

Business Reporting Leaders Forum in Australia

Landscape Review of legislation, regulation, frameworks and guidance relating to organisational reporting

December 2010

This document provides an overview of the regulations, standards, frameworks and guidance in place in Australia of relevance to integrated reporting (IR) and the implications for the IR framework. The elements covered are identified – governance (G), management commentary (MC), financial reporting (FR), sustainability reporting (SR), and remuneration (R).

It should be noted that Australian accounting standards mirror IASB standards, and their use is mandatory under the Australian Corporations Act.

TABLE 1: Regulations, standards and related guidance

Name of regulation or 'standard'	Regulator, agency or author	Requirement or type	Description, purpose and target audience	Element covered	Implication for the IR framework
Australian Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 (CLERP 9) http://www.asic.gov.au/	Australian Securities and Investments Commission (ASIC)	Mandatory	The CLERP 9 Act amends a number of Acts including <i>Corporations Act 2001</i> , to give effect to reforms aimed at restoring public confidence in corporate Australia. Requires disclosure by publically listed companies in relation to directors' remuneration, financial reporting, auditor independence, continuous disclosure with enhanced penalty provisions.	FR G R	Current financial reporting disclosure requirements for publically listed companies.
Australian Corporations Act - Section 299(1)(f) http://www.austlii.edu.au/au/legis/cth/consol_act/a2001172/s299.html	Australian Securities and Investments Commission (ASIC)	Mandatory	Section 299(1) Corporations Act identifies requirements regarding disclosure of general information about operations and activities in a company's directors' report. In particular, section 299(1)(f) Corporations Act says that where an entity's operations are subject to any 'particular and significant' environmental regulation under a law of the Commonwealth or of a state or territory, the entity must give details of the entity's performance in relation to that environmental regulation(s).	SR	Current disclosure requirements for entities' breaching environmental regulations.

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Australian Corporations Act – Section 299A http://www.austlii.edu.au/au/legis/cth/consol_act/ca2001172/s299.html	Australian Securities and Investments Commission (ASIC)	Mandatory	Listed companies should also be aware of section 299A Corporations Act, which requires disclosure of information shareholders would reasonably require to make an informed assessment of the operations of the entity, the entity's financial position and the entity's business strategies and its prospects for future financial years. Relevant information could include a company's exposure to risk and its approach to managing those risks, including climate change risks.	FR SR	Current disclosure requirements for publically listed companies.
Inquiry in relation to directors' duties and Corporate Social Responsibility http://www.asx.com.au/resources/newsletters/listed_at_asx/20070221_camac_report_the_social_responsibility_of_corporati.htm	Companies and Markets Advisory Committee (CAMAC)	Inquiry	CAMAC concluded (June 2006) by recognising the importance of disclosure as a way of encouraging responsible conduct, but considered the form and content of this kind of reporting is still in a state of evolution. It expressed its view that Section 299A of the Corporations Act, which provides a general framework for reporting on relevant environmental and social issues, should be extended beyond listed public corporations to all listed entities. It does not see a need to extend the Corporations Act to go further than this in requiring companies to report on the social and environmental aspects of their business.	SR G	Insights into the view from Corporate Australia in 2006 and how this view may have shifted over time which should inform the development of an IR framework. .

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Principles of Good Corporate Governance (Second edition August 2007) http://www.asx.com.au/about/corporate_governance_principles_recommendations.htm	Australian Stock Exchange (ASX)	Mandatory (but not enforced)	In accordance with ASX Listing Rule 4.10.3, listed entities are required to make disclosure in their annual reports of the extent to which they do or do not follow the Guidelines. Specifically, Principle 7 requires disclosure of material business risks - these risks may include but are not limited to: operational, environmental, sustainability, compliance, strategic, ethical conduct, reputation or brand, technological, product or service quality, human capital, financial reporting and market-related.	G MC FR SR	ASX listing requirements that should inform the development of an IR framework.
Principles of Good Corporate Governance (Amendments 30 June 2010) http://www.asx.com.au/about/corporate_governance/index.htm	Australian Stock Exchange (ASX)	Mandatory (but not enforced)	On 30 June 2010, the ASX Corporate Governance Council released amendments to the 2nd edition of the Corporate Governance Principles and Recommendations in relation to diversity, remuneration, trading policies and briefings. The Corporate Governance Principles and Recommendations with 2010 Amendments (2nd edition, ASX Corporate Governance Council) will apply to listed entities from 1 January 2011. A marked-up version of the 2nd edition of the Corporate Governance Principles and Recommendations with 2010 Amendments is available.	G MC FR SR R	ASX listing requirements that should inform the development of an IR framework.

