to be addressed. Already there is a gap between legal requirements, many of which focus solely on the shareholder, and reporting, that is in concept designed for a wider capital market user group and is in fact used by a much wider audience. Current annual reports are typically addressed to company's shareholders, as are the reports of auditors on the company's financial statements. However, reports increasingly include information primarily aimed at meeting the needs of other stakeholders, in the form of more information than would be necessary if only the needs of capital providers were to be addressed.

Relevant current developments

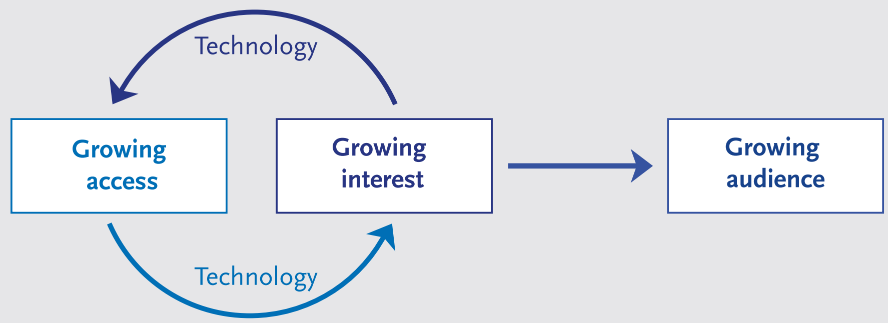
The IASB concluded in its Conceptual Framework revisions in 2010 that, in developing its standards for general purpose financial reporting, it is appropriate to consider the needs of the wider community of analysts or other capital providers, such as debt investors and credit and equity analysts. This brings into focus the needs of the shareholder through the eyes of different parties involved in the analysis of the company's financial statements. This analysis is then used by shareholders and helps the functioning of the capital markets. However, the IASB considers that while other parties such as prudential regulators may also find general purpose reporting to be of interest, additional information can be sought by those regulators beyond the information that would generally be of interest to capital market users of IFRS financial statements. Such regulators can also make their own adjustments to financial information reported under IFRS, to serve their own specific purposes. In May 2015, the IASB published an Exposure Draft, Conceptual Framework for Financial Reporting, where the IASB reaffirmed its decisions taken in the 2010 Conceptual Framework regarding the primary audience or users of financial reporting.

While the IASB focuses on capital market users of financial reporting, other policy makers and standard setters refer to an even broader group of parties, either formally or informally. Increasingly, the influence of other stakeholders with an interest in a wide range of social, environmental or other issues is brought into developments in reporting either directly or by influencing legislative changes.

For example, the EU has adopted requirements for reporting in annual reports of most large companies on various non-financial reporting topics, including human rights, anti-corruption and diversity policies. While these are important issues for society, not all of them will be relevant to all companies to which the reporting requirements apply. In this case, the EU has allowed for the required disclosure to be provided outside of the annual report, as long as it is referenced in it. However, the annual report is gradually becoming the destination of choice for new reporting requirements, at times irrespective of the materiality of the reporting topic.

Additionally, other initiatives on a range of financial and non-financial reporting topics such as the development of the Integrated Reporting <IR> Framework and the Global Reporting Initiative's (GRI) framework have to some extent been developed with a wider range of stakeholder interests in mind. These are discussed in more detail in the next chapter dedicated to the content of corporate reporting in the future.

Technology drives and enables change



Increased interest by wider stakeholder groups in corporate affairs is both enabled and driven by technology

Due to the increase of technology, corporate reporting is accessible to a wider range of stakeholders than ever before. It also enables two-way communication through social media platforms, forums, online chats and other tools.

Additionally, technology yields insights for organisations into stakeholder behaviour. Companies can monitor, study and analyse this in order to better understand what their stakeholders are looking for. A classic example is the ‘cookies’ that websites use to collect data regarding users’ clicks, browsing history and time spent on a single matter. Using this intelligence allows for the preparation of targeted information which is considered to be the most effective way to achieve relevant and timely communication with stakeholders. The ability to provide targeted information also enables a company to fulfil the different needs of a wider stakeholder group. That said, companies need to have adequate policies in place to ensure the protection of such personal data to comply with regulatory and ethical standards.

Moreover, off-the-shelf software eases the analysis of information and enables ‘non-expert’ stakeholders to gain a fair understanding of a company’s affairs. The issuance of sophisticated technical information is no longer such a barrier to general stakeholders’ understanding of a company. At the same time, technology gives companies the opportunity to present information in a more reader-friendly way and eases users’ ability to choose the relevant elements that they would like to study.

Views on the audience of corporate reporting

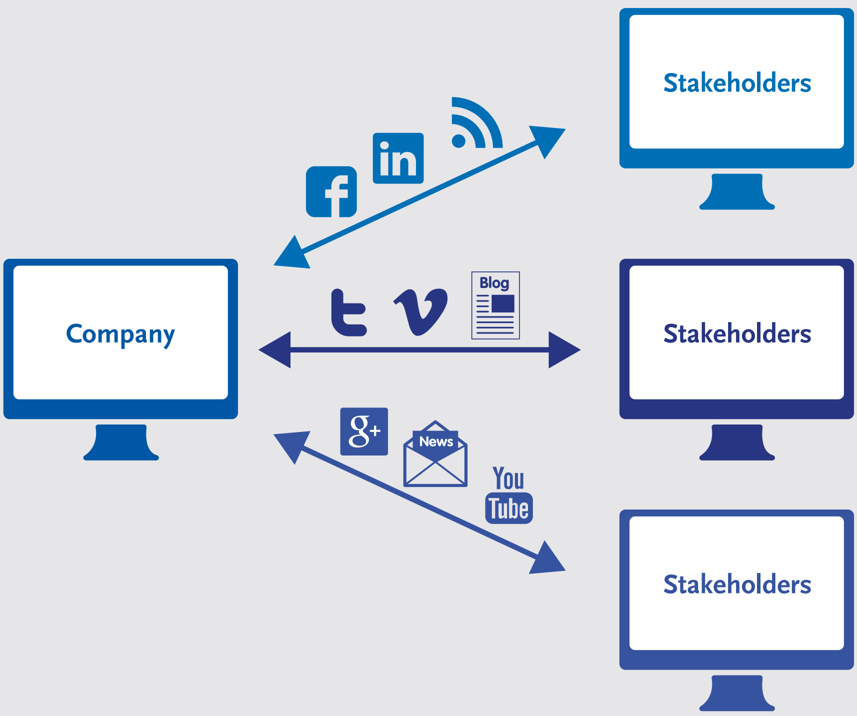
Current reporting framework
With technology broadening access to corporate reporting, the interest in corporate affairs increases and ultimately the audience for reporting in the future could be all the stakeholders of the company, including society at large.

Therefore, the current narrow definition of the 'primary' users of corporate reporting should be redefined and include additional stakeholders who are interested in the company's affairs.

The reporting framework in the future should introduce a single, comprehensive and concise report that can address the needs of a wider stakeholder audience in an understandable way. A proposal that can be considered as a basis for such a report – the CORE & MORE approach – is developed in a subsequent chapter in this paper.

Access to, and interest in, corporate reporting
The use of technology allows messages to be communicated faster and be delivered to a wider audience. But to use new communication channels effectively, a company needs to produce information that is relevant to stakeholders.

While the use of the internet can enhance communication, it can also introduce challenges for companies to produce relevant, timely and up-to-date information if it is to attract stakeholders' attention.



Companies can determine the content of their corporate reporting based on input from a two way communication with their key stakeholders

Delivery of corporate reporting

Separate reporting to each, or each type of, stakeholder group is not a realistic approach. Nor can a single 'general purpose' report realistically meet all the needs of all stakeholders.

It is not always accurate to presume that the company knows what is decision-useful for capital providers.

Regulatory environment

Regulation should not impede changes that embrace a wider stakeholder audience in corporate reporting. Changes in the regulatory environment could sometimes require revisions to legal reporting requirements as well as accounting and auditing standards. While this may not be easily accomplished, all stakeholders will need to be open to such changes. Various consequences would need to be taken into account in a considered manner involving all parties that have an interest in corporate reporting, including politicians, regulators, standard setters, auditors and enforcers.

The last chapter of this paper discusses in more detail the challenges of the changes needed in policy making to foster innovation in corporate reporting.

How to create the dynamics for change

Experimentation by companies and their stakeholder groups is at the heart of moving forward in the future

Experimentation is at the heart of the driving force towards the future! Companies, stakeholders and regulators should engage in a joint effort to explore innovative ideas for the corporate reporting of the future.

In particular preparers and stakeholders could work together to redesign the reporting process for corporate reporting. This process includes the identification of the key stakeholders, assessment of their information needs and identification of alternative ways to address those needs. This can happen through a two way communication between the company and its stakeholders; however the company should take the ultimate responsibility in deciding on the content and presentation of its corporate reporting.

In later chapters, the paper discusses changes in financial and non-financial reporting as well as a new approach to corporate reporting which involves different layers of information to address stakeholders' needs. Changes in the regulatory environment and the need to foster greater innovation in corporate reporting are also explored, including the need to report to a wider stakeholder audience.

Let us think about ...

- how corporate reporting needs to evolve to address a wider audience;
- **preparers** reassessing the target audience of their reporting, identifying their key stakeholders and assessing ways to address their information needs through a structured dialogue;
- **stakeholders** engaging actively in a two way communication with **preparers** during different stages of the reporting process;
- **the accountancy profession** assisting preparers and stakeholders in refocusing corporate reporting to a wider audience; and
- **all constituents,** including policy makers, working together to support and foster innovation.

Questions

Q1.1. Which are the steps in the reporting process that assist in ensuring that the stakeholder's information needs are properly addressed?

Q1.2. Do you identify any impediments to reach to a broader audience for corporate reporting?

Q1.3. When and how should stakeholders get involved in the reporting process?

Q1.4. Do you agree that two-way communication between companies and their stakeholders is needed to focus reporting on stakeholder needs?

Q1.5. How could technology drive and enable changes in the audience of corporate reporting?

Chapter 2

Content of corporate reporting

Content of corporate reporting

Corporate reporting is about both financial and non-financial reporting

Financial and non-financial reporting are at different stages of development

Corporate reporting in this paper covers financial reporting and Non-Financial Information (NFI) Reporting. Financial reporting has existed for some time, it is subject to standards and regulation. NFI in this paper refers to anything other than financial information. Overall, the content of corporate reporting should not be limited to what can be positively defined today.

Relevant current developments

Promising initiatives and developments in financial and non-financial reporting were made already or are under way

A number of regulatory and non-regulatory initiatives are driving corporate reporting on a European and international level.

The International Integrated Reporting Council (<IIRC>) and Integrated Reporting (<IR>)

Taking a leading role in the integration of financial and non-financial reporting, the <IIRC> issued its Integrated Reporting Framework in 2013. Even though <IR> is a volunteer initiative, it is gaining ground and support around the world. Its efforts to put structure around the diverse practices in corporate reporting are helping constituents to bridge the gap between the different requirements of different reporting frameworks. In the next chapter we include further details on the <IR> initiative.

International Accounting Standards Board (IASB)

The IASB is issuing new or amending existing IFRSs in an effort to improve financial reporting and enhance its relevance to users.

Big steps were already made to further develop financial reporting and enhance its relevance

The IASB has carried out promising work in establishing a set of principles-based global accounting and financial reporting standards. However, this has not yet been achieved for disclosure requirements. The IASB aims to address this through an overhaul of its Conceptual Framework for financial reporting (expected mid-2016) and a specific Disclosure Initiative project.

- The Disclosure Initiative[7] aims to achieve better, more effective and efficient financial reporting. The project is split into different stages: implementation, ongoing and research activities. Implementation of Disclosure Initiative: The IASB has already issued amendments to IAS 1 – Presentation of Financial Statements (issued in December 2014) clarifying that aspects of materiality also apply to disclosures. As part of its ongoing activities, the IASB also issued an ED in the same month requiring reconciliation of liabilities from financing activities and disclosures of restricted cash and cash equivalents within the scope of IAS 7 – Statement of Cash Flows.

- Ongoing activities from the IASB: It has been decided that the IASB will publish proposed changes to the IFRS taxonomy in an effort to promote technology and digital reporting in all of its new EDs. The first ED to include such an amendment was issued in December 2014[8].

- Research projects: As part of the Disclosure Initiative, the IASB is undertaking research on the definition and application of materiality in financial statements, and the need for a comprehensive review of the disclosure requirements of existing reporting standards.

European Union

Accounting Directive

As part of the 2013 EU Accounting Directive, new requirements will soon come into force[9] for certain large companies to report more information on several non-financial matters. This is required to the extent necessary for an understanding of the company's development, performance and position, and of the impact of its activity relating to, as a minimum, environmental, social and employee matters, respect for human rights, and anti-bribery and corruption matters. These are being introduced on a 'comply or explain' basis[10].

