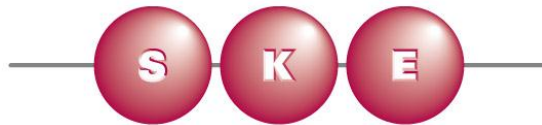


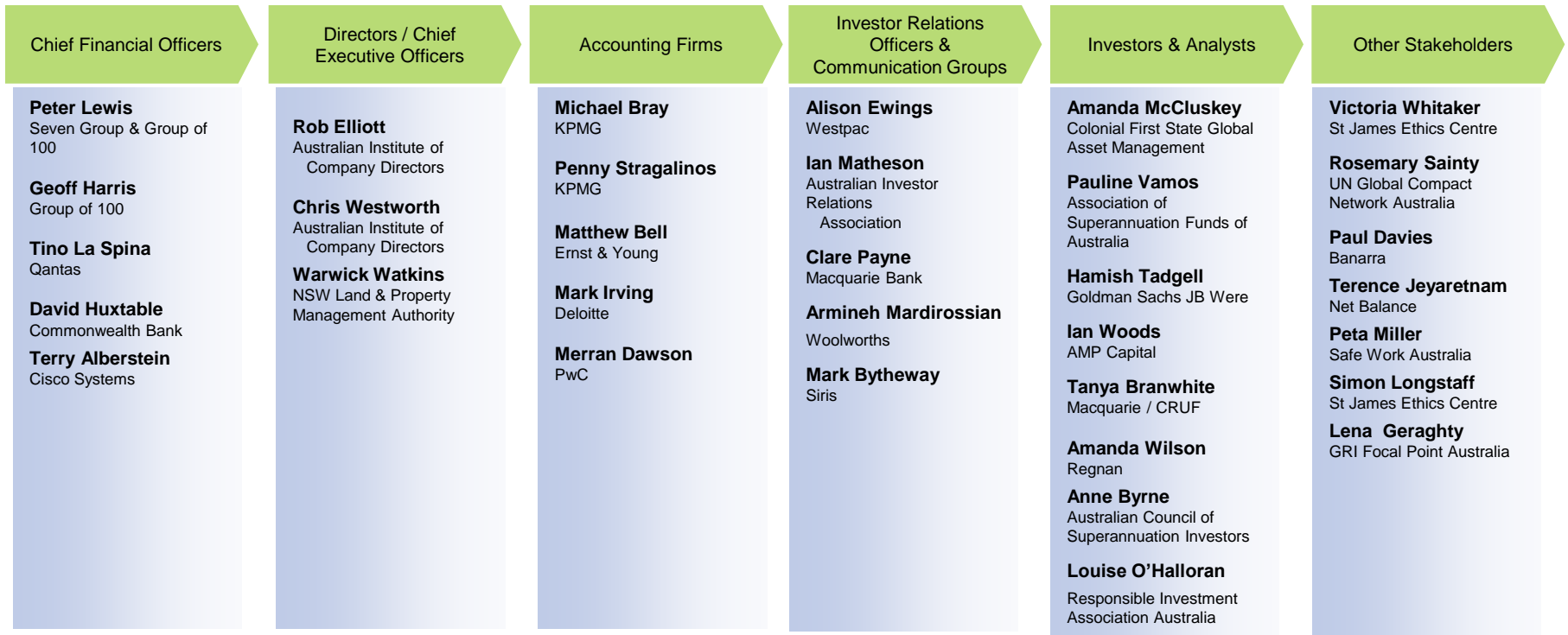
Business Reporting Leaders Forum

February 4, 2011



Society for Knowledge Economics

Today's meeting – a broad cross-section of the reporting supply chain



Academia	Society for Knowledge Economics	Accounting Bodies	Regulators / Exchanges / Standard Setters
<p>Christina Boedker University of New South Wales</p> <p>James Guthrie University of Sydney</p> <p>Anna Young University of Sydney</p>	<p>Christina Boedker SKE</p> <p>Nick Ridehalgh Kiewa Consulting</p> <p>Steve Vamos SKE</p>	<p>Geraldine Magarey ICAA</p> <p>Karen McWilliams ICAA</p> <p>Dennis Pratt CPA Australia</p>	<p>Doug Niven ASIC</p> <p>Geoff Steel Australian Prudential Regulation Authority</p> <p>Malcolm Starr Australian Securities Exchange</p>

BRLF Values

- **Collaborative** and inclusive
 - (all parties welcome)
- **Open** and sharing
 - (our IP is available to all that have interest in it)
- **Connected** here and internationally
 - (strong global and local network)
- Our work has **practical** relevance and application
- **Determined** to deliver on our purpose

Meeting Agenda & Objectives

Objective of Meeting

- a. To gain/confirm stakeholder support to develop and operate the BRLF

Agenda

- a. BRLF purpose, and update on IIRC, WICI and integrated reporting developments
- b. Review output from workgroup on BRLF Objective/ Work plan
- c. Feedback on submission to IIRC on Business Case for IR
- d. Discussion on Next Steps
 - i. Governance Model
 - ii. Chair/Project Lead
 - iii. Upcoming actions
 - iv. Next Meeting
 - v. IIRC April Meeting/Workshop
 - vi. Website for BRLF
 - vii. Funding and resource commitment

***a)* Purpose of the BRLF, and Update on IIRC, WICI and related integrated reporting landscape/developments**



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BRLF Purpose

- Following the last BRLF meeting, sub-group asked to develop the Mission and Vision for the BRLF, building on the IIRC
- Work-group propose the following BRLF Purpose Statement

‘Collaborating with Australian stakeholders and working with global initiatives to promote and drive the development and implementation of a strategy-aligned integrated business reporting framework, thereby reducing complexity and enabling efficient allocation of capital.’