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<p>Guide to Review of Operations and Financial Condition</p> <p>www.group100.com.au/./g100_Review_Operations2003.pdf</p>	<p>Group of 100 (G100)</p>	<p>Guidance</p>	<p>As part of the CLERP 9 reform package, the Commonwealth Government introduced a requirement that listed companies include a review of operations and financial condition, commonly known as Management Discussion and Analysis (MD&A), in the Directors' Report section of their annual reports. The Explanatory Memorandum to the CLERP 9 Bill directs companies to a publication produced by the Group of 100's (G100) publication, <i>The Guide to Review of Operations and Financial Condition</i>, the most recent edition of which was issued in April 2003. While it was initially designed in light of the requirement in s299 of the <i>Corporations Act</i>, the Guide has also been adopted by the ASX to provide guidance to those companies that are required by Listing Rule 4.10.17 to provide a Review of Operations and Activities.</p>	<p>MC</p>	<p>Guidance for disclosure requirements for publically listed companies.</p>

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Executive Remuneration in Australia Inquiry report http://www.pc.gov.au/projects/inquiry/executive-remuneration/report	<ul style="list-style-type: none"> • Productivity Commission • CAMAC 	Commissioned report	<p>The Australian Government released the Productivity Commission's final report on Executive Remuneration in Australia, noting that it will consider the Commission's recommendations before responding in 2011. The Commission's final recommendations constitute an integrated package of reforms that would strengthen board decision-making on executive remuneration, by reducing board 'clubbiness', removing potential for conflicts of interest and enhancing accountability for pay outcomes. Shareholders would get better information and would have more 'say on pay'. 'The Productivity Commission's reform package would reduce the likelihood in future of executive remuneration outcomes that shareholders find objectionable,' said Gary Banks, 'The Commission's proposed reforms would also promote greater community trust in how public companies handle pay issues.'</p> <p>The review of executive remuneration has been referred to CAMAC for further consideration by the Government.</p>	R G	Insights into the state of executive remuneration in Australia and reform process which should be considered in the development of an IR framework. .

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National Greenhouse Energy Reporting Act http://www.climatechange.gov.au/reporting	Australian Government Department of Climate Change and Energy Efficiency	Mandatory (for some companies)	The National Greenhouse Energy Reporting Act requires certain companies meeting certain thresholds to report on their greenhouse gas emissions, energy production and energy consumption. Reporting obligations commenced for some companies in the 2008/2009 financial year.	SR	Current greenhouse gas reporting requirements for large emitters and may provide some guidance to the development of an IR framework.
Energy Efficiency Opportunities Act http://www.ret.gov.au/energy/efficiency/eeo/pages/default.aspx	Australian Government Department of Resources, Energy and Tourism	Mandatory	The Australian Government's Energy Efficiency Opportunities program encourages large energy-using businesses to improve their energy efficiency. It does this by requiring businesses to identify, evaluate and report publicly on cost effective energy savings opportunities.	SR	Current energy efficiency reporting requirements for large energy users and may provide some guidance to the development of an IR framework.
Australian Financial Services Reform Act - Section 1013DA disclosure guidelines http://www.asic.gov.au/	Australian Securities and Investments Commission (ASIC)	Mandatory	ASIC guidelines to (financial) product issuers for disclosure about labour standards or environmental, social and ethical considerations in Product Disclosure Statements (PDS).	FR SR	Financial services product providers should be considered in an IR framework.

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TABLE 2: Other guidance (for consideration by IIRC)

Name of guidance	Author	Type	Description, purpose and target audience	Element covered	Implication for the IR framework
<p>Inquiry into Corporate Responsibility Corporate responsibility: Managing risk and creating value</p> <p>http://www.aph.gov.au/senate/committee/corporations_cte/completed_inquiries/2004-07/corporate_responsibility/index.htm</p>	<p>Parliamentary Joint Committee on Corporations and Financial Services (PJCCFS)</p>	<p>Inquiry</p>	<p>In its June 2006 report, the PJCCFS concluded sustainability reporting should remain voluntary. There were concerns that mandating reporting would promote 'form over substance' whilst the committee believed it would be more beneficial for 'companies to be encouraged strongly to engage voluntarily in sustainability reporting rather than being forced to do so'.</p>	<p>SR</p>	<p>Insights into the view from Corporate Australia in 2006 and how this view may have shifted over time which should inform the development of an IR framework.</p>
<p>Broad Based Business Reporting - supplementary paper (published August 2009)</p> <p>https://www.charteredaccountants.com.au/Industry-Topics/Reporting/Resources-and-toolkits/Leadership-papers</p>	<p>Institute of Chartered Accountants in Australia (ICAA)</p>	<p>Voluntary guidance</p>	<p>Current economic conditions have meant that broader based reporting principles are imperative to a business's long-term growth. This is the key theme in the follow-up paper to the successful 2008 leadership paper Broad Based Business Reporting – the complete reporting tool. This supplementary paper examines the development of potential key sector broad based business indicators, and provides a considered summary for the Resources, Financial Services and Services sectors.</p>	<p>SR MC G</p>	<p>Insights from Australian Accounting, ESG Research and Investor Relations professionals on what indicators should be included by certain major sectors.</p>