This includes:

a. A brief description of the undertaking's business model
b. A description of the policy pursued by the undertaking in relation to those matters, including due diligence processes implemented
c. The outcome of those policies
d. The principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks
e. Non-financial key performance indicators relevant to the particular business

IAS Regulation

Since 2005 listed companies in the EU have been required to apply IFRS, as adopted in the EU, for their consolidated accounts. This requirement is set out in the IAS Regulation[11] along with the process of endorsing IFRS for use in the EU. The European Commission has recently performed a comprehensive review of the IAS Regulation concluding that the Regulation has achieved its main objectives[12].

The use of IFRS for the reporting of listed groups across Europe has narrowed the range of different accounting methods and disclosures used compared to the patchwork of national accounting frameworks and requirements that preceded them. Financial reporting in Europe has, as a result, improved considerably since 2005 when IFRS became mandatory for listed groups.

Country-by-Country Reporting

The 2013 Accounting Directive requires from large undertakings and public interest entities operating in the forestry and extractive industries the disclosure of any payment (or series of payments) to governments totalling €100,000 or more in a financial year. Such payments include taxation, royalties and, in certain circumstances, dividends. Country-by-country reporting requirements were introduced for credit institutions in the Capital Requirements Directive[13]. Extending the scope of these requirements is currently being considered, either through amendments to the Shareholder Rights Directive, or through the Commission's Tax Transparency Package.

Alternative Performance Measures

The European Securities and Markets Authority (ESMA) carried out a consultation in 2014 and published a set of guidelines on the use of Alternative Performance Measures (APMs)[14] in June 2015. These guidelines build on the previous work of the Committee of European Securities Regulators (CESR) and provide stronger principles to compel National Competent Authorities and issuers to comply with them.

Other EU Initiatives enhancing corporate reporting

In addition, a series of directives which aim to enhance corporate reporting have been issued including the Transparency Directive[15] and the Business Registers Directive[16]. In February 2015, the Commission also launched work on creating a Capital Markets Union in Europe. This wide-ranging policy initiative could potentially have an impact on corporate reporting.

Rather than specify a particular disclosure framework, the Directives allow that disclosure may rely on national, European or international frameworks, and, if they do so, the disclosure should indicate which frameworks have been relied upon. It is also left open as to where the information is disclosed. It can be provided in the management report in full, or reported separately and cross-referenced in the management report, subject to certain criteria including timeliness.

These Directives also require certain disclosures to be made in relation to listed companies' diversity policies such as those on age, gender, and educational and professional backgrounds. The objectives of the diversity policy, how it has been implemented and the results of its implementation in the reporting period will also require disclosure. If no such policy exists, the statement shall contain an explanation as to why this is the case. For this disclosure, there is no level of significance or materiality so all companies subject to the requirement will have to include some commentary on the topic in their corporate governance disclosure.

Global Reporting Initiative (GRI)

The GRI is gaining more ground in the area of non-financial information and is driving sustainability reporting by an increasing number of organisations. Its comprehensive Sustainability Reporting Framework is widely used around the world to enable greater organisational transparency. In 2013 GRI issued the G4 Sustainability Reporting Guidelines[17] which were developed through a global multi-stakeholder process involving representatives from business, labour, civil society and financial markets, as well as auditors and experts in various fields, in close dialogue with regulators and government agencies. Following the publication of the amendments to the EU Accounting Directive and the introduction of the NFI and Diversity disclosures for large public companies in the EU, the GRI issued a paper analysing the interaction between the GRI G4 guidelines and the EU Accounting Directive[18].

Another recent development coming from GRI is the launch of its Reporting 2025[19] project early in 2015. This project is designed to promote international discussion about the purpose of sustainability reporting and disclosures looking ahead to 2025. Over a 12 month period, thought leaders in various fields will be interviewed on subjects ranging from data technology to society and business development scenarios, with the aim of identifying main issues that will, or should be, at the centre of companies' agendas and their public reports regarding NFI.

Finally, early in 2015, the GRI together with RobecoSAM[20] issued a paper[21] on the definition of materiality for NFI reporting, focusing primarily on the technology, hardware & equipment and banks & diverse financial services sectors.

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises[22] include recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws of each jurisdiction and internationally recognised standards. The Guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments[23] have committed to promoting. The Guidelines' recommendations express the shared values of the governments of countries from which a large share of international direct investment originates and which are home to many of the largest multinational corporations. The Guidelines aim to promote positive contributions by enterprises to economic, environmental and social progress worldwide.

United Nations (UN) Global Compact

The UN claims that their Global Compact's 10 principles[24] in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus. The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

Even though the UN Global Compact is not a reporting framework, it has been used as such by some companies to disclose performance based on its main principles.

Sustainability Accounting Standards Board (SASB)[25]

Founded in 2010, SASB provides sustainability accounting standards for use by publicly-listed corporations in the United States of America (US) in disclosing material sustainability issues for the benefit of investors and the public. The primary objective of the SASB is to develop industry/sector specific sustainability reporting standards. According to the SASB work plan, the objective is to develop sustainability standards for 88 industries in 10 sectors by the end of 2015. Even though SASB operates in the US, and its framework is built in line with local guidelines, its sustainability reporting standards can be used by other companies or be an inspiration for other standards across the globe.

International Organisation for Standardisation (ISO) 26000
Published in 2010, ISO 26000[26] gives guidance on social responsibility and is intended for use by organisations of all types and sizes, in all spheres, in order to assist them in their efforts to operate in the socially responsible manner that society increasingly demands.

Other frameworks, initiatives and relevant developments
Other frameworks include the Guiding Principles on Business and Human Rights implementing the UN's Protect, Respect and Remedy framework, and the International Labour Organisation's Tripartite Declaration of principles concerning multinational enterprises and social policy. Finally, it is worth also mentioning the Sustainability Stock Exchange (SSE) initiative[27].

Technology drives and enables change

Technology is clearly a key driver and enabler of the evolution of corporate reporting.

Presentation & Content
Changes in technology will eventually change the way that information is presented and enable preparers to move away from the traditional A4 printed (or pdf) versions of reports that the users of financial reporting are used to.

Technology is changing the presentation and content of corporate reporting, therefore do not think in terms of printed reports and PDF, but think in terms of 'screen'

Further innovation in technology can enhance the effectiveness of the preparation and presentation of financial statements of companies

New developments in technology affect also the development, availability and presentation of information. Interactive reports are already being used by companies that operate at the high-end of the IT market and this may prove to be a key aspect of the future.

The use of new innovative technology can assist in gathering necessary information and presenting it in a manner that depicts its relevance (as a key qualitative characteristic). Multinational corporates need to reach out to their affiliates or subsidiaries in different countries across the world to gather information for different purposes. Some believe that a central filing system with a range of different access points would enhance the information flow.

For example, some companies that currently report NFI as part of their corporate reporting package do not necessarily present the information in a traditional tabular format. Instead, some of the reports use colourful infographics and occasionally incorporate dynamic features. The quality of this information can only be improved with the use of recent, cutting edge technology.

Conciseness
There is a need for concise reports that depict the most relevant information for stakeholders, for example in the notes to financial statements. Technology can provide the means for preparers to better organise and cross-reference the information in various reports, e.g. KPIs and other similar information, which would probably result

in eliminating duplication. In addition, better organisation would most probably result in downsizing of the volume of the different reports that a company issues today. Having said that, the overall objective should be to properly meet the needs of stakeholders and not solely to reduce volume.

Delivery

The delivery of corporate reporting will be affected by changes in technology. Printed reports and financial statements delivered by post are not a viable option in a technological world. Information travels faster and stakeholders want to have access to information on a timely basis, for example through new technologies (e.g. mobile apps) and new communication platforms (e.g. social media).

Digital Reporting

Digital reporting is a feature likely to grow. But there is a debate to be had on whether governments should mandate the use of digital reporting, or whether the market will develop it itself in an appropriately flexible and accessible format over time. Additional ways to reinforce communication of the numbers together with their context could be explored through layered reporting, integration of management commentary and financial statement information, and tools that allow stakeholders to bring together separate sections of reporting for analysis.

It is crucial that the corporate reporting that evolves out of any technological developments should be technology neutral – i.e. not dependent on any one particular technology – to the greatest extent possible, so that it can be compatible with any new technology platform that may develop in the future.

While digital reporting is not new, it is not widespread or even used to the same extent across different companies and jurisdictions. An example of digital reporting is the eXtensible Business Reporting Language (XBRL) project. XBRL was developed to provide a common, electronic format for business and financial reporting. In the nineties the International Accounting Standards Council (IASC) – the IASB's predecessor – launched a similar initiative, which the IASB used later as the basis to introduce its support for XBRL for IT solution-based reporting. While efforts began over two decades ago, requirements for its use are only beginning to come into effect in some countries. In other countries companies are required to use digital filing to fulfil their regulatory filing requirements.

While XBRL was a good first step, the benefits of XBRL reporting have generally not yet been entirely delivered. They could include a universal language, ease of access for stakeholders to standardised data, customised data extraction, and increased accuracy and speed.

Delivery in a standardised format would open up new possibilities to compare reported information. However, there are also concerns that information could be misunderstood if taken out of context.

This potential for misinterpretation already exists today for anyone using financial data without considering the critical context that is normally disclosed in the financial statements. But this risk may be exacerbated when information is viewed in isolation from such company reporting contexts through a medium that is marketed as delivering consistent information.

The context of a company's underlying transactions and how they have been translated into single numbers through the application of accounting policies, judgements and estimates should not be lost.

Financial reporting

Corporate reporting covers: financial reporting and NFI reporting.

Financial reporting and 'financial statements'
Despite the fact that financial statements are used as one of several different means for companies to deliver financial information to stakeholders, some constituents often use financial reporting and financial statements interchangeably. In the context of this paper, it is considered that financial statements are only one means of delivering financial information and only a subset of what comprises corporate reporting.

Financial reporting includes a variety of company financial information and this does not necessarily mean that the information should be part of the financial statements. For instance, earnings announcements, feasibility studies, budgets, etc. are considered to be financial reporting but are ordinarily not included in the financial statements.

Key issues

Some argue that users (existing and potential capital providers) of financial statements are relying more on other sorts of financial information, or means of communication between the entity and users, than financial statements. The main example of this is earnings announcements; despite the fact that the information provided is limited, users react to it and therefore markets move.

This seems to suggest that the current trend is for the relevance and timeliness of information to be valued above its reliability. Users assume that information which is shared by an entity is reliable in any case, despite the fact that it might not have been through the same reporting process as financial statements. They want to access information on a timely basis, as timeliness is key to identifying a good investment opportunity. However, even though financial statements' predictive value is not directly observable, the fact that they confirm the expectations developed by the entity means that trust among market participants is increased and the credibility of other corporate information is also enhanced.

The key issues analysed are:

- Relevance of financial statements
- Timeliness of financial statements
- Lack of key information in financial statements
- Voluminous and complex financial reporting

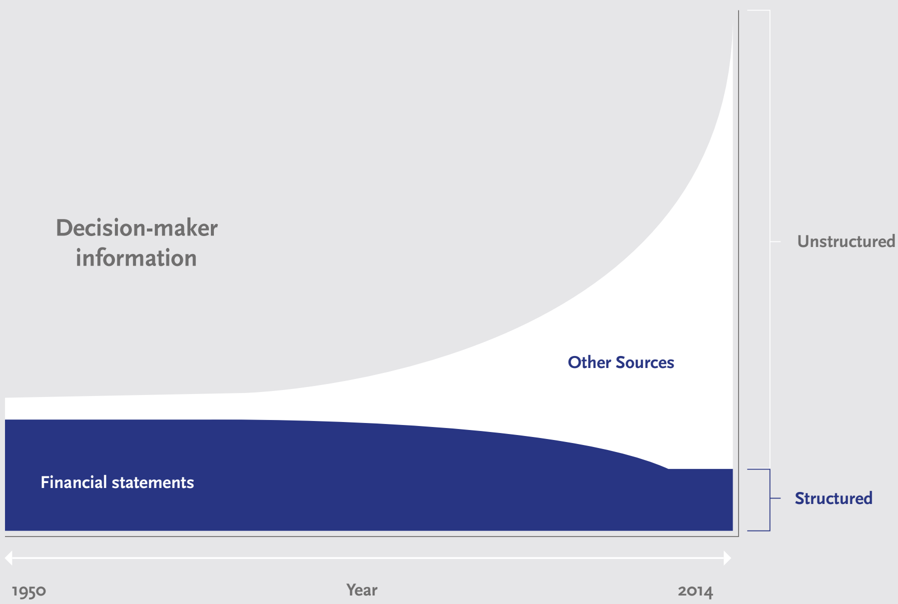
Relevance of financial statements

Financial statements have been and remain an essential part of corporate reporting. But given the concerns that have been raised over the current state of financial reporting, it becomes essential to ask: "**Will we have financial statements as we know them now in 10 years' time?**" The answer lies in their role in communicating accountability for stewardship in managing the company, and, at the very least, in providing confirmation of information published on the company's performance since the last set of financial statements. A key concern for users is that information should be produced in a timely manner as delays in its provision severely impact its relevance. However, the concept of timely information does not mean that periodic financial reports should be abandoned. A periodic pause in financial reporting is essential for users to understand the financial position of an entity. It is widely supported that the value of financial statements should not be solely confirmatory and, therefore, it is necessary to identify other drivers that would enhance its predictive value and thus add value to users.