BRLF Objectives

- Engage Australian stakeholder groups in a collaborative approach to improve business and integrated reporting, drawing together work being done today through a variety of disconnected initiatives.
- Collaborate with relevant global forums to minimize any 'reinventing of the wheel', as well as to promote the Australian position.
- Contribute the Australian perspective to integrated reporting proposals, frameworks and other literature presented by the IIRC and other stakeholders
- Influence Australian government/ regulators/ standards setters/ industry bodies to endorse integrated reporting proposals
- Raise stakeholder awareness of integrated reporting and build capacity through ongoing communications and dialogue

IIRC Update

- **Growing importance of the IIRC, but many other initiatives**
- **Overall aim of IIRC agreed in July 2010**

‘To create a globally accepted Integrated Reporting Framework which brings together financial, environmental, social and governance (ESG) information in a clear, concise, consistent and comparable format. The aim is to help with the development of more comprehensive and comprehensible information about organisations, prospective as well as retrospective, to support transition to a more sustainable global economy.’

IIRC Members

- **Sir Michael Peat**, Principal Private Secretary to TRH The Prince of Wales and The Duchess of Cornwall (Chairman)
- **Professor Mervyn King**, Chairman, King Committee on Corporate Governance and Chairman, GRI (Deputy Chairman)
- **Helen Brand**, Chief Executive, ACCA
- **Robert Bunting**, President, IFAC
- **Professor Nelson Carvalho**, Universidade de São Paulo, Brazil and Chairman, 25th Session of UNCTAD's ISAR
- **Paul Clements-Hunt**, Head of Unit, UNEP FI
- **Jane Diplock**, Chairman of the New Zealand Securities Commission and Executive Committee of the IOSCO
- **Robert Eccles**, Professor of Management Practice, Harvard Business School
- **John Elkington**, Founding Partner & Executive Chairman, Volans
- **Tim Flynn**, Chairman, KPMG International
- **Robert H. Herz**, Chairman, FASB
- **Ishaat Hussain**, Chief Financial Officer, Tata
- **Michael Izza**, ICAEW Chief Executive, GAA
- **Georg Kell**, Executive Director, UNGC
- **Professor Angeliem Kemna**, Chief Investment Officer, APG
- **Thomas Kusterer**, EDF Energy Chief Financial Officer, EDF Group
- **Huguette Labelle**, Chair, Transparency International
- **Dennis Nally**, Chairman, PricewaterhouseCoopers International Limited
- **Jeremy Newman**, CEO, BDO International
- **Edward Nusbaum**, CEO, Grant Thornton International
- **David Nussbaum**, WWF-UK Chief Executive, WWF International
- **Roberto Pedote**, Executive Vice President and Finance, Natura
- **Russell Picot**, Group Chief Accounting Officer, HSBC
- **Jim Quigley**, CEO, Deloitte Touche Tohmatsu
- **Atsushi Saito**, President & CEO, Tokyo Stock Exchange Group, Inc
- **Rick Samans**, Managing Director, WEF and Chairman, CDSB
- **Jim Singh**, Chief Financial Officer, Nestle
- **Björn Stigson**, President, WBCSD
- **Charles Tilley**, Chief Executive, CIMA
- **Jim Turley**, Chairman and CEO, Ernst & Young
- **Sir David Tweedie**, Chairman, IASB
- **Doug Webb**, 100 Group of Finance Directors
- **Christy Wood**, Chair, ICGN

There is a small project office (Paul Druckman and about 6 -7 secondees) and a number of volunteer working groups supporting the IIRC

