

# SHAPING THE FUTURE OF CORPORATE REPORTING

Conclusions of the day

18 September 2017

## INTRODUCTION

Are we priests in empty temples? Corporate reporting needs to keep up with emerging business models and changes in society. Remaining relevant means fundamentally changing the way companies communicate with their stakeholders. Shaping the future of corporate reporting means re-shaping how we understand corporate reports today.

Our 18 September event<sup>1</sup> brought together over 120 participants to debate the future of corporate reporting with key stakeholders and decision makers. We started this discussion with our thought-provoking 2015 Cogito paper<sup>2</sup>. As a next step, we issued 2 publications before the event: on the Core & More reporting concept<sup>3</sup>, and on the enhanced coordination of non-financial information frameworks<sup>4</sup>.

The day brought together speakers who echoed the need for change. Massimo Romano (Generali) said that maintaining the status quo would mean moving backwards, running the risk of being priests in empty temples. Els De Groot (Non-executive company Board Member) added that it is not just about reporting, it is about acting and stewardship.

## CORE & MORE CONCEPT

Mark Vaessen (Accountancy Europe), started the day by launching the Core & More Cogito paper. He explained that Core & More aims to present corporate reporting 'smarter' by organising financial and non-financial information in a more connected, logical, and structured way. Key information likely relevant for a wide range of stakeholders would be captured in the Core report, and supplementary details for a more specific audience would form the More reports.

---

<sup>1</sup> Accountancy Europe, *Shaping the future of corporate reporting*, <https://www.accountancyeurope.eu/events/shaping-future-corporate-reporting/>

<sup>2</sup> Accountancy Europe (previously FEE), (2015), *The Future of Corporate Reporting – creating the dynamics for change*, [https://www.accountancyeurope.eu/wp-content/uploads/FEECogitoPaper\\_-\\_FutureofCorporateReporting.pdf](https://www.accountancyeurope.eu/wp-content/uploads/FEECogitoPaper_-_FutureofCorporateReporting.pdf)

<sup>3</sup> Accountancy Europe, (2017), *Core & More: An opportunity for smarter corporate reporting*, <https://www.accountancyeurope.eu/wp-content/uploads/170918-Publication-Core-More.pdf>

<sup>4</sup> Accountancy Europe, (2017), *Call for action: Enhance the coordination of non-financial information initiatives and frameworks*, <https://www.accountancyeurope.eu/wp-content/uploads/170918-Call-for-action-letter.pdf>

Considering the needs of a wide range of stakeholders in corporate reporting, including an entity's management, was also raised by Patrick de Cambourg (French Accounting Standard Setter). The broader perspective and long-term impact of entities' activities on society likely concern a wider audience.

## **COORDINATION OF NON-FINANCIAL INFORMATION INITIATIVES AND FRAMEWORKS**

Accountancy Europe called for a coordination of the non-financial information initiatives and frameworks. We also suggested a more prominent role for the International Accounting Standards Board (IASB) in ensuring a high level of quality and discipline in non-financial information reporting. Hans Hoogervorst (IASB Chair) confirmed during his keynote speech that the IASB is currently looking at the question of whether it should take on a project to update the IFRS Practice Statement *Management Commentary* to reflect new developments<sup>5</sup>. He continued by stating that the IASB is especially well-placed to make sure there is a good fit and connectivity between the financial reports and the non-financial information.

However, Hans Hoogervorst did not believe that the IASB is properly equipped to enter the field of sustainability reporting directly because ESG reporting to wider stakeholder groups requires expertise that the IASB simply does not have. He added that public authorities would probably be best equipped to pursue harmonisation of non-financial information initiatives and frameworks.

Ian Mackintosh (Corporate Reporting Dialogue) expressed support for the proposed roadmap towards a consolidation resulting in a single global framework for non-financial information reporting. Robyn Leeson (Global Reporting Initiative's (GRI) Global Sustainability Standards Board) noted that GRI already works together with other reporting frameworks to avoid duplication of disclosure effort and ease the reporting burden for companies.

The International Integrated Reporting Council (IIRC) and Accountancy Europe share the long-term goal of evolving from financial reporting to state of the art corporate reporting, in part by embracing the non-financial information agenda. Corporate reporting of the future should be a more holistic and coherent reporting concept. Richard Howitt (IIRC) confirmed that more integration in reporting between financial and non-financial information is in the air. The different initiatives, including Integrated Reporting and Core & More, are in an ongoing 'dialogue' mode as opposed to being in competition, he added.

## **CORPORATE REPORTING LAB AT EU LEVEL**

Phil Fitz-Gerald (UK Financial Reporting Lab) delivered a convincing testimonial about the highly successful Financial Reporting Lab in the UK, which inspired stakeholders to consider a similar initiative on European level. A safe environment, a collaborative approach between primarily preparers and investors, and testing examples to identify best practices contributed undeniably to the Lab's success in the UK.

A Corporate Reporting Lab at EU level would help to foster experimentation and innovation in corporate reporting, and would facilitate sharing best practices between EU countries. Market driven pragmatic solutions would be at the heart of this potential EU reporting initiative as opposed to issuing additional regulations.

## **TECHNOLOGY**

We learned from Sander Klous' session (KPMG) that technology will, significantly change the preparation and presentation of corporate reporting.

The technological evolution in the corporate reporting environment (e.g. online reporting) will also create challenges for the audit profession according to Andreas Barckow (Accounting Standards Committee of Germany). The profession needs to monitor these developments very closely and adapt accordingly to remain relevant in a constantly changing environment.

---

<sup>5</sup> IASB, (2017), *IASB Chairman's speech on 18 September at Accountancy Europe's event: The times, they are a-changin'*, <http://www.ifrs.org/news-and-events/2017/09/iasb-chairmans-speech-the-times-the-are-achangin/>

## CONCLUSIONS

The Core & More concept was much welcomed at the event by speakers and the audience. We call now on companies to start experimenting with it to further develop and improve it, together with other stakeholders like investors. Additionally, governments and enforcers should encourage, or at least accommodate, companies wishing to experiment with new reporting concepts.

The IASB does currently not feel equipped to put the non-financial information reporting on its agenda. But if the IASB does not take this forward, who will? Feedback from the event indicated that stakeholders felt the IASB was perhaps too prudent in its approach towards the corporate reporting agenda.

We concluded from discussions during the event that stakeholders are in favour of the Corporate Reporting Lab idea at EU level. Accountancy Europe strongly supports further shaping this promising idea to foster innovation in the reporting world.

Accountancy Europe plans to further research the impact of technology on corporate reporting in the future, possibly by cooperating with other actors on the reporting scene.