Financial statements are seen to be losing relevance due to lack of timeliness in reporting and lack of prominence of key information

Financial reporting, in general, is considerably more important to the functioning of markets and the economy than some constituents perceive. It provides the primary evidence of the financial position of a company together with its delivery of financial returns, and should not be relegated to the secondary status of being merely confirmatory. But in order to achieve increased importance, many changes to financial reporting might be needed over the coming years, including to its form, presentation and timeliness.

Already at the end of the nineties, Robert K Elliott, AICPA chairman, illustrated the diminishing influence of financial statements on markets with such a diagram in a seminal article published on 2 November, 1998[28]



Financial information should be issued on a more timely basis to be more relevant and market moving

Timeliness of financial statements

For investors, the timeliness of financial information is key. Users seem to be prepared to take risks and rely on incomplete and even unreliable financial information, if it is produced on a timely basis.

Despite this, sometimes the annual report (which usually contains the financial statements) is delayed since some parts need more time to be issued. It is a critical choice whether all of the corporate report should be prepared and issued at the same time, or whether some information may be issued later or earlier or when relevant events occur.

Lack of key information in financial statements

Some users believe that certain key information is missing from financial statements. Some examples that users identify are the lack of non-GAAP adjusted earning measures, which can be helpful for peer comparison, and the lack of key information regarding 'off-balance sheet' exposures.

Financial statements are often perceived as overloaded with data

Voluminous and complex financial reporting

Despite the work undertaken by the IASB to reduce the quantity of information in financial statements, they are still too voluminous. However, simultaneously, there are gaps in the information (e.g. information regarding key judgements) and key information that is lost in the details. The way that financial statements are presented, in particular the notes, does not promote user-friendliness. Despite the IASB's work, there remains a prevailing feeling amongst market participants that the direction taken by IFRS may not lead to more clarity. More flexibility is needed in the application of full IFRS to enable companies to achieve concise and relevant statements.

In fact, the number of detailed disclosure requirements (e.g. disclosures for financial instruments) has led to a change in preparers' approach. Instead of being a communication exercise, financial reporting has taken on a 'check-list' nature focusing solely on compliance with all the various requirements.

This approach can lead to prioritising compliance over ensuring that the items disclosed are significant for the entity and its business model.

Currently, investors have mixed views on the need for reducing the volume of financial statements. Some investors are reluctant to accept that some of the information provided today is not useful, at least based on work performed by the CFA Institute[29]. However, a more recent survey from the CFA Society of the UK[30] revealed that users of financial reporting identified, among other things, excessive and redundant information in financial reporting. Therefore, this should be carefully assessed in order to achieve the optimum balance between the volume and relevance of the information provided to users.

Views on the future of financial reporting

Relevance of financial statements

There is a need to consider how the information presented in the financial statements can better depict the financial performance and position this in a more comprehensive and user- or reader-friendly way.

Timeliness of financial statements

Some argue that it is vital that developments in financial reporting enable relevant information to be published in real-time. While real-time reporting might not be feasible or even desirable[II 31], more timely reporting could potentially be achieved. For instance, the company's overarching core information could be published much earlier, and could potentially replace earnings announcements.

This would also mean that when the detailed disclosures are finalised, they can be published as part of the additional layer(s) of corporate reporting, together with additional information for other stakeholders.

This would enhance the timeliness of communication between the entity and its stakeholders. Not all stakeholders need to be addressed at once.

Lack of key information in financial reporting

The following three factors could address the lack of key information in financial reporting:

a. Integrating (part of) the management report into financial statements
b. Restructuring the notes in financial statements
c. Consistency of use of KPIs and other financial information which are not part of the financial statements

(a) Integrating (part of) the management report into financial statements

While IFRS is mandated for the consolidated financial statements of listed entities across Europe, requirements for the integral management report vary from country to country.

The current distinction in reporting between information in financial statements and other information, like management commentary, is not properly justified. Some aspects of the management report/commentary could be integrated within financial statement disclosures by either including the comments in the text in the relevant note(s) or by moving note disclosures to the management report without the information being repeated in the notes, perhaps by using cross-references. This would help avoid duplication and provide a more reader-friendly analysis of the financial information.

II We acknowledge the debate on the real-time reporting, the focus on short-term results and information, ignoring the need for longer-term sustainability. Further references on this debate can be found in the endnotes.

Companies should integrate information in management reporting and in disclosure notes within the financial statements to avoid duplication

In considering what content would be included under this approach, some believe there should be stronger links between financial results and the analysis of those results from the management's perspective. The entity's business model, corporate performance and the intentions of management cannot be understood by simply focusing on financial information and financial statements.

Integrated commentary could include text, tables, graphs and other visual aids and even dynamic ones, showing changes in reported amounts over time, differences in amounts from one period to the next, or additional breakdowns of aggregated amounts.

Moreover, if so-called non-GAAP financial measures, including KPIs, are used by management, the relationship of these to financial statement amounts could be shown. The use of both IFRS and non-GAAP measures in governing and managing a company is fundamental, and would benefit from more connected disclosure than is delivered today with the separation of management commentary from financial statement information.

Grouping of different disclosure notes according to their subject matter, relevance and materiality would enhance their presentation

(b) Improving the notes in financial statements

In order to enhance relevance and ensure that all key information is included in financial statements, it is proposed to group the notes around specific subjects, such as primary activities, revenue, debtors and creditors, and gross and net debt information including nominal amounts and commitments, supported by appropriate short and concise accounting policies and comments. The order of the notes should be structured in accordance with their importance and the most important information should be reported first. As with other proposals, freedom should be given to companies to assess the relative significance of the notes and report them accordingly.

Key performance indicators and non-GAAP measures should be used in an unbiased and consistent way and only when relevant

(c) Consistency of use of KPIs and non-GAAP measures

Information that is more akin to advertisement and promotion has no place in corporate reporting, or in the management report. Some argue that management uses non-GAAP information or other KPIs to promote its products and services in management reporting. It is always difficult to establish a distinct dividing line between advertisement and promotion on the one hand, and genuine and relevant reporting content on the other. In particular, the deliberate biasing of corporate reporting through changing KPIs to provide a more positive picture and omitting previous KPIs which would have provided a negative result should be avoided. This indicates the need for a more structured approach on how to report KPIs.

Doing this would ensure that financial reporting contains only relevant information – and also that no relevant information is hidden within irrelevant information. This is also consistent with the main principles of IFRS-based financial statements which are that they should be neutral, unbiased and include important information.

Voluminous and complex financial reporting

Financial statements should evolve to become less detailed and less voluminous

The IASB's efforts to address voluminous financial reporting and complexity are welcomed. Almost all constituents expressed their support for the short-term phase of the IASB's Disclosure Initiative.

The following factors should be considered:

a. Increasing relevance
b. Information in the notes of financial statements
c. Presentation of accounting policies

(a) Increasing relevance

Accounting standard setters have introduced requirements for more and more information in a standardised format regardless of the reporting entity's industry or size. They have left it to preparers, auditors and regulators to decide on and implement the practical rules on relevance and materiality, whether by size or by nature. But with new standards being more detailed than the old ones, they require a lot more note disclosures. Some believe that this needs to be scaled back again.

A crucial part of increasing relevance will be developing more principles-based IFRSs with more guidance on relevance as well as quantitative and qualitative materiality. The detailed implementation should then be left to companies subject to audit and/or regulatory supervision. It is recommended that auditors and enforcers operate in the same vein and accept that checklists cannot compensate for real evaluation or judgement. More principles-based standards might for instance mean that note disclosure requirements are in just one disclosure standard rather than being spread across individual topic standards.

A more principles-based approach could also increase the focus on how market issues might impact a company – and lead to disclosure requirements that focus on the most important issues relative to the company's performance, position and prospects. Some might describe this as focusing on key matters relative to the company's business model.

(b) Information in the notes of financial statements

The notion of materiality should be introduced in judgements made regarding disclosure requirements

Only material information should be disclosed in the notes. Notes could be much shorter than today, yet much more relevant. One possible approach could be for the IASB to provide only principles for disclosure in its Conceptual Framework or in an overarching standard, and also to resist including detailed disclosure requirements in individual single topic reporting standards. In its latest Exposure Draft (ED) on the Conceptual Framework for Financial Reporting, the IASB includes some high level discussion in the presentation and disclosure chapter. Further guidance is expected in the ED on the Principle on Disclosures which is expected to be published by the end of 2015.

Only the most important accounting policies should be presented in a prominent place in the financial statements, others could be incorporated by reference

(c) Presentation of accounting policies

Different constituents complain about the many pages of generic and boilerplate descriptions of accounting policies in note 1 [III]. Note 1 could be limited to information on only a small number of key policies and/or companies could be given more choice over what to include. Some of the less important text could be moved towards the end or to a lower level or even reported in a separate report or on the entity's website, provided that the entity cross-references it properly. Companies should only disclose key messages. Auditors and enforcers should take appropriate action to embrace and support such an approach.

How to create the dynamics for change

It is important that there is an active debate on the future of financial and corporate reporting. It is crucial that many constituents engage in the debate and many different activity streams may need to be initiated.

Let us think about ...

- how financial reporting can regain its declining relevance amongst its intended users;
- **preparers** experimenting with ways to streamlining the management report and financial reporting;
- **constituents** engaging with the IASB and participating in the discussions on its key projects;
- **policy makers** dismantling obstacles and facilitating innovation in the area of financial reporting;
- **standard setters** addressing complexity in financial reporting, including concerns with regard to disclosure overload and engaging actively in the corporate reporting debate;
- **enforcers and auditors** supporting preparers in their efforts for innovation in presenting financial statements; and
- **preparers, auditors and regulators** focusing on stakeholder needs and communication rather than merely on compliance in the reporting process.

Questions

Q2.1. Do you agree that financial statements have lost, or are losing, some of its relevance?

Q2.2. If so, which are the key issues resulting in the declining relevance of financial statements?

Q2.3. What are the key steps that should be taken by standard setters and policy makers to foster innovation and enable financial reporting to regain and enhance its relevance?

Q2.4. How could technology assist in innovation for financial reporting?

III Note 1 usually refers to the first note in the financial statements where users may find the details for accounting policies, and main accounting judgements and estimates. Some companies use a boilerplate template as their note 1 in order to comply with IFRS. This approach is often described as a 'checklist' approach.

Non-financial information reporting

Non-financial information reporting is at a much earlier stage of development than financial reporting but gaining prominence in corporate reporting

NFI reporting is at an early stage and to date there is no single framework that provides guidance on the content of NFI.

Key issues

The main considerations for NFI can be summarised in three questions:

- Why do investors and other stakeholders need non-financial information?
- What NFI do these stakeholders need?
- To whom should companies report such NFI?

Some use financial reporting standards as a benchmark for NFI, however it is not directly comparable. It took quite a long time for financial reporting to find its way towards consistency and comparability. NFI and its reporting is far more complex and it has far fewer years of development to rely on.

The following issues will need to be addressed in order to create stable and relevant reporting of information outside of financial statements:

- Content and stakeholders' needs for NFI reporting (including aspects of materiality)
- Portrayal of market value (and value creation) in NFI reporting
- Innovation in, versus, consistency of NFI reporting
- Different frameworks available for NFI reporting
- Presentation of NFI

Content and stakeholders' needs for NFI reporting (including materiality)

Lack of a common definition

NFI could be understood as 'anything other than financial information'. Some common examples are: diversity of employees, human rights policies, operational capacity and other key industry-specific indicators.

The lack of a commonly accepted definition of NFI causes uncertainty among different constituents. This confusion is reflected in the content of corporate reports, the standard setting process and even legislative initiatives.

Divergence in practice

Companies report NFI in different formats, using different measurement bases and presentation techniques, which impair comparability between different entities. Even though for some industries national or regional regulators request specific information to be included under NFI reporting, sometimes comparability is also impaired due to the differing prominence of various KPIs and other information.

Furthermore, NFI is not always straightforward to measure. Some industries have already set benchmarks that individual companies can use as a basis to measure their performance for NFI. However, these are not used across the board and quite often are not well understood by stakeholders nor well explained in the context of value creation by preparers. It is also worth noting that given the broad scope of topics covered by NFI, there will inevitably be differences between what is material for each company and what is not.

Divergence in stakeholders

Directly linked to this divergence in practice are the different needs of stakeholders of corporate reporting. A company should establish its stakeholders' needs through an open, two-way communication and feedback process.

There is a need to address the concept of materiality in relation to non-financial information

Materiality

Companies need to report only information that is material, the same concept as in financial reporting. However, assessing materiality of qualitative information is challenging.

The concept of materiality is dealt with only briefly by the different reporting frameworks (especially for NFI) as it is not possible to set a quantitative threshold that can be applied across the board.

Financial information alone can no longer represent a complete picture of a company's value

Portrayal of market value (and value creation) in NFI reporting

The market value of a company depends on different elements, both quantitative (e.g. future cash flows) and qualitative (e.g. customer relationships). While substantial elements that impact future cash flows are not recognised in financial statements, because they do not meet the definition or recognitions criteria, they can be good indicators of performance and are therefore relevant for reporting. Modern finance and portfolio theory – the main tool that investors and financial markets use to value a company – accepts that some elements of market value can only be quantified as residual, i.e. the excess of the observable market value over the identifiable net assets.