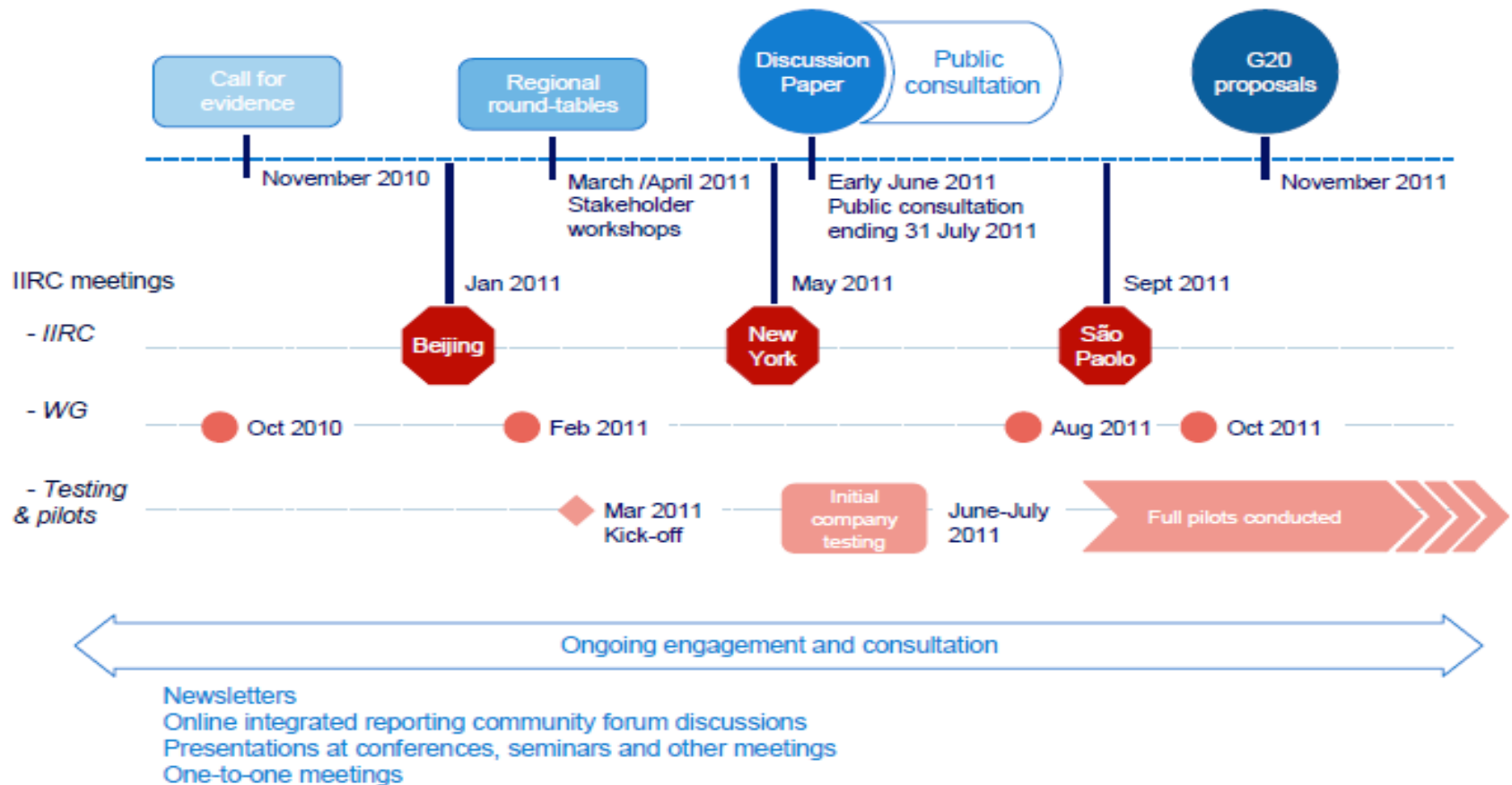
IIRC Update

➤ Objectives of IIRC for 2011

- 1. The preparation of a Discussion Paper due for public consultation in June 2011, setting out:**
 - The case for Integrated Reporting
 - The vision for Integrated Reporting
 - The proposed Integrated Reporting framework
 - Plans for further development
 - The role of the IIRC and other organisations in overseeing the further development and adoption of Integrated Reporting; and
 - Questions for public consultation.
- 2. Development of proposals to be considered at the G20 meeting in November 2011**

IIRC Update

➤ IIRC timeline and milestones for 2011



IIRC Update

- **IIRC established taskforces to address 3 workstreams:**
 - **Content Taskforce** - to develop the IR framework and prepare the IR business case
 - **Governance Taskforce** - to develop proposals for the current and future governance arrangements of the IIRC and IR
 - **Engagement and Communications Taskforce** - to raise awareness of the need for IR and develop a consensus on the response required

IIRC Update

- **The content taskforce is focused on the following:**
 - a) Review of existing standards and guidance of relevance to IR
 - b) Development of an overarching IR framework, including identification of priority areas where action is needed
 - c) Development of the business case for IR and IIRC

- **It is trying to identify the key elements of the IR framework for the G20 DP, and to comment on the first steps as part of the ‘Integrated Reporting Journey’**

IIRC Update

- **a) Review of existing standards and guidance of relevance to IR**
 - **Landscape review – current regulatory landscape** – research highlights fragmentation of current potential elements of IR
 - **Assessment of current practices across the G20** – review of the extent of integration of finance and ESG information in Annual Reports of 87 companies in 8 G20 countries
 - **Form of reporting** – research on formats and technologies
 - **Principles review** – 10 reporting frameworks of relevance reviewed, and principles summarised. Key ‘new’ areas include: ‘strategic perspective’ and ‘drives change and connectivity’. Also additional work on ‘Integrated Materiality Principle’ underway
- **BRLF landscape review paper is the framework for database being built on relevant G20 regulations**

IIRC Update

- **b) The development of an overarching IR framework for the G20 DP will be at a principles level, comprising:**
 - An overarching definition of IR and related concepts
 - An outline of intended users
 - An outline of principles for preparation and presentation of IR, as well as to determine the scope and content
 - An explanation of how to use the framework in conjunction with existing reporting requirements
 - Illustrative examples (but not a fully worked through pro-forma)
- **IR will be undertaken as a journey, not a one-off change.** Stage 1 might focus on strategy, risk or better integration of current reporting. The intension is to build momentum and drive debate and experimentation.

