



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **19(b)**
Meeting Date: 4 June 2012
Subject: Integrated Reporting Update
Date Prepared: 14 May 2012

Action Required

For Information Purposes Only

Agenda Item Objectives

Update the AUASB on progress by the International Integrated Reporting Council on the outcomes from the discussion paper *Towards Integrated Reporting – Communicating Value in the 21st Century*, the pilot programme and discussion at the 8 May 2012 Business Leaders Reform Forum (BLRF) meeting held at KPMG in Melbourne.

Background

The AUASB and the FRC lodged their response to the discussion paper on 14 December 2011. From a review of the IIRC website it appears that the IIRC received about 200 responses to the discussion paper from a diverse range of stakeholders. At this time, the IIRC has uploaded all the responses received from stakeholders to the website.

Matters to Consider

The Australian GRI Conference on Sustainability and Integrated Reporting was held in Melbourne in late March 2012. Professor Mervyn King (the Chairman of the IIRC and GRI) who led the adoption of integrated reporting in South Africa attended to explain the Board governance and business rationale for integrated reporting.

At the May 2012 BLRF meeting held in both Sydney on 1 May and Melbourne on 8th May, there was further detailed discussion about the key points raised by the FRC in their submission to the IIRC discussion paper *Towards Integrated Reporting – Communicating Value in the 21st Century*. This discussion in Melbourne was initially led by an overview from John Stanhope (Chair of the

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FRC working group on integrated reporting) and then the questions discussed by the wider group. All comments and outcomes from these discussions will be fed back via the BLRF to the FRC to help inform the FRC working group. Refer attachment at XXX for detailed comments from BLRF meetings.

One of the areas raised by the FRC as needing to be addressed by the IIRC is one of Assurance – what assurance will be required on Integrated Reports and under what framework will the auditor perform the engagement. It was noted by the group that assurance around the integrated report is very much being driven by the director and investor community as they believe there will be reliance on the information provided in the integrated report. Directors are nervous about signing off an integrated report with no assurance given other than on the financial report. National Australia Bank as one of the pilot reporting organisations have their sustainability report and financial report assured and then bring this information together as a hybrid integrated report which combines their shareholder review and corporate responsibility review. Limited assurance on certain metrics within this report is also provided where not previously covered.

At the moment however each pilot is adopting their own approach on what their integrated report should include and what needs to be assured. A core issue for the pilot organisations is one of ‘materiality’, what should be included / disclosed in the integrated report. The materiality being applied by the pilot organisations currently differs from the financial reporting materiality concept.

Auditors require a robust framework against which to conduct an audit or review. Currently the integrated reporting framework is not fully developed and therefore we are seeing inconsistency in what the pilot organisations are producing, including and assuring. These outcomes are being fed back into the development of the integrated reporting framework exposure draft to be completed in 2013.

The IIRC has also launched in March 2012 a pilot programme – Investor Network which comprises over 20 global institutional investors and is Chaired by Colin Melvin, CEO Hermes EOS. Participants from Australia include AMP Capital Investors, Australian Council of Superannuation Investors and Colonial First State Global Asset Management.

The purpose of the investor network is to:

- provide an investor’s perspective on the shortfalls of current corporate reporting;
- provide constructive challenge and feedback on emerging reporting from Pilot Program reporting organisations and the International Integrated Reporting Framework being developed; and
- engage with peers in the investor community on integrated reporting.

Next Steps for the IIRC

1. IIRC to take the responses from the discussion paper and extensive learnings / example reports from the integrated reporting pilot program as developed one year into the pilot program (Sept 2012) and develop an exposure draft for an integrated reporting framework to be released in 2013.

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2. Pilot organisations continue into their 2nd year of the pilot program post September 2012 through to its completion in September 2013. All learnings and outcomes are continually fed back to the IIRC.
3. The BLRF will continue to provide feedback to the IIRC on the Australian pilot program experience.
4. IIRC supported by the BLRF will continue to discuss and consult on the integrated reporting framework exposure draft in 2013.

Material Presented

Agenda Item 19(b)	AUASB Board Meeting Summary Paper
Agenda Item 19(b).1	NAB Approach to CR Reporting
Agenda Item 19(b).2	BLRF responses to FRC Discussion Questions

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