A classic example of such an element is goodwill. The recognition of internally generated goodwill in the financial statements does not result in relevant and faithfully represented information. Furthermore the purpose of the financial statements, as defined in the IASB's Conceptual Framework for Financial Reporting, is not to portray the market value but to assist users in estimating the market value of an entity.

But why can't companies measure elements like goodwill? Some argue that the elements of goodwill are deeply rooted in the business model of the company, and are integrated in a form that cannot be distinguished from the strategy and other unquantifiable elements. For instance, how can anyone put a value on the quality of a company's work environment or its employee relationships?

The tools that are primarily used in the valuation of companies, such as financial statements or profit and cash flow forecasts, lack any reference to such information.

This 'incompleteness' causes confusion among market participants who cannot easily make the link between a company's share price or market cap and the information reported in the annual report and financial statements.

Innovation in, versus, consistency of NFI reporting

The majority of current frameworks allow adequate space for market-led innovation, enabling companies to define the scope, elements and completeness of the information presented in their non-financial reports. However, the importance of getting the trade-off between innovation, consistency and comparability right has been identified as a key issue by various constituents, including preparers, enforcers and users. There is currently a trend for policy makers to start developing regulations around NFI reporting and how it needs to be presented. One example is the latest set of amendments to the EU Accounting Directive that include requirements for entities to report certain NFI.

Whilst actions from policy makers is commendable, there is a danger that their legislative initiatives may add to the administrative burden on companies without necessarily addressing the needs of stakeholders, which should be the ultimate objective, and sometimes result in differences across jurisdictions and an uneven playing field for companies.

There is a sprawl of standards and regulation – at times contradicting each other – on various elements of non-financial information

Different frameworks available for NFI

As NFI has developed under different frameworks, with each organisation having its own approach, the result has been different definitions of key elements. Examples include different definitions of users, business models, materiality and indeed NFI in general. This adds to the confusion among preparers, users, auditors, regulators and standard setters.

Furthermore, the different frameworks have different levels of authority. Some are obligatory (e.g. the requirements included in the EU Accounting Directive), some are strongly recommended by governments for multinational entities (e.g. OECD guidelines) and others are purely voluntary (e.g. GRI guidelines).

Presentation of NFI

The presentation and location of NFI within the context of overall corporate reporting is not well defined and is sometimes inconsistent across different industries or countries. It is an important area, as in some jurisdictions the mandated reporting of NFI within the annual report results in additional complexity: the preparer needs to comply with certain rules for consistency, presentation and, sometimes, reconciliation to financial information.

Views on non-financial information

Content and stakeholders' needs

More emphasis is needed on the importance of reporting elements and the need for clear definitions that portray what market participants and other stakeholders require in terms of information. In order to make an effective contribution to decision making, the corporate report needs to provide the right information and do so in a format or delivery method that can be incorporated into the reader's decision making process.

However the purpose of NFI should not be to provide checklists of industry performance measures. It may instead be desirable to provide guidance over the different objectives of individual disclosures in order to meet the user's needs.

Further research is needed in certain complex areas, for instance the definition of materiality in the area of NFI. Clear definitions, determination of scope, and their application in the area of NFI will assist in developing a better framework for corporate reporting.

It is confusing for stakeholders that there is no universal non-financial information reporting framework yet

Regarding the content of NFI, currently there are no international standards or guidance that can be applied across the board. While NFI reporting is still at an early stage, the debate on its content needs to start, as well as on how any requirement should be introduced, i.e. through international standards applicable across the board, industry practices and guidelines, or through legal requirements as applied in the EU. Some believe that the IASB, as an already well-established international standard setter, should expand its scope to include some aspects of NFI reporting despite the challenges that come with this proposal, such as competencies, resources, and dilution of focus on financial reporting.

Different frameworks available with different authority

Proper coordination between different standard setters and policy makers would enable a better development process and help to clearly define the scope of each framework. This would assist in eliminating confusion among different constituents regarding the different NFI reporting frameworks.

Different stakeholders should start to cooperate to monitor progress and engage in the process of developing non-financial information reporting frameworks

Furthermore, international convergence to the fullest extent possible in terms of standard setting and practices could provide better guidance on how to communicate NFI to constituents. Having a single reporting framework would promote consistency among preparers and give users access to comparable information across different entities and even across different industries. Having said that, prescribing rules would not increase comparability. On the contrary, it impairs the usefulness of information if the sole purpose of the reporting framework is compliance with a predetermined set of rules, and therefore it is believed that a principles-based framework would best enable comparable information.

There is a need for decisive leadership to establish one international non-financial information reporting framework

Finally the main challenge is that, today, different organisations are developing different standards or frameworks and are claiming ownership of different areas of NFI, which only adds to the complexity of the problem. Decisive leadership is needed to establish an international standard setter for NFI reporting.

Portrayal of market value and value creation

NFI could become the missing link between the book value (as reflected by financial reporting), the market value (or fair value), and the value creation process of an entity. Value and value creation exist in all operations of an entity, including those that cannot be reflected under traditional financial reporting standards. Therefore, NFI is relevant for decision making and important for stakeholders. Companies need to identify ways to provide such information to stakeholders that are reliable, understandable and enable comparability.

Communicating on a company's longer term value drivers, prospects and risks should be the goal for corporate reporting. This would also enhance the interconnection between financial and non-financial information and the rethinking of corporate reporting

Experimentation is needed to develop better ways of bringing together financial and non-financial information used in other corporate reporting areas, including key value drivers such as environmental and social matters. This would provide more context around a company's performance and value generation. It would also enable new types of analysis that could help develop new correlations between financial and non-financial factors. Development of non-financial information is needed to provide context for financial reporting even if the aim of corporate reporting were to remain focused on capital.

Further development of non-financial information reporting should be nurtured by market-led innovation and experimentation

Policy makers should embrace such a market-led solution to progress non-financial information reporting

Innovation in, versus, consistency of NFI reporting

While innovation and market-led practices are supported, NFI should meet some qualitative characteristics to enhance its relevance for stakeholders. Therefore the different constituents need to strike a balance between market-led innovation and consistency and comparability that will increase the relevance of NFI to users.

Furthermore, in some instances, regulators may need to act to cement successful market innovations into regulation in a way that promotes consistency and comparability, building on the best practice initiatives developed by the market. The main challenges will be to identify the right timing to act, and to identify the right level of regulation that does not harm further innovation.

Finally the concept of reliability should also be taken into account when preparing and presenting NFI. Suitable IT systems that capture, process and report information can enhance reliability for companies, as can assurance on NFI reporting. There are currently various initiatives discussing ways to provide assurance; however they are still in their early stages and in need of further development.

Companies should have the choice to present their non-financial information reporting where it is most relevant

Presentation of NFI

The presentation and the location of NFI in the content of corporate reporting should not be a barrier. As corporate reporting has to address the needs of an ever wider stakeholder audience, entities should have the flexibility to choose how best to present it.

How to create the dynamics for change

In order to make an effective contribution to decision making, corporate reporting will need to both address the right issues and provide the right information.

Recognising that the purpose of NFI should not be merely to develop checklists of industry performance measures, it may instead be desirable to provide guidance on the different types of qualitative disclosures to be included in the corporate report. This guidance could be built around the different objectives that individual disclosures need to fulfil in order to meet stakeholders' needs.

Examples on how to better address stakeholders' needs:

- **Content disclosures** that provide detail on the business model in order that users can assess which parts of the business are potentially affected by a particular issue, such as the identification of recurring and non-recurring customer contracts
- **Risk indicators** that enable users to understand the extent to which significant but potentially remote issues are being managed, such as the retention of key business partners
- **Progress indicators** that demonstrate the extent to which the business strategy and plans have been implemented, such as progress in expanding the business presence or customer base into new markets
- **Reward indicators**, covering both financial and operational outcomes, that demonstrate the impact that an issue or action is having on business outcomes that will drive future shareholder returns, such as customer acquisition
- Where necessary, **alternative narrative disclosures** where quantitative disclosures are not considered appropriate

These measures support the identification of both leading or future outlook and lagging or current performance indicators. Whilst some of these objectives might be achieved by a single shared measure, this is unlikely to be the case for all measures.

Report preparers will need to determine the most relevant measure.

The corporate reporting of the future needs to address a wider audience; therefore preparers need to focus on information that is relevant to obtain an understanding of the intrinsic value of the business, rather than attempting to address the specific information needs of each stakeholder category separately. They will effectively be asking the questions: "Will it shift the model of intrinsic value?" and "When?" The responses to these questions will determine what measures to disclose.

To conclude, it is widely accepted that NFI is very important for corporate reporting, as it assists in better portraying a complete picture of corporate affairs. Entities therefore need to consider how to integrate NFI with other corporate reports in a manner that reflects and does justice to its importance.

Let us think about …

- **constituents** monitoring, engaging and influencing the work of different standard setters, policy makers and regulators in the area of NFI;
- **preparers** experimenting with the content of NFI and working together with **stakeholders** to better address their information needs;
- **preparers** improving the reporting on operating performance by having a mix of financial and non-financial Key Performance Indicators (KPIs) that are consistent with the company's short, medium and longer term strategic priorities;
- **regulators, enforcers** and **auditors** embracing experimentation and innovation of NFI; and
- **international standard setters** aiming at developing one internationally accepted NFI reporting framework.

Questions

Q2.5. Which are the key challenges in developing an international set of standards and/or guidance for NFI that can be applied across the board?

Q2.6. Which organisation – if any – should take the lead in developing an internationally accepted principles-based framework for NFI?

Q2.7. What is the appropriate level of authority that those principles should have?

Q2.8. What is the best approach to experimentation in the area of NFI? What challenges would constituents be expected to face?

Chapter 3

CORE & MORE – a new approach for corporate reporting

CORE & MORE – a new approach for corporate reporting

A new reporting model could provide more timely corporate reporting information to a wider range of stakeholders with a diverging interest in corporate affairs: a CORE report provides an overview of corporate affairs accompanied by MORE report(s) which provide detailed information complementing the CORE report.

Key issues

Currently, corporate reporting fails to address all stakeholders' needs in a comprehensive way; there is a series of disconnected reports where each part tries to address different needs. Because the referencing and interconnectedness of these different reports are limited, accessing relevant information is a difficult task for users and other stakeholders.

The following key issues drive the need to develop a new way for corporate reporting:
- Needs of a wide range of stakeholders
- Multi- faceted stakeholder groups
- General purpose financial statements
- Lack of a single comprehensive report that summarises corporate affairs

Needs of a wide range of stakeholders

The current focus on capital providers and other creditors as the key stakeholders (primary users) is not sustainable. Therefore companies need to reconsider the focus of their reporting.

Acknowledging a wider stakeholder group also means that a company should identify and define the different needs that different groups have or, perhaps, define what the company believes is important information to communicate.

Multi-faceted stakeholder groups

Currently one single, stand-alone report cannot address the needs of all stakeholders

Some stakeholder groups might be interested in more than one aspect of corporate affairs. For instance, employees that are partly remunerated with stock options are simultaneously employees, (potential) shareholders and citizens of society; therefore their needs cannot be addressed in a single report. They might also be interested in other aspects, for example the environmental footprint of the company.

This multi-faceted concept causes more complexity in terms of addressing the needs of diverse stakeholder groups.

Financial statements alone cannot present a comprehensive picture of the company's affairs, nor can non-financial information reporting depict the financial performance of a company

General purpose financial statements

Reporting in today's annual and interim reports is defined as 'general purpose' reporting. Despite the fact that the accounting frameworks often refer to primary users, reporting is considered to be a 'one size fits all' phenomenon. This approach has resulted in voluminous reports, some of which are hardly accessible and/or understandable, and which are a hybrid of regulatory compliance and actual communication.

Currently, developments to address this include efforts by some companies to provide different reports or aspects of reporting to target specific audiences. For example, some reports are aimed at an audience of individual (retail) shareholders, others at bondholders, groups of analysts, or other stakeholders such as sustainability groups or corporate governance specialists. This approach assumes that the needs of particular target groups are homogeneous.

Currently the reporting needs of a diverse stakeholder audience are only met by a patchwork of different reporting which are unconnected while sometimes overlapping in scope

Lack of a single comprehensive report that summarises corporate affairs

The fragmentation of corporate reporting into different reports means that no single report is complete in itself, or includes all the information that tells the company's story. Therefore, it is not possible for a user to obtain a comprehensive view of the entity's affairs without spending a significant amount of time analysing all the separate reports that are produced. Separate reports need to connect more clearly to each other, and be easier to cross-reference.

Relevant current developments

A number of regulatory and non-regulatory initiatives are driving corporate reporting on a European and an international level.

The <Integrated Reporting> framework is the most promising initiative in improving the interconnectivity between different reports in practice

The **International Integrated Reporting Council** <IIRC> is taking a leading role in corporate reporting and the integration of financial and non-financial information. The <IIRC> introduced the concept of <Integrated Reporting> which brings together capital allocation and corporate behaviour for the wider goal of financial stability and sustainable development through the cycle of integrated thinking and reporting. Even though <IR> is a voluntary framework at its early stages, it is already providing inspiration to companies on how they can improve their reporting. From the pilot project of the <IIRC> there are already a fair amount of integrated reports from various industries and locations available[32].