IIRC Update

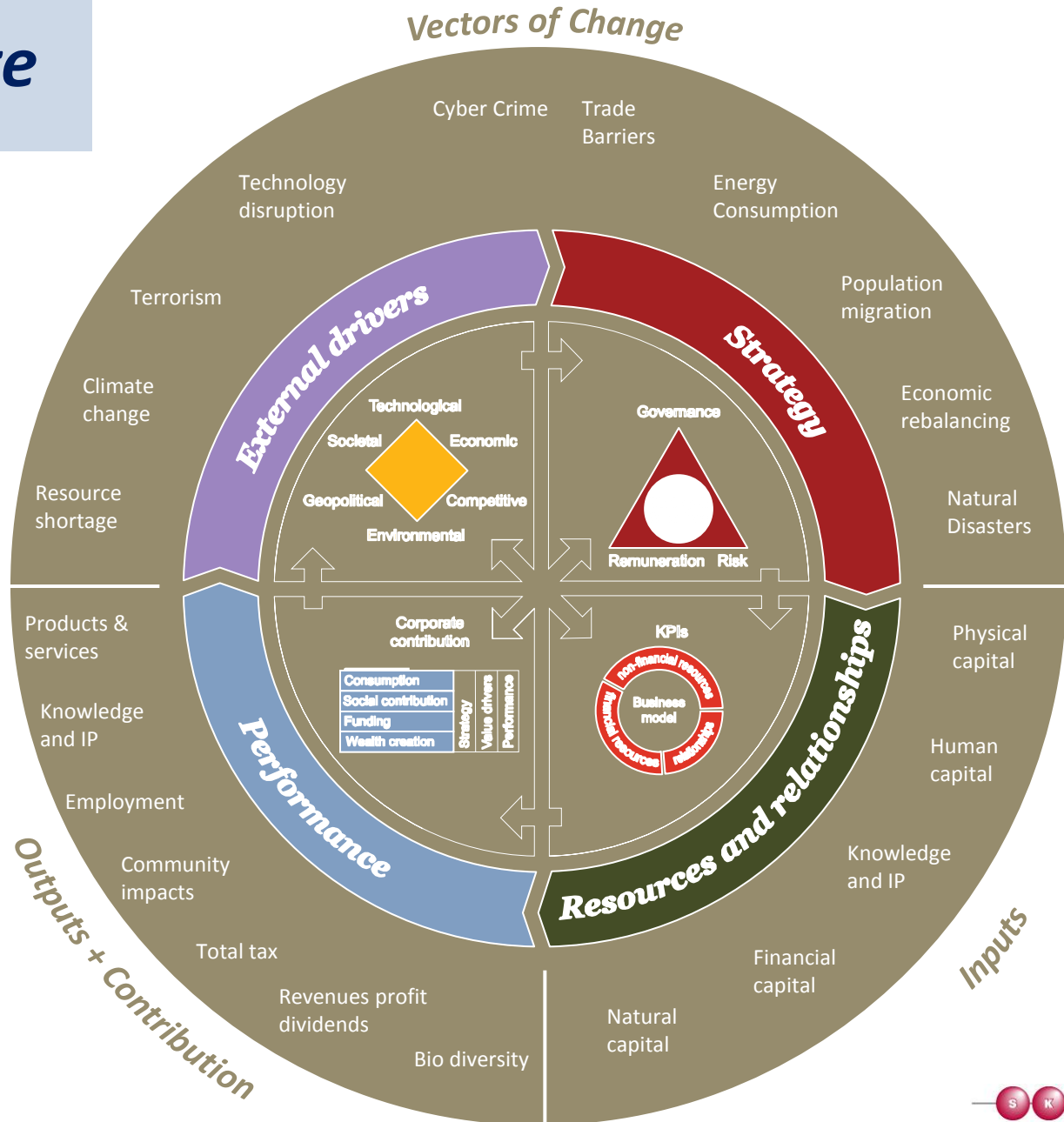
- **Great debate in the development of the IR framework around:**
 - What is the targeted audience?
 - What is the IR framework?
 - Who are the intended users of the IR framework?
 - What should be the scope of the IR framework?
 - What existing model should be used to develop the IR framework?
 - How should the materiality principle be addressed in IR?
 - To what extent should questions around pricing and accounting for externalities be incorporated in the IR framework's current and future development?

IIRC Update

- **Growing consensus** - built around IR being a staged journey for all organisations, with a need for a roadmap for development of IR
- **Common principles** – existing principles retained where applicable for IR; three new areas identified for IR
- **Linkages** – essential to provide guidance on linkages between different elements of reporting. Consensus that Values, Governance, Vision and Strategy cut across all elements
- **Vectors of change** – consensus that the IR framework needs to provide users with improved information on how the organisation understands and responds to material financial and non financial issues.

IIRC Update

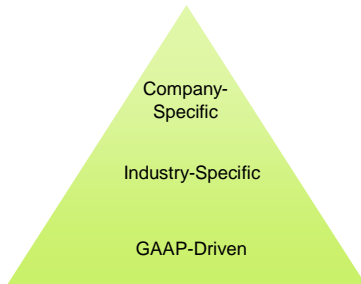
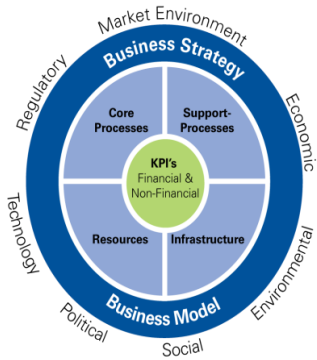
One **2020 Vision** for Integrated Reporting discussed by IIRC Content Work Group



IIRC Update

- **c) Development of the business case for IR that shows it is a reality, and it can be done. The case needs to:**
 - explain clearly and powerfully how the world has changed and yet that reporting has not changed in response
 - show how it can be done, bringing the case for IR alive with examples.
- **Group has identified a number of key elements supporting the business case for IR (i.e. financial stability, better decision making etc.); as well as barriers for adoption**
- **BRLF sub-group submitted a draft business case from the Australian stakeholders perspective**