<Integrated Reporting> is in an experimentation phase and needs to evolve further to fulfil its mission in establishing Integrated Reporting and Thinking within mainstream corporate reporting

The <IR> framework, as published in December 2013, identifies six types of capital that preparers need to report upon, which are defined as stocks of value that are increased, decreased or transformed through the activities and outputs of the organisation. These are: financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital. Even though the <IR> Framework asserts that the primary purpose of <IR> is to explain to providers of financial capital how an organisation creates value over time, it also states that integrated reporting benefits all interested stakeholders.

The <IIRC> is now taking steps to begin working with other parties that are involved in establishing reporting frameworks.

In June 2014 the Corporate Reporting Dialogue (CRD)[33] was set up as an initiative to promote greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements relevant to <IR>. It aims at improving efficiency and effectiveness, leading to a reduction in the reporting burden by promoting proactive engagement between key organisations.

The <IR> Technology Initiative, launched early in 2015[34] acknowledges the crucial role of technology for companies that have adopted <IR> in their organisations. The main objective of this initiative is to establish a communication forum among different participants in order to exchange views and learn from the challenges and problems faced by companies practising 'next generation' reporting so that tools and technologies can be applied to make corporate reporting faster, more efficient, more accurate and better integrated into business processes.

Other key initiatives and programs[35] that the <IIRC> is currently undertaking are:
- <IR> Business Network
- Investor Network
- Public Sector Pioneer Network
- <IR> Banking Network
- <IR> Insurance Network

Apart from these developments from the <IIRC>, there have been several recent initiatives from different standard setters, regulators and other international bodies, as discussed in Chapter 2. These could have a significant impact on the development of a new approach to corporate reporting, including the **IASB** revisiting its unfinished Conceptual Framework, amendments to the **EU Accounting Directive** requiring more information on areas such as environmental matters and social and employee-related issues, and **regulators** requiring significant disclosures from financial institutions on their risk management policies under Basel Pillar III and Solvency II. Other relevant initiatives include ESMA's guidelines on Alternative Performance Measures (APMs), IOSCO's statement on Non-GAAP measures and the guidance for risk disclosures by the financial institutions developed by the Enhanced Disclosure Task Force[36].

Whilst impressive in number, these initiatives lack the coordination needed to develop a comprehensive new model for corporate reporting. The result is simply a growing list of reports that companies may be required or choose to publish.

Technology drives and enables change

A new corporate reporting framework could only become a reality if it is supported by technology. The dynamic developments of technology give the tools to companies to develop different reporting approaches.

New communication channels and presentation techniques include interactive reports on websites (HTML-based reporting) where users can access the information that they need, create the charts that they want or even compile the reports in which they are interested in a traditional pdf version. Some companies are already experimenting with new ways of presenting their content. Utilising new technological capabilities in corporate reporting enables stakeholders to address their needs directly.

Views on the delivery of corporate reporting

There is a wider range of stakeholder groups for corporate reporting than ever before, and a growth in multi-faceted stakeholder groups where individuals belong to more than one group.

Therefore the main objective should be to find a structure for corporate reporting that addresses the needs of stakeholders without introducing requirements for additional reports. There is a need for a **single comprehensive report** that provides a complete picture of the company's story and at the same time solves the need for greater interconnectedness between different corporate reports.

How to create the dynamics for change

A new approach to corporate reporting: CORE & MORE

A new approach for corporate reporting should foster innovation and address the needs of stakeholders by delivering complete, relevant and timely communication. The new reporting approach should provide the company's corporate story and include information of interest to a wide and general audience in a language aimed at non-specialists.

CORE & MORE is a concept used to bring the corporate affairs of a company together in one single comprehensive report

Based on a 'building block' or a 'layered' approach, this new model could have two distinct parts: a CORE report and MORE additional information provided and referenced from the CORE report to the supplementary layers of reporting.

***CORE** report*

The CORE report can be seen as an executive summary of the company's affairs. Management should have adequate freedom to select the content and format of the information to be included; however some discipline in structure should be applied in the CORE report to achieve a minimum level of comparability.

The CORE report is an overarching report or executive summary to obtain a fair understanding of the key elements of a company's affairs, its key financial results and additional information relevant and material for stakeholders

The following structure could be a basis for the CORE report:
- Company's mission and vision
- Business model and strategy
- Main corporate objectives, including key business and financial transactions
- Main risks and risk mitigation activities
- Key aspects of corporate governance, including internal controls
- Key financial statements or extracts thereof, KPIs and analysis of financial and non-financial information
- Forecasts and key future plans
- Auditor's report

Making a trade-off between standardisation and flexibility, the latter is preferable for companies to report their key business objectives to their key stakeholders

Some of these elements are part of the annual report requirements in the EU Accounting Directive, however management should have the flexibility to provide all of those key elements of information that are relevant to a wider stakeholder audience in the CORE report.

MORE reports are additional layers of reporting, including detailed information responding to the differing information needs of companies' key stakeholders

***& MORE** (Additional layer(s) of reporting)*

Further layer(s) of reporting would contain more detailed or supplementary information that can be accessed directly or via links from the CORE report. For instance, there may be information about diversity in the CORE report, whereas other information on corporate governance may be included in another layer. Topics dealt with in summary in the CORE report could be expanded in an additional layer. The company could also decide to add other topics which are of interest to some stakeholders, e.g. investors or financial analysts. There could be further sub-layers where the company deems this to be appropriate.

Examples of additional information beyond the CORE report could include details on:
- Diversity practices and policies
- Human rights
- Intellectual property
- Corporate governance
- Risk management reporting and internal controls
- Country-by-country reporting
- Detailed financial statements disclosures

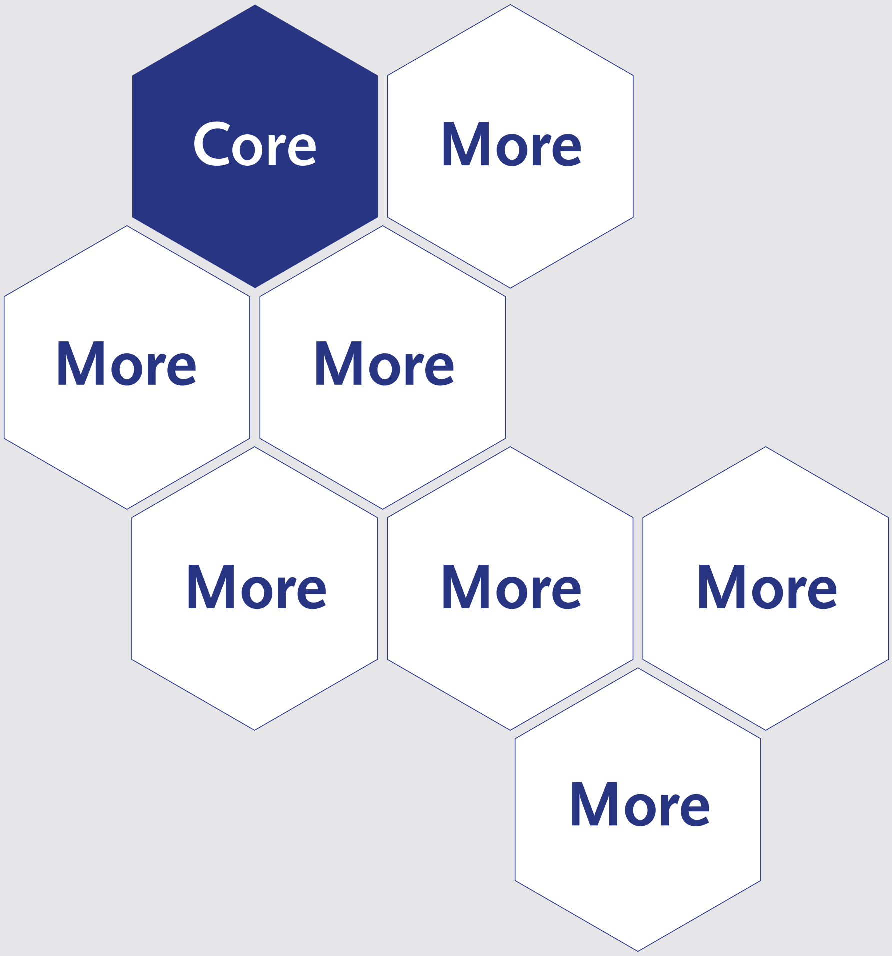
This could also include any other topic required by a regulator or defined by the company that the company believes adds value to stakeholders.

MORE reports may support information already included in the CORE report

Interaction between CORE & MORE

Detailed information included as part of the additional layers may be linked to some elements of the CORE report but not necessarily vice versa (depending on its relevance to the company and to its stakeholders).

Through online navigation tools, users should be able to easily navigate through the different layers of information.



A CORE report with links, both drilling down vertically and expanding horizontally, to MORE reporting layers will allow individual stakeholders access to the level of detail desired to fulfil their needs

Those choosing to read the CORE report should easily find more detail on a topic in the other more detailed layers of information. Meanwhile, those starting with a detailed part could easily find the associated summary content in higher level layers and even in the CORE report (if the subject matter is considered to be of such importance that it should be included in it). As a result, readers with wide ranging interests could efficiently extract what they need from the different layers of reporting.

Having defined the CORE & MORE reports, the following aspects will also need to be considered in developing such an approach:

- Content and the need for experimentation
- The timing of issuing the different parts of the report
- Presentation and delivery of the reports
- The impact of technology
- Updating the information included in the CORE & MORE

Experimentation by companies should be stimulated to test how the CORE & MORE approach could work in practice

Content and experimentation

Further development of good corporate reporting could be stimulated by specifying only a basic approach to its structure, allowing companies to vary their approach according to the circumstances. Experimentation would be key to developing this approach in a manner that works well both for companies and their stakeholders. Best practice is expected to emerge through experimentation in the market over time.

There is no doubt that technology will be key to enhancing accessibility to content, enabling users to move between the layers for more detail. However, it will also be important for companies to experiment and learn so as to make information available and organise it as effectively as possible.

The CORE & MORE building blocks might be updated when relevant at different times

The CORE report is expected to be available on a timely basis, MORE reports can come at a later stage

Timing of corporate reporting

Not all of a company's reporting would necessarily need to go out at the same point in time. Some parts could be released sooner than others in order for information to be as timely and relevant as possible. For instance, information regarding financial performance and analysis of financial and non-financial information could be released as soon as it is available while information regarding, for example, complex sensitivity analysis of financial instruments could be published and integrated later.

Currently, financial statements are not ready for publishing until other reports have been compiled. By the time all the information is available, compiled and ready for publishing, the market has already reacted and the financial statements are only used for confirmatory purposes.

Presentation and delivery

Corporate reporting would have a significant dependency on technology; additional layers would need to be organised so that it is easy for stakeholders to find all the information required or voluntarily provided on a topic. All the information would need to be accessible from a special part of the company's website along with indications as to which parts are audited or assured and this should also be made visible on each screen view. It is considered that, ultimately, policy makers would probably need to provide some guidance or even requirements on layout and navigation.

Technology will facilitate the presentation of the CORE & MORE reports

Technology

Technology would enable the use of diverse delivery and communication channels. The CORE report for example could be supplemented with various visual and audio aids, as already happens in stakeholder and analyst briefings. Commentary could be provided digitally through a range of textual, audio, video and graphic means, with a high level of interactivity. Stakeholders could even be talked through elements of reporting or have it read to them. In addition stakeholders may use the technology tools to access the set of raw information for corporate reporting directly, and use the different sets of data to create bespoke reports that directly address their needs.

Furthermore, developments in technology should enhance the timing of communication. Access to a central point of information would improve information flow and decrease the risk of errors and loss of information, as long as adequate controls are in place. Corporate reporting could be presented in a way that would allow interaction with different stakeholders. Different themes would be available and users would then select what they are interested in. A CORE report with the corporate story on the themes selected, together with additional information for a more in-depth analysis, if needed, would be available to users by just clicking on the areas of interest.

The CORE & MORE concept can be looked at as a building block model for corporate reporting

Updating CORE & MORE reports is a challenging issue

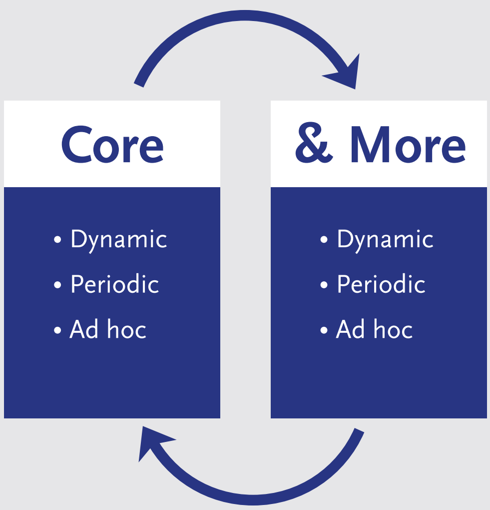
Updating of information in CORE & MORE

It needs to be considered, whether and when the information would need to be updated.

Some believe that the corporate report once prepared and published (maybe in stages, as discussed later) should remain static for a defined period of time (e.g. a year). Others believe that it should be updated to reflect updated information. There is not a clear answer to these considerations as it very much depends on the company's views, decisions and policies for its corporate reporting.

The solution may emerge through experimentation.

One possibility for updating



As a possible way forward, it could be considered that the CORE report and the MORE report could have three elements: a **dynamic**, a **periodic** and an **ad hoc** element where each element is updated at different intervals in order to reflect up-to-date information. To achieve this, we believe the total corporate report should be a living document (updated when needed), with users, at any given time, having access to full, up-to-date corporate reporting. A helpful example here is a newspaper and its news website. The news website is constantly updated while on the other hand the daily printed version of the newspaper is static once printed.

Dynamic, periodic and ad hoc updating of CORE & MORE reports can be the way forward

An outline of each of the three elements of the CORE report could be as follows:

Dynamic Element

The dynamic part of the report reflects the information that needs to be updated on a continuing basis. The main example of such information is material and relevant announcements or earnings announcements. A way forward could be that earnings announcements are replaced by the CORE report, as long as the report fosters their dynamic nature. The dynamic part of the CORE and the MORE report will be updated on a systematic basis without necessarily affecting all the other elements of the report, so that at any given time users could access all the information in the CORE report to gain a comprehensive understanding of the company's affairs. In addition, users should be able to find all the important corporate updates of the year in either the CORE report or the MORE report(s). Users should also have access to the history of the updating of the dynamic part of the report.

When a company wants to issue an earnings announcement (for example at the end of each quarter) then the relevant section in the CORE report would be updated to include the latest update together with comparatives, if necessary. At the same time the part of the information in the additional layer(s) that relate to the earnings announcement would be updated (e.g. include (un)audited key financials and other information relevant to the update). All the information in the CORE & MORE reports should be updated to reflect the new information. However, this should not affect the other already issued report(s), for instance all the information that relates to the company's year-end results and the related analysis. While this element is dynamically updated, companies should ensure that stakeholders can access previous dynamic information, if necessary, and have continued access to latest periodic and ad-hoc elements – for instance the latest financial statements and directors' report.

Building blocks might be added or replaced when new or amended information becomes available

Periodic element (e.g. annual, semi-annually, quarterly)

The periodic element could include the annual and interim financial statements and other reports required by local or European legislation (e.g. non-financial information). The main purpose of this part is to reflect the periodic snapshot that financial reporting provides in order to enable users to make an assessment of the key events and transactions in the period under review. Once it is updated, then the information should remain accessible throughout the year, or at least until the next update period. Comparative information should be available if necessary, such as the comparative information in the financial statements.

This is similar to the way that companies issue their annual and interim financial statements and other reports. They issue these reports at specified time intervals and the reports are easily accessible on the company's website.

Ad hoc element

Finally, information that is updated on an ad hoc basis would be reported as a separate element. This information would be updated only when a need arises. For example, this could include information about the governance of the company, which would need to be updated if there was a change in the company's directors. In other words, such an update would only occur when an underlying event occurs.

CORE & MORE reports should be updated independently based on the nature of the information to be reported

A comprehensive report of this kind with three independently updated elements would achieve the function of an executive summary – accompanied by the detailed information in the additional layer(s) – of the company's commercial, financial and other activities, and due to its (partly) dynamic basis, would always be up-to-date.

Let us think about ...

- **preparers** experimenting with corporate reporting and applying a CORE & MORE concept to address stakeholders' information needs;
- **preparers** reflecting on the contents of a CORE report and how it can be supported by MORE report(s);
- **stakeholders** engaging with **preparers** in an open dialogue about how the CORE & MORE approach can best be tailored to meet their needs;
- **auditors and enforcers** fostering innovation and assisting preparers and stakeholders in their experimentation;
- **policy makers** facilitating experimentation by removing obstacles to innovation and providing a safe haven to those preparers willing to experiment by allowing parallel experimentation; and
- how **constituents** should assess the results of a parallel experimentation.

Questions

Q3.1. Do you agree that the proposed CORE & MORE model could be a way forward for corporate reporting in the future? If not, why not?

Q3.2. In which ways could the CORE & MORE help addressing the needs of a wider stakeholders' group?

Q3.3. What is the role of technology in developing a CORE & MORE model?

Q3.4. Do you have any thoughts on whether, when and how corporate reporting should be updated?

Q3.5. How should policy makers and standard setters address the trade-off between standardisation versus innovation?

Q3.6. What are the main challenges and the key benefits of a parallel experimentation in the area of corporate reporting?

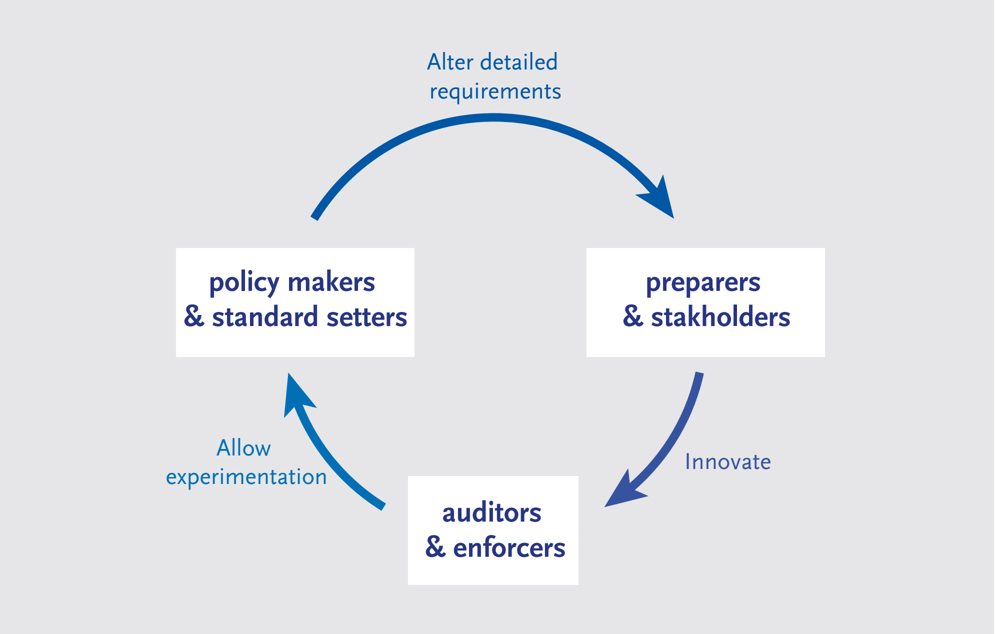
Chapter 4

Approach to policy making and innovation

Approach to policy making and innovation

This final chapter develops the concepts for policy makers, tries to identify any impediments that harm innovation and explores ways to create the dynamics for change.

A vicious circle can be identified that can stall change and innovation in corporate reporting. Preparers and users of corporate reporting will only innovate if auditors and enforcers allow experimentation; auditors and enforcers will only allow experimentation if policy makers alter some of the detailed requirements; and policy makers will alter detailed requirements only if preparers and users are willing to innovate, creating limited impetus to drive the initial change needed.



Key issues

There is no perfect way forward in policy making and innovation. Considering different directions for achieving the optimum balance between setting rules and fostering innovation, the key issues identified are:

- Challenges and incentives for change
- International standards
- Differences between countries
- Duplication of regulatory reporting

A change in culture and mind-set beyond the 'business as usual' policy attitude is needed to facilitate evolution and innovation in corporate reporting

Challenges and incentives for change

Corporate reporting regulation and the system of auditing financial statements are deeply rooted. The biggest challenge to arrive at improved corporate reporting may be the **reluctance to change** due to a simple desire to maintain the status quo.

Change requires adequate incentives, courage and determination for each of the parties needed to support it. These can be tangible or intangible, and a broader perspective is needed on how the costs and benefits of potential changes – or indeed thoughtful, rational decisions not to change – are measured.

International standards

Existing requirements for financial reporting are often very detailed, whereas the requirements for non-financial information are generally very broad and more principles-based without a lot of legally prescribed details. Detailed standards can stifle market-led innovation, as the detailed prescription of requirements can leave fewer possibilities for the market to develop new ideas.

For example, disclosure requirements under IFRS, as they stand today, are often seen, also in Europe, as too detailed which adds to complexity of financial statements. To introduce a more principles-based disclosure regime in Europe, internationally developed standards need to change but not only European constituents have the prerogative to directly influence the IASB in a specific direction, especially when other parts of the world are also trying to influence it. However, with the new European Financial Reporting Advisory Group (EFRAG)[37] in place, Europe aims to have a single, unified voice towards the IASB in promoting the European Union's position on IFRS.

Differences between countries

While there is a certain level of harmonisation in financial reporting across the EU, there are currently significant differences between countries regarding requirements for non-financial information. Some countries have very high level rules, others may have more detailed rules only for listed companies. This creates non-comparability and an uneven playing field. For stakeholders with interests in companies from different countries, the differences may not be apparent or, when they are, may be confusing.

The difference in national requirements is particularly pronounced in relation to management reports. This creates difficulties for stakeholders seeking to access information about companies, as divergent regulatory requirements result in variations in the information published.

Duplication in legal requirements and in standards leads to duplication in corporate reporting

Duplication in reporting requirements

Currently, where there is duplication of requirements in relation to a reporting topic, the requirements of different policy makers, around the globe, are seldom exactly the same and such differences increase the cost to the whole economic system. Duplication often occurs where the aims of different reporting systems are not aligned, for instance, regulatory reporting in addition to financial reporting for financial institutions. Evolving aims of different reporting systems have driven many of the changes in corporate reporting, e.g. changes in tax reporting, but where there are multiple drivers for change the result is often duplicate reports to ensure all objectives are met.

Likewise, gaps in reporting requirements may cause problems especially if related to relevant information. In order to avoid any risks, much more information than may strictly be necessary is usually disclosed. Each time assumptions made by stakeholders take precedence over actual information, there are potentially negative effects for either the company or the stakeholders or both. Additionally, the complexity and differences in requirements tend to incentivise compliance alone, and lead to exhaustion in meeting them, rather than encouraging innovation and going beyond the minimum to improve communication with stakeholders.

Relevant current developments

There are a number of initiatives from legislators, standards setters, companies and the accountancy profession on international, European and national level which strike to enhance corporate reporting.

Current promising initiatives

Despite some aversion to change, there have been several positive developments in recent years, not only in corporate reporting but also in areas which are directly linked to it, like auditing.

Auditors are breaking the long tradition of their reports to shareholders containing standard language that conveys little about the audit itself. For instance, in 2013 the UK changed this by introducing more bespoke auditor reporting that identifies the scope of the audit work and describes key audit issues, such as judgements made on sensitive accounting and disclosure matters. This has generally been embraced by the profession as providing an opportunity to explain their processes and the quality of their work. The Netherlands followed the UK example for 2014 year-ends. Similar changes have been issued for the International Standards on Auditing (ISAs) by the International Auditing and Assurance Standards Board (IAASB).

New ways for companies to communicate their corporate reporting are essential to keep pace with developments of all sorts: stakeholder needs, finance/business and investment practices, technology, the economy, etc. If not able to keep pace, existing requirements can become limitations or barriers to providing the sort of information that is essential if corporate reporting is to play an important role in the eyes of stakeholders and companies.

The innovation needed can come from various sources. However, significant changes will need the support of virtually all parties involved in corporate reporting, including regulators and legislators, if they are to take hold.

Policy Making

Many policy making initiatives have the potential to make a significant positive impact on corporate reporting.

National governments

Various different initiatives are being undertaken at a national government level within the EU. A recent key example was changes to UK annual reporting requirements (the strategic report) that now include provisions for companies to report on their business model, strategy and performance, while allowing a great deal of flexibility for companies to report in a manner that best communicates their situation. Meanwhile, in Denmark companies are allowed to post much of their non-financial and governance reporting on the company's website (with adequate references), rather than in the annual report.

Voluntary Initiatives

The UK's Financial Reporting Council, through its **Financial Reporting Lab** established in October 2011, is bringing together companies and investors to determine and share at a practical level what investors consider to be good approaches to reporting. The aim is to supplement minimum obligations in relevant standards, legislation and other regulatory requirements, with permitted practices that investors indicate are helpful.

Similarly, at a global level, the Financial Stability Board through its **Enhanced Disclosure Task Force** initiative for bank reporting (published in October 2012) aims at engaging a broad range of stakeholders in considering best practices for reporting. In the longer term, such initiatives have the potential to help influence future requirements for reporting.

Another important initiative, as has been discussed previously, is the **Integrated Reporting** <IR> initiative from the <IIRC>.

Initiatives from the accountancy and audit profession and companies

B20 Panel of six international accounting networks

In June 2014, the B20 Panel published a report called "Unlocking Investment in Infrastructure, Is current accounting and reporting a barrier?"[38] One of the key recommendations of the report is to:

> *"Encourage corporate reporting innovations and initiatives that provide investors with a longer-term and broader perspective on shareholder value creation to complement the historical financial performance and current financial position perspective provided by financial statements. The B20 notes the particular relevance of integrated reporting as an example in this respect. Each G20 Finance Minister should assess and address any practical, legal or statutory barriers to improved corporate reporting and work towards removing such barriers in order to make corporate reporting more conducive to infrastructure and other long-term investment."*

While this initiative focuses on this is on infrastructure projects, the issue is relevant to any company that has a relatively long term view, irrespective of the term of its business cycle.