WICI Intellectual Capital



• Business Reporting Framework

- Market: corporate overview and business landscape
- Strategy: strategic objectives and business model
- Performance: key performance indicators (IIRC 'key risk indicators')
- Performance insights / prospects

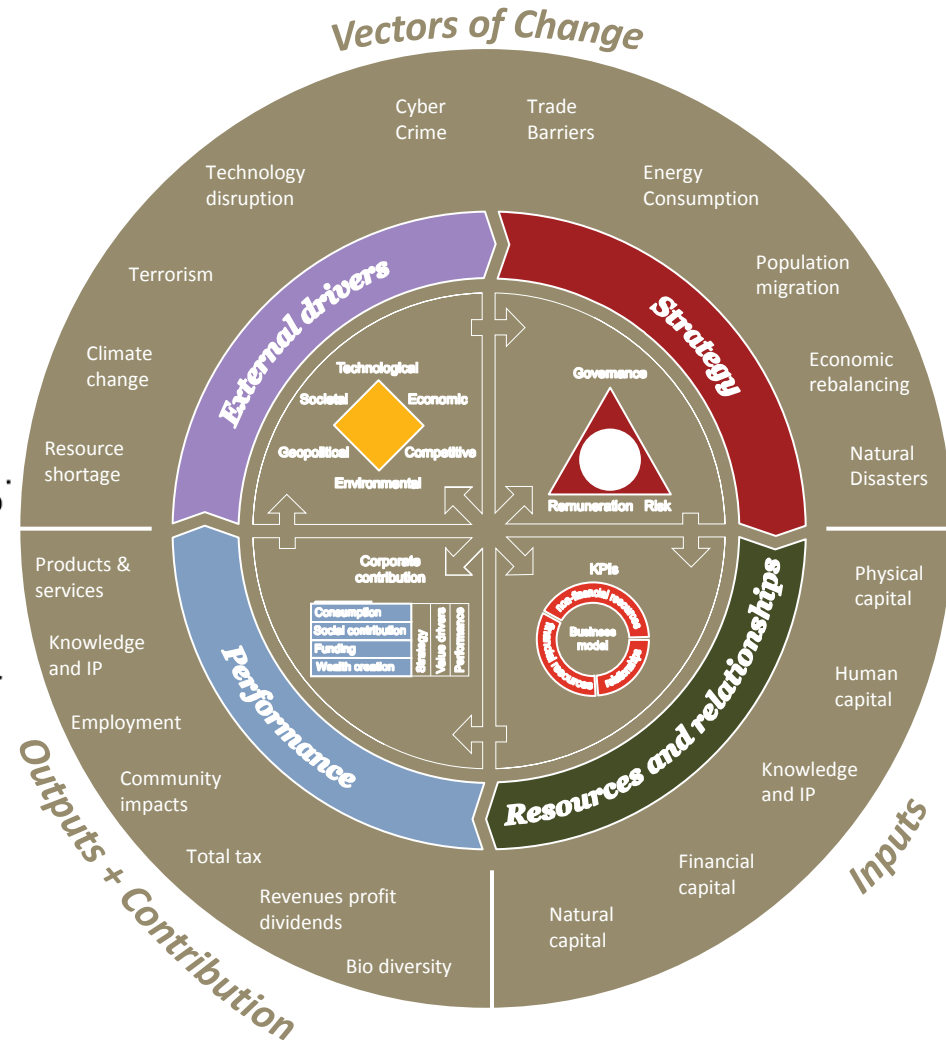
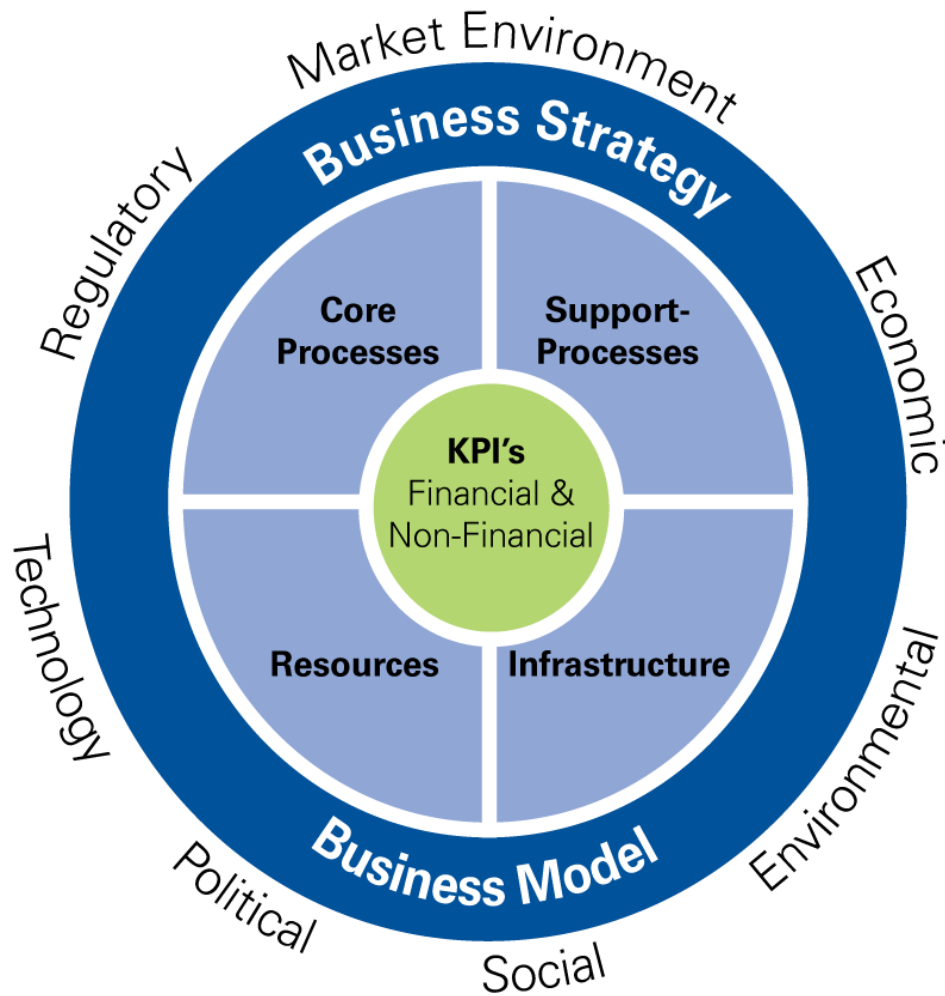
• Tools – KPI Libraries