Companies' initiatives

Some companies have decided to proceed with their own initiatives to enhance their corporate reporting. For example, in Sweden, companies have inserted comments next to the main statements such as the income statement and balance sheet. In Denmark, companies have been encouraged to regroup notes to support relevance and materiality and to include accounting policies and comments in the various note sections.
Such initiatives clearly indicate willingness to experiment, but also show the lack of coordination within Europe.

Efforts of different constituents for change should be coordinated

It remains to be seen whether these and other initiatives already under way will individually or collectively contribute to significant developments in corporate reporting. More effort is needed to maximise their impact and to take further steps beyond them, as well as to ensure that innovations are coordinated such that the set of requirements applicable to individual companies fits together as a whole.

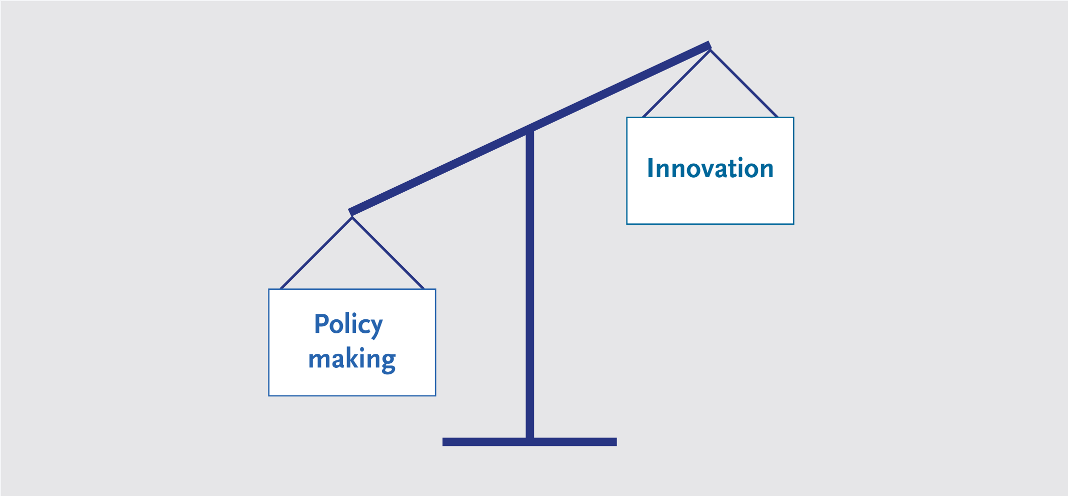
Technology drives and enables change

Flexibility in policy making is needed as the influence of changes in technology cannot be dictated or regulated

Policies, regulations and reporting standards do not always keep pace with the technological changes that could drive developments in corporate reporting. As a result, developments to incorporate new technology in corporate reporting mostly take place on a voluntary basis.

Some jurisdictions allow or even require the use of a single financial reporting language for regulatory filing of information. The use of a universal language for reporting enables the exchange and analysis of information and this can result in more timely and informed decision making by market participants. However, regulators should not limit innovative activities to the use of a standardised filing system, as they should also keep an open door policy to all other new innovative ideas. Companies which endeavour to be leaders in responding to changes in technology often prepare technology-based reporting in addition to their regulatory reporting and filing, bearing additional costs.

Views on policy making and innovation



Challenges and incentives for change

Stakeholder consultation

As corporate reporting should be designed to ensure that the needs of diverse stakeholder groups are reasonably met, the challenge is for companies to engage with their stakeholders to develop a model that fits their needs. New ways of engaging with a wider stakeholder audience and weighing the cost and benefits of new requirements will need to be found.

Market-led innovation

Innovation is mainly delivered through experimentation driven by market mechanisms, but all stakeholders have a significant role to play in fostering a regulatory environment and providing a framework in which innovation can occur. This will not necessarily require the same type of approach for different elements of corporate reporting, while a high level framework is appropriate for non-financial information, more detailed requirements may be necessary for financial reports.

Policy makers should be flexible and support innovation to foster change

Innovation should come from the market, but companies need support from their stakeholders in order to be able to experiment and to find out what approaches may be best. In certain cases and at certain times, the support of policy makers is needed to allow, enable or ultimately require change to modernise corporate reporting. It will also sometimes be necessary for policy makers to take action to remove legislative barriers to innovative and new ways of reporting. It may mean that legislators and standard setters will have to remove some of the detailed rules that prevent innovation, and a more principles-based set-up will have to be supported by auditors and enforcers in their practical work. Generally, however, freedom to experiment and demonstrate positive change with input from stakeholders is a good approach that is more motivational to companies; it will encourage them not to merely comply with the minimum reporting requirements but to go beyond and actively engage with stakeholders.

International standards

In deciding the most appropriate approach to improving reporting or developing a new model for it, one of the big questions for policy makers is the issue of standardisation versus freedom of reporting. This often surfaces in debates over how to achieve consistency and comparability of corporate reports.

It is important to provide stakeholders with an ability to understand and compare companies, rather than striving for absolute consistency itself. There is a danger in forcing comparability and oversimplifying the real differences between companies. This is one of the main reasons why accounting standards require disclosure of certain information in addition to the numbers shown in a balance sheet and income statement. This provides information from which conclusions can be drawn, supplementing the accounting conclusions taken from the actual number(s) reported. So instead of only having a single number to measure net profit, it should be supplemented with an explanation that allows comparison based on an understanding of the underlying transactions the company has entered into, the accounting policies used, and the judgements and estimates made in applying those policies.

There are pros and cons to be considered, and at the extremes neither full standardisation nor full flexibility of corporate reporting is likely to work. Overall, however, there is a concern that standardisation generally restricts innovation and leads to reporting that is felt to be an exercise in compliance, versus the sort of critical value-adding feature it could be in communications between a company and its stakeholders. If companies have some degree of freedom and flexibility in how they communicate with stakeholders, then this enhances their ability to convey their own unique information which ultimately also enhances stakeholders' ability to compare one company with another.

There is room for both freedom and standardisation, with a balance to be achieved across different aspects of reporting. Frameworks and principles can provide some overall structure to reporting. They should both allow some freedom and flexibility for an overarching report, and provide some specification and standardisation of information to be provided and how it should be presented. Some believe that using principles to provide a focus on meaningful outcomes could also be helpful in making reporting more adaptable: companies will have the freedom to reflect changes in their reporting immediately, rather than waiting for the more prescriptive aspects of reporting requirements to be changed by regulators and standard setters.

Differences between countries

Coordination across and within countries

There is a need for a process to find better answers for policy making within and across countries in a coordinated fashion. This includes the role of regional and national policy makers in a globally interconnected world.

There may not be a perfect model, but corporate reporting policy needs to be:

- Well-coordinated to avoid duplication or gaps in reporting by companies
- Understandable to stakeholders globally

Better coordination between jurisdictions and regions would enable stakeholders to receive consistent information. It could be useful not only in fostering innovation, but also in producing more similar conditions across countries, thus enabling meaningful information sharing and development of best practice.

It seems that the EU has a role to play in harmonising requirements so that relevant information reaches the market. However, sufficient freedom should be left to companies to decide what additional relevant information over and above these base requirements they need to provide users and stakeholders with.

Consideration of Regulatory Changes

The timing of policy initiatives also needs to be considered. While the EU seized the opportunity for global leadership in adopting IFRS as the accounting standard for listed groups across Europe, today's need for change to the overall corporate reporting model may appear to be less urgent than when a relatively new economic union had the need for a single accounting platform. In response to the financial crisis there has been a renewed focus on the purpose and adequacy of the current reporting model. This has led to a sense of urgency for change, and, therefore, the most viable option for this to be pursued needs to be considered.

In practice it is proposed that European policy makers prioritise enabling and supporting reporting experimentation within the market. ESMA should also coordinate with national regulators to accept such innovative measures.

Duplication of regulatory reporting

Another important consideration is to build effective mechanisms and relationships with an eye on what may be needed longer term, so that challenges which may develop in the future can be dealt with efficiently and without resulting in duplication in reporting. Mechanisms are needed, for example, to ensure ideas can be exchanged on what the future might look like, so that this insight can be fed into policy making for the future.

A principles-based corporate reporting appropriately encourages companies and those that govern them to take suitable judgements and be accountable for them. Following this concept would also encourage innovation in how information is presented.

How to create the dynamics for change

In order to enable innovation in corporate reporting, change may be required from all constituents in regulation, experimentation, market innovation, assurance and coordination.

Regulation

The development of new requirements can be approached in a number of ways, from detailed specification and standardisation, to very principles-based requirements that rely on significant judgement. For example, policy makers could require overall objectives to be met, rather than specifying more directly what companies should do or disclose to meet them. Outcome-based requirements that leave it to companies to determine how the outcome is met through their corporate reporting are the best way forward.

Developing principles-based standards fosters innovation and enables companies to experiment and explore what constitutes best practice.

To foster innovation, there should be room for application of judgment by companies within a principles-based legislative and regulatory environment

Policy makers and standard setters should make room for innovation. Such an approach implies that new policies, regulations and standards should recognise changes in technology and provide sufficient room for companies and market participants to become leaders in technology-supported corporate reporting.

Experimentation and market innovation

Experimentation would result in new innovative ways of corporate reporting and, ultimately, through this process best practice would emerge.

Policy makers should allow for parallel experimental corporate reporting by companies

To enable experimentation, a 'parallel world' of reporting may be needed to allow some companies to forge ahead in testing new methods, while others continue to follow current requirements. This might be acceptable to stakeholders with an interest in companies that already apply a wide range of reporting conventions and that, as a consequence, receive information in a range of different formats. The temporary existence of a further variation in reporting could help road-test ideas so that those ultimately adopted by policy makers would be fit for purpose.

Market-led best practices will emerge to help shape innovation in corporate reporting in the future

Allowing market innovation creates incentives for change as companies need to keep pace with changes in the market.

Independent assurance and enforcement

Auditors and enforcers also need to take their responsibilities and adapt to a less prescriptive reporting framework and allow room for experimentation as they are an important element of the reporting chain. During this process, all parties will need to take steps towards innovation at the same time in order for new best practice to emerge. Changes to the status quo cannot occur only by the efforts of one party in the reporting process.

Coordination of efforts

There is a need for better coordination among the different parties in order to achieve the right balance between policies, regulation and innovation. A proposed mechanism could be a group of key stakeholders, including preparers, users, enforcers, auditors and policy makers, for instance initiated by the accountancy profession that should accommodate a platform for discussion and coordination. Such a group would assist in more effective engagement with policy makers – such as for instance the European Commission, European Parliament, the European Supervisory Authorities and standard setters – on a timely basis.

Let us think about ...

- **policy makers, enforcers and regulators** dismantling barriers to innovation and fostering experimentation in corporate reporting;
- **policy makers, enforcers and regulators** permitting a parallel system of reporting by some companies that are prepared to invest in experimentation and assessing the results of such an approach;
- **international policy makers and other constituents** developing mechanisms for cooperation and collaboration to ensure that the necessary changes occur to the current requirement; and
- putting together a group of **preparers, auditors and users** to engage with the main policy makers and standard setters to enhance communication and cooperation on a timely basis.

Questions

Q4.1. Which obstacles, if any, should policymakers remove to allow for innovation in corporate reporting?

Q4.2. Do liability concerns, arising from non-compliance with reporting requirements, form a barrier to innovation?

Q4.3. Is the current structure of dialogue between policy makers and corporate reporting constituents effective? If not, how should this be improved?

Q4.4. What other mechanisms are needed to ensure requirements can adapt over time to achieve better coordination and consistency between different pieces of legislation?

Q4.5. Do you have any examples of policies that enable innovation from your country? Should these examples be replicated at a European or an international level?

Q4.6. Do you agree with the proposal for a group to assist in identifying the main challenges and the key benefits from new innovative proposals for the corporate reporting of the future?

Q4.7. Are there any other suggestions you have for policymakers as to how they can foster innovation in corporate reporting?

Appendices

Appendix A – Questions

We include below the list of questions in each of the chapters of our paper.

Responses and comments received will be analysed and used by FEE as a basis for decisions on FEE's next steps. Respondents can respond by submitting their comments via **the designated website** http://bit.ly/15futurecorprep.

We invite all constituents – including corporates, politicians, regulators, investors, NGOs, accountants and other stakeholders – to participate in our efforts to identify the dynamics of change and contribute to shaping the future of corporate reporting.

Unless otherwise stated, responses will be regarded as being on the public record. Respondents should indicate specifically when their comments should be treated as confidential. Standard disclosures in responses received by e-mail will be disregarded for this purpose.

The comment period is open until **30 June 2016**.

Questions

Q1.1. Which are the steps in the reporting process that assist in ensuring that the stakeholder's information needs are properly addressed?

Q1.2. Do you identify any impediments to reach to a broader audience for corporate reporting?