- WICI is building libraries
- Automotive, Electronic Components & Pharmaceuticals were released last year
- Mining project is under way with strong Australian participation

• Automation

- XBRL
- Web-enabled

WICI and IIRC (draft) IR frameworks very much aligned



WICI now collaborating with IIRC

- IIRC presented at WICI conference in December, together with David Phillips (PwC) on potential integrated reporting framework
- WICI represented on IIRC groups: Nobuyuki Hiratsuka (METI of Japan) is an Observer to IIRC Committee, Bob Laux (Microsoft) is a member of IIRC working group
- WICI providing a Japanese resource to work with IIRC central team
- WICI developed draft 'Concept' and 'KPI' Papers to clarify its position on business reporting, set out the elements required to invoke behavioural change and outline its approach to a new business reporting framework. Organisations need to
 - *Explain the unique value creation mechanism of the organisation*
 - *Describe the organisation's assets (financial and non financial) used to deliver the 'value creation mechanism'*
 - *Detail the company's own perspective on future risks and opportunities*
 - *Explain the organisation's future strategy, including how it will use all its assets to mitigate the risks and realise the opportunities*
 - *3-way KPI classification*
- WICI can contribute IP on key KPIs for specific sectors and related XBRL taxonomies

Other relevant matters

- **RSA Discussion Paper ‘*Framework for Integrated Reporting and the Integrated Report*’**
 - *Released on 25 January 2011 as guidance*
 - *Mandatory IR reporting as from 31 March 2011 in RSA (King III)*
 - *IR objective ‘enable stakeholders to assess the ability of an organisation to create and sustain value over the short, medium and long term’*
 - *‘An integrated report should provide stakeholders with a concise overview of an organisation, integrating and connecting important information about strategy, risks and opportunities and relating them back to social, environmental, economic and financial issues’*
 - *Establishes Reporting Principles; outlines 8 Elements to report*
 - *Recommends Audit Committee evaluates and approves the sustainability disclosures and engages an external auditor (ISAE3000 or AA1000)*

Other relevant matters

- **IASB** issued Non mandatory guidance on management commentary (December 2010)
 - *Refers to integrated reporting, and includes many of key concepts and principles*
 - *Links concepts of resources, relationships and risks*
 - *Explicitly refers to other types of resources (human, IC)*
 - *Is flexible, primarily focused on economic investor & stakeholders*
 - *Developed over 5 years with significant input from practitioners*

Other relevant matters

- **FRC PN 318** enhancements to Company Reporting and Audit through *Effective Company Stewardship: Enhancing Corporate Reporting & Audit*
- **ASIC review for December year ends** – includes review on the quality of Review of Operations & Financial Condition (i.e. management commentary)
- **EC** – Public consultation on disclosure of non-financial information by companies – comments by end of January
- **Other country IR forums**
 - **India** - Multi Stakeholder Dialogue on Responsible Investment in Jan
 - **Italy** - through GRI – held meeting on IIRCS agenda in November 2010
 - **Germany** – aware of a group established through DVFA; first meeting in November

b) Output of Working Group on BRLF Objective and Workplan



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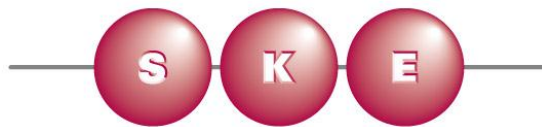
BRLF Objectives

Objectives of the BRLF are to:	Proposed Outcomes/ Actions
1. Engage Australian stakeholder groups in a collaborative approach to improve business and integrated reporting, drawing together work being done today through a variety of disconnected initiatives.	<ol style="list-style-type: none"> 1. Expand invitations to February forum, with 1 on 1 calls to explain BRLF to required additional members 2. Hold A&NZ IIRC roundtable (April)
2. Collaborate with relevant global forums to minimize any 'reinventing of the wheel', as well as to promote the Australian position.	<ol style="list-style-type: none"> 1. Respond to IIRC call for information (Completed in December) 2. Circulate IIRC global communiqués to BRLF members (regular) 3. BRLF members to bring industry groups to the table, seeking to eliminate or aggregate competing Australian initiatives (bring on collaborative journey) 4. Participate in Asia IIRC roundtable (April)
3. Contribute the Australian perspective to integrated reporting proposals, frameworks and other literature presented by the IIRC and other stakeholders	<ol style="list-style-type: none"> 1. Prepare initial Australian BRLF 'IR Business Case for Integration' paper (Completed in December) 2. Detailed BRLF submission on draft Discussion Paper (June) 3. Facilitate involvement of Australian pilot companies (April onwards)
4. Influence Australian government/ regulators/ standards setters/ industry bodies to endorse integrated reporting proposals	<ol style="list-style-type: none"> 1. Identify relevant departments and groups to regularly brief and bring to table 2. Brief departments and groups along journey (or invite as BRLF 'observers') 3. Once DP agreed, brief responsible ministers and advisers pre G20
5. Raise stakeholder awareness of integrated reporting and build capacity through ongoing communications and dialogue	<ol style="list-style-type: none"> 1. Develop and implement a detailed BRLF communications plan

BRLF Workplan for 2011

Action	Deadline
• Update SKE summary of Australian standards and regulations across 5 elements (including rem)	Final to IIRC- Nov
• Develop 'Aust. Stakeholder Business Case for Integration – overview' short thought-piece	Final to IIRC – Dec
• Develop a BRLF communications plan, media launch including set up of the BRLF website	Feb
• Lock in various activities (and calendar for 2011) with IIRC – i.e. regular communiqués; regular East region conference calls; regional roundtable for Australia & New Zealand; ANZ participation in Asian roundtable, specific projects/ activities to be led by Australia; likelihood of Australian pilots	Jan/Feb
• 1 on 1 calls to potential new members/ observers:	Dec/Jan
• Identify relevant Ministers, Civil Servants, Departments responsible for corporation law, reporting etc. Feedback details to sub-group for action	Dec and ongoing
• Identify and hold initial discussions with potential Australian IR pilots – Westpac, BHP, Qantas, AGL	Jan and ongoing
• Plan BRLF forum in February (invite CFO alternates) to confirm BRLF purpose, plan, discuss the BRLF Business Case for Integration and IIRC framework concept, plan Australian response and the ANZ workshop	Dec plan
• February BRLF forum	February
• ANZ (BRLF) workshop with IIRC (including briefing with pilot companies)	Early April
• Support Asian workshop with IIRC	April
• June BRLF forum to discuss IIRC draft discussion paper for G20 (potentially with NBLF in Canberra?)	June
• Preparation of a BRLF response to the IIRC draft discussion paper – for circulation, comment and submission	July - August
• Determination of changes required to efficiently implement the provisions of the IR DP in Australia	July - August
• Briefing of relevant Government departments, ASIC, ASX etc. on draft DP, G20 meeting outcomes, impact for Australian legislation, regulation, standards.	July - November
• Develop project plans to support pilot companies in preparing an IR in accordance with DP framework	August onwards
• Briefing of the Ministers for G20	November
Actions post G20 will depend on outcomes of G20 summit.	

c) Feedback on submission to IIRC on Business Case for IR

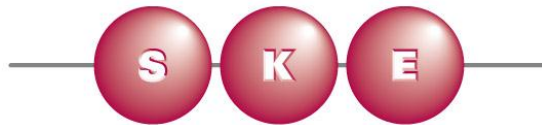


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Business case for Integrated Reporting

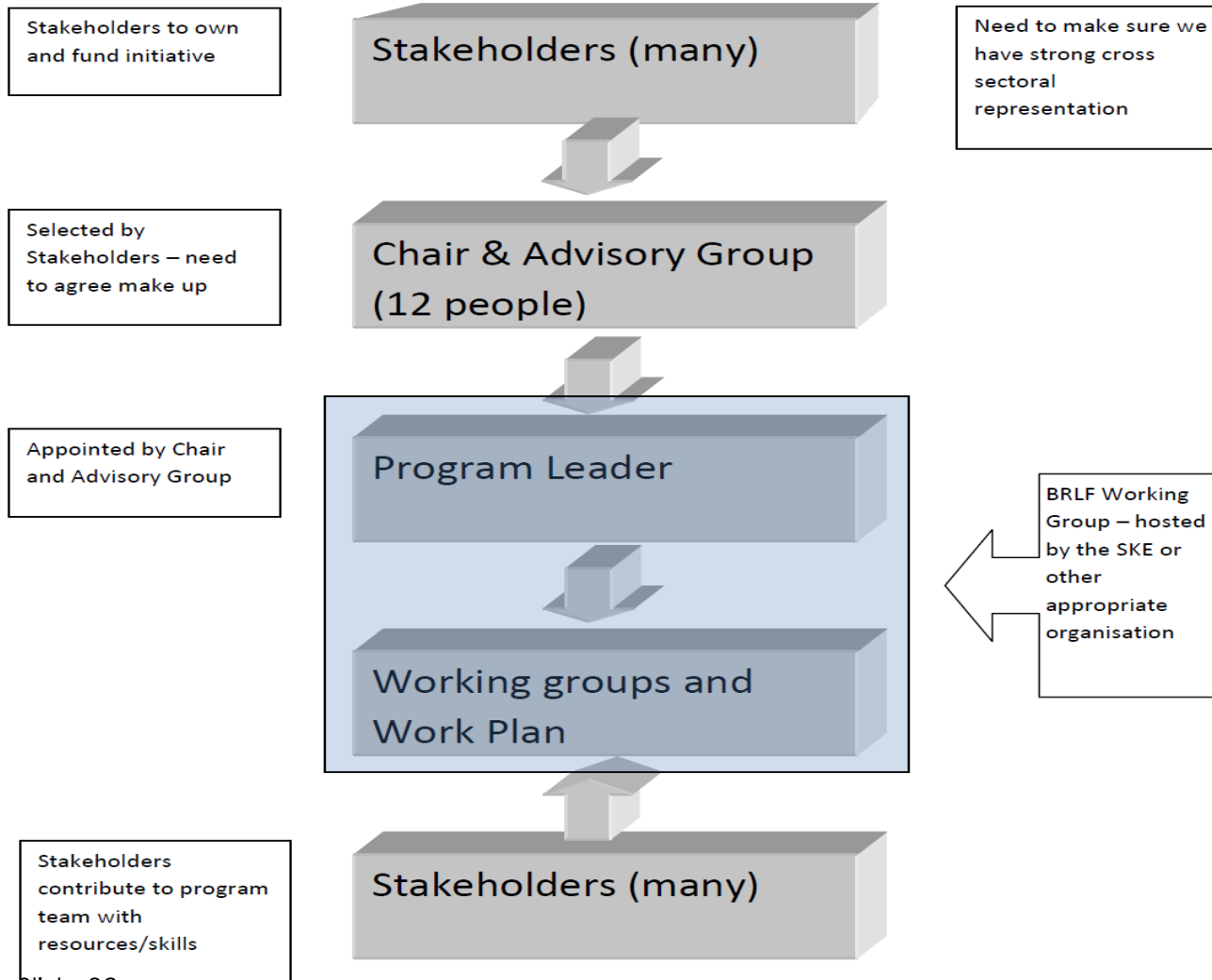
- **Background** – why we produced a draft discussion paper ‘*The Business Case for IR – from an Australian Stakeholder Perspective*’
- **Recap** – on the 2 or 3 key points raised by each subgroup team representing: corporates, investors and other stakeholders
- **Feedback** – discuss other points of view, proposed improvements and amendments
- **Consensus** – confirm approach to finalise and issue the BRLF discussion paper (as part of BRLF media strategy)