Q1.3. When and how should stakeholders get involved in the reporting process?

Q1.4. Do you agree that two-way communication between companies and their stakeholders is needed to focus reporting on stakeholder needs?

Q1.5. How could technology drive and enable changes in the audience of corporate reporting?

Q2.1. Do you agree that financial statements have lost, or are losing, some of its relevance?

Q2.2. If so, which are the key issues resulting in the declining relevance of financial statements?

Q2.3. What are the key steps that should be taken by standard setters and policy makers to foster innovation and enable financial reporting to regain and enhance its relevance?

Q2.4. How could technology assist in innovation for financial reporting?

Q2.5. Which are the key challenges in developing an international set of standards and/or guidance for NFI that can be applied across the board?

Q2.6. Which organisation - if any - should take the lead in developing an internationally accepted principles-based framework for NFI?
Q2.7. What is the appropriate level of authority that those principles should have?
Q2.8. What is the best approach to experimentation in the area of NFI? What challenges would constituents be expected to face?

Q3.1. Do you agree that the proposed CORE & MORE model could be a way forward for corporate reporting in the future? If not, why not?
Q3.2. In which ways could the CORE & MORE help addressing the needs of a wider stakeholders' group?
Q3.3. What is the role of technology in developing a CORE & MORE model?
Q3.4. Do you have any thoughts on whether, when and how corporate reporting should be updated?
Q3.5. How should policy makers and standard setters address the trade-off between standardisation versus innovation?
Q3.6. What are the main challenges and the key benefits of a parallel experimentation in the area of corporate reporting?

Q4.1. Which obstacles, if any, should policymakers remove to allow for innovation in corporate reporting?
Q4.2. Do liability concerns, arising from non-compliance with reporting requirements, form a barrier to innovation?
Q4.3. Is the current structure of dialogue between policy makers and corporate reporting constituents effective? If not, how should this be improved?
Q4.4. What other mechanisms are needed to ensure requirements can adapt over time to achieve better coordination and consistency between different pieces of legislation?
Q4.5. Do you have any examples of policies that enable innovation from your country? Should these examples be replicated at a European or an international level?
Q4.6. Do you agree with the proposal for a group to assist in identifying the main challenges and the key benefits from new innovative proposals for the corporate reporting of the future?
Q4.7. Are there any other suggestions you have for policymakers as to how they can foster innovation in corporate reporting?

Appendix B – Glossary

Accountability	The obligation of an individual or organisation to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner.
Alternative Performance Measures (APM)	Measures, amounts, percentages etc. that consist of information that is not directly defined in financial reporting standards.
Annual Report	An annual publication that public corporations must provide to shareholders to describe their operations and financial condition.
B-20	B-20 summits are summits of business leaders from the G-20 countries.
Environmental, Social and Governance Reporting (ESG reporting)	ESG (environmental, social and governance) is a generic term used in capital markets and by investors to evaluate corporate behaviour and to determine the future financial performance of companies. ESG factors are a subset of non-financial performance indicators which include sustainable, ethical and corporate governance issues such as managing the company's carbon footprint and ensuring there are systems in place to promote accountability.
European Commission	The European Commission is the executive body of the European Union responsible for proposing legislation, implementing decisions, upholding EU treaties and managing the day-to-day business of the EU.
European Financial Reporting Advisory Group (EFRAG)	EFRAG – European Financial Reporting Advisory Group[39] – was established in 2001 with the encouragement of the European Commission to provide input into the development of IFRS issued by the IASB and to provide the European Commission with technical expertise and advice on accounting matters. EFRAG's role as advisor to the European Commission is formalised in a Working Arrangement which states that "EFRAG will provide advice to the European Commission on all issues relating to the application of IFRS in the EU. In close consultation with the European Commission, EFRAG will participate in the early phases of debate on all issues related to the standard setting process". As a result, EFRAG's activities are aimed at ensuring that European views on the development of financial reporting standards are properly and clearly articulated in the international standard setting process, so that ultimately IFRS can be endorsed in Europe

	to the satisfaction of all European stakeholders. Following the implementation of the "Maystadt" reform in 2014, EFRAG's activities include assessments of whether the IFRS proposals/requirements are conducive to the European public good. This includes interaction with economic concerns such as financial stability and growth.
European Securities and Markets Authority (ESMA)	The European Securities and Markets Authority[40] (ESMA) is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection. In particular, ESMA fosters supervisory convergence, both amongst securities regulators and across financial sectors, by working closely with the other European Supervisory Authorities competent in the field of banking (EBA), and insurance and occupational pensions (EIOPA).
European Union (EU)	The European Union is a politico-economic union of 28 member states. The EU operates through a system of supranational institutions and intergovernmental negotiated decisions by the member states. Through this paper 'EU' is used as shorthand for the collective work of the Parliament, Council and Commission.
Financial Reporting	Financial reporting is the process of gathering, compiling and presenting financial information regarding an entity's financial performance, position, and changes in performance and position, over a predetermined period (usually on an annual basis).
Financial Reporting Council (FRC)	The financial reporting enforcement body in the UK. In addition to the role of regulator, the FRC publishes accounting standards, guidance and best practice. As part of the FRC, the FRC LAB is working on thought leadership projects.
General Purpose Financial Statements	General purpose financial statements (often referred to as 'financial statements') are those intended to meet the needs of users who are not in a position to require an entity to prepare statements tailored to their particular information needs *[IAS 1 – paragraph 7]*
Global Reporting Initiative (GRI)	The Global Reporting Initiative[41] (GRI) is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Integrated Reporting <IR>	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 in the short, medium and long term.
International Financial Reporting Standards (IFRSs)	Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise: a. International Financial Reporting Standards b. International Accounting Standards c. IFRIC interpretations d. SIC interpretations *[IAS 1 – paragraph 7]*
International Accounting Standards Board (IASB)	The IASB[42] (International Accounting Standards Board) is the independent standard setting body of the IFRS Foundation.
International Auditing and Assurance Standards Board (IAASB)	The International Auditing and Assurance Standards Board[43] (IAASB) is an independent standard setting body that serves the public interest by setting high quality international standards for auditing, quality control, review, other assurance, and related services, and by facilitating the convergence of international and national standards.
International Integrated Reporting Council <IIRC>	The International Integrated Reporting Council[44] (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Together, this coalition shares the view that communication about value creation should be the next step in the evolution of corporate reporting. The IIRC is the global authority on <IR>. Its mission is clear: to enable Integrated Reporting to be embedded into mainstream business practice in the public and private sectors. Its long term vision is a world in which integrated thinking is embedded within mainstream business practice in the public and private sectors, facilitated by <IR> as the corporate reporting norm. The cycle of integrated thinking and reporting, resulting in efficient and productive capital allocation, will act as forces for financial stability and sustainability.
International Organisation of Securities Commissions (IOSCO)	The International Organisation of Securities Commissions[45] (IOSCO) is the international body that brings together the world's securities regulators and is recognised as the global standard setter for the securities sector.

Key Performance Indicators (KPIs)	A key performance indicator (KPI) is a business metric used to evaluate factors that are crucial to the success of an organisation. KPIs differ per organisation/entity based on its purpose, business model and drivers for value creation.
Non-Financial Information (NFI)	For the purpose of the paper we adopt a working definition for NFI as all information that is not part of financial information. This might include information relating to ESG reporting, Corporate Social Responsibility, other factors and value drivers that cannot be measured in monetary terms (e.g. customer footfall, employee retention, quality standards etc.).
Primary users of financial statements	Primary users are defined in the IFRS Conceptual Framework as existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity (IASB Conceptual Framework: OB2).
Stewardship	Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance, including culture and remuneration. It includes engagement in purposeful dialogue with companies on those matters as well as on issues that are the immediate subject of votes at general meetings.

Appendix C – Abbreviations

<IIRC>	International Integrated Reporting Council
<IR>	Integrated Reporting
APMs	Alternative Performance Measures
CEO	Chief Executive Officer
CESR	Committee of European Securities Regulators
CFA	Chartered Financial Analyst
CRD	Corporate Reporting Dialogue
ED	Exposure Draft
EFRAG	European Financial Reporting Advisory Group
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authorities
EU	European Union
FEE	Federation of European Accountants
UK FRC	Financial Reporting Council (United Kingdom)
GRI	Global Reporting Initiative
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Council
IFRS	International Financial Reporting Standards
IOSCO	International Organisation of Securities Commissions
ISO	International Organization for Standardisation
IT	Information Technology
KPIs	Key Performance Indicators
NFI	Non-Financial Information
NGO	Non-Governmental Organisation
GAAP	Generally Accepted Accounting Policies
OECD	Organisation for Economic Co-operation and Development
PIEs	Public Interest Entities
SASB	Sustainability Accounting Standards Board
SMEs	Small and medium sized entities
SSE	Sustainability Stock Exchange
UN	United Nations
US	The United States of America
XBRL	eXtensible Business Reporting Language

Endnotes

1. Audit Directive 2014/56/EC http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0056, Accounting Directive 2013/34/EU http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32013L0034
2. http://www.fee.be/index.php?option=com_content&view=article&id=1403&Itemid=106&lang=en
3. www.fee.be
4. Paragraph OB2 of the Conceptual Framework for Financial Reporting
5. Paragraph 2a of the IFRS Constitution (http://www.ifrs.org/The-organisation/Governance-and-accountability/Constitution/Documents/IFRS-Foundation-Constitution-January-2013.pdf)
6. Paragraphs 1.7 and 1.8 of the <IR> Framework http://integratedreporting.org/resource/international-ir-framework/
7. http://www.ifrs.org/Current-Projects/IASB-Projects/Disclosure-Initiative/Pages/Disclosure-Initiative.aspx
8. http://www.ifrs.org/Current-Projects/IASB-Projects/Debt-disclosures/Pages/Home.aspx
9. Directive 2014/95/EU (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0095)
10. More information can be found on the FEE fact sheet (http://www.fee.be/images/Factsheet_EU_Directive_NonFinancial_Information_1406.pdf)
11. Regulation 1606/2002/EC http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:243:0001:0004:en:PDF
12. http://ec.europa.eu/finance/accounting/ias-evaluation/index_en.htm
13. Directive 2013/36/EU (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:176:0338:0436:En:PDF)
14. http://www.esma.europa.eu/system/files/2015-esma-1057_final_report_on_guidelines_on_alternative_performance_measures.pdf
15. Directive 2004/109/EC (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:390:0038:0057:EN:PDF)
16. Directive2012/17/EU (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:156:0001:0009:en:PDF)
17. https://www.globalreporting.org/reporting/g4/Pages/default.aspx
18. https://www.globalreporting.org/resourcelibrary/GRI_G4_EU%20Directive_Linkage.pdf
19. https://www.globalreporting.org/information/Pages/Reporting-2025.aspx
20. RobecoSAM is an investment specialist focused exclusively on Sustainability Investing. www.robecosam.com
21. https://www.globalreporting.org/information/news-and-press-center/Pages/New-GRI-and-RobecoSAM-publication-explores-materiality.aspx
22. http://mneguidelines.oecd.org/text/

23. The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD
24. https://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html
25. http://www.sasb.org/
26. http://www.iso.org/iso/home/standards/iso26000.htm
27. http://www.sseinitiative.org/about/
28. http://www.baruch.cuny.edu/library/alumni/online_exhibits/digital/saxe/saxe_1998/elliott_98.htm
29. http://www.cfainstitute.org/ethics/Documents/investor-perspectives-on-disclosures.pdf
30. https://secure.cfauk.org/about/profile-history-annual-reports.html?id=113
31. Further reference to the debate on real-time reporting and shorterism:
http://www.mckinsey.com/Features/Capitalism/Paul_Polman
http://europa.eu/rapid/press-release_MEMO-13-544_en.htm
http://blogs.wsj.com/washwire/2015/07/31/hillary-clinton-joins-al-gore-prince-charles-and-etsy-in-criticizing-quarterly-capitalism/
32. http://www.theiirc.org/companies-and-investors/pilot-programme-business-network/2-2/
33. http://integratedreporting.org/corporate-reporting-dialogue/
34. http://integratedreporting.org/ir-networks/ir-technology-initiative/
35. http://integratedreporting.org/ir-networks/pilot-programme-investor-network/
36. http://www.financialstabilityboard.org/wp-content/uploads/r_121029.pdf?page_moved=1
37. EFRAG reform was completed in October 2014. For more details please refer to EFRAG's website. (http://www.efrag.org/Front/c1-344/Maystadt-Reform.aspx)
http://ec.europa.eu/finance/consultations/2015/capital-markets-union/index_en.htm
http://ec.europa.eu/finance/consultations/2015/capital-markets-union/index_en.htm
38. KPMG http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Press-releases/Documents/unlocking-investment-in-infrastructure.pdf
39. http://www.efrag.org/
40. https://www.esma.europa.eu/page/esma-short
41. https://www.globalreporting.org/information/about-gri/Pages/default.aspx
42. http://www.ifrs.org/About-us/IASB/Pages/Home.aspx
43. http://www.ifac.org/auditing-assurance/about-iaasb
44. http://www.theiirc.org/
45. http://www.iosco.org/about/?subsection=about_iosco

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