d) Next Steps



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i) Confirm Governance Model



ii) Identify potential Chairman and Project Lead

➤ Chairman

- Required characteristics
- Potential candidates
- Time commitment
- Approach and timing

➤ Project lead

- Required characteristics
- Potential candidates
- Time commitment
- Approach and timing

iii) Upcoming actions

- 1) Expand membership for BRLF, as appropriate (ie. Unions and Media)
- 2) Prepare and deliver FY 11 events/ meetings in Australia
 - April IIRC workshop event and 1on 1 meetings (i.e. regulators, pilot companies and investors)
 - 2 further full BRLF meetings
 - Arrange 1 on 1 government briefings pre G20 in October
- 3) Co-ordinate/ participate in IIRC/BRLF/WICI communications
 - Regular calls with IIRC/ WICI working groups (weekly)
 - 3-4 IIRC/ WICI face to face workshops (overseas)
 - Regular Australian newsletters to BRLF members
- 4) Prepare BRLF publications; deliver on media strategy
 - Co-ordinate and draft BRLF response to draft Discussion Paper
 - Provide regular media – keep issue on agenda

iv) Next Meeting/ v) IIRC Workshop

- IIRC holding global roundtables to gain stakeholder group views on IR proposals - proposed April 2011 for Australia
- IIRC also keen to identify key local events to promote IR
- Workshop to cover:
 - Update on IR framework development
 - Discussion on areas of consensus and continued debate – to understand the Australian position
 - Proposed outline of G20 Discussion paper
 - Identification of potential pilot companies (and supporting stakeholder groups)
 - Development of approach to engage and prepare Australian Government and other stakeholder in advance of G20
- Briefing paper will be prepared prior to Workshop

vi) BRLF Website

The BRLF website (www.ske.org.au/BRLF) will include:

- All agendas, presentations, minutes and other documents prepared for BRLF meetings
- All publications prepared by BRLF (for IIRC)
- Regular briefing papers/ updates prepared for BRLF members
- Certain IIRC, WICI and other publications relevant to the BRLF purpose (and/or a link to the relevant website)

Following this meeting and completion of the website, the IIRC/BRLF agenda will be launched in the Australian media

- Need participant approval to reference your involvement

vii) Funding and Resource Commitment

- **Resource Commitment** ~ opportunity to ask for volunteers to form sub-groups to work on specific deliverables (i.e. like response to the Discussion Paper)
- **Funding** ~ establish Funding Committee

Category	Fee (A\$)	Benefits
Corporate Sponsor (ie. listed entity, accounting firms, investment house, ICAA, CPAA)	TBC	<ul style="list-style-type: none"> • New knowledge and competitive advantage in better business reporting, and access to capital • Networking with business leaders; and opportunity to shape the debate on business reporting • Business opportunities through provision of new services and/or cost reduction • Reference on BRLF website, and in all publications
Voluntary member (i.e. Entities with less than 50 staff, G100,)	Voluntary amount	
Not-for-profit/ individual	0	
Observer (i.e. Government department, ASIC)	0	

- **BRLF budget for FY11 ~ \$150,000**

Conclusion

Have we agreed?

- a. Continuation of the BRLF, its purpose, objectives and workplan
- b. Finalisation approach for draft Business Case discussion paper
- c. The BRLF Governance Framework
- d. Approach to identify and appoint a Chair and Project Lead
- e. Establish a Funding Committee
- f. Next steps for 2011
- g. Media Launch