Name of guidance	Author	Type	Description, purpose and target audience	Element covered	Implication for the IR framework
Broad Based Business Reporting (published November 2008) https://www.charteredaccountants.com.au/Industry-Topics/Reporting/Resources-and-toolkits/Leadership-papers	Institute of Chartered Accountants in Australia (ICAA)	Voluntary guidance	The Institute recognises the need for the accounting profession to lead in thinking and advocating evolving forms of reporting, as well as the value of these reports to business, investors and the public in general. This paper is aimed to stimulate interest and discussion with business to achieve more consistent reporting of KPIs for industry sectors.	SR MC G	Insights from Australian Accounting, ESG Research and Investor Relations professionals on what indicators should be included by certain major sectors.
Group of 100 http://www.group100.com.au/home.htm	Group of 100 (G100)	Guidance	The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. The G100 has published a number of guides for members on reporting to shareholders generally and on sustainability issues.	FR SR MC R G	
Good Business Register http://www.goodbusinessregister.com.au/	St James Ethics Centre funded by the Federal Government (Treasury).	Voluntary	The Good Business Register is a simple, free, online tool that helps a small to medium sized business create a sustainability report to be used in the tender processes and ensures that the business can communicate their unique aspects to a range of stakeholders.	SR FR MC G	Framework for SME's to integrate and report sustainability as part of their overall business strategy that should be considered in an IR framework.

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Integrated Sustainability Analysis - Triple Bottom Line Reporting / Sustainability Reporting http://www.isa.org.usyd.edu.au/	The University of Sydney	Voluntary	In collaboration with the NSW Environmental Trust and CSIRO Resource Futures , the ISA™ team at the University of Sydney has developed a quantitative, consistent and comprehensive Triple Bottom Line (TBL) Reporting framework.	SR	Software that 'integrates' the reporting of financial and non financial information. .
United Nations Global Compact Network Australia http://thehub.ethics.org.au/ungc/	Global Compact Network Australia	Voluntary	The UN Global Compact is the world's largest voluntary corporate citizenship initiative; and a commitment to an underlying universal set of principles (international declarations and conventions) to guide responsible business practice and connect with a global community. Companies sign on and commit to an annual "Communication on Progress" (CoP). Basic level (SMEs and newcomers) - a basic COP template; at intermediate level GRI is recommended, at advanced level - Global Compact's Blueprint for Corporate Sustainability Leadership. Australian Network launched in Parliament House Canberra by Minister Nick Sherry and Executive Director for the UN Global Compact Mr Georg Kell Canberra in May 2009.	SR MC G	Part of the UNGC. Linkages to UN and related agencies and G20

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Global Reporting Initiative Focal Point Australia http://thehub.ethics.org.au/gri/gri_focal_point_australia	Global Reporting Initiative and St James Ethics Centre	Voluntary	On 17 October 2008, GRI and St James Ethics Centre signed an agreement to establish a base for GRI in Australia. The Focal Point is funded by the Federal Government's Treasury, CPA Australia and the Global Reporting Initiative. GRI Focal Point Australia works to bring Australian organisations more actively into the broader international dialogue on ESG disclosure and sustainability and seeks to improve the uptake, usefulness and quality of reporting.	SR	Part of the GRI network.
Corporate Responsibility Index Australia http://www.corporate-responsibility.com.au/	St James Ethics Centre	Voluntary	The Corporate Responsibility Index was developed to help improve corporate responsibility by providing a systematic process that assists companies to identify their non-financial risk, as well as develop and improve corporate responsibility in line with their business strategy. It provides a benchmark for companies which are committed to managing, measuring and reporting their impact on society and the environment.	SR G	Framework on the 'process' to integrate sustainability into overall business strategy that should be considered in an IR framework.
Non-financial reporting www.ey.com/.../Non-financial_reporting/.../Climate%20change_Non%20financial%20reporting.pdf	Ernst & Young Australia	Guidance	Over recent years, the level of interest from stakeholders in corporate environmental, social and ethical performance has risen significantly. This summary of non-financial reporting, often referred to as sustainability reporting, helps enable businesses to be transparent in communicating non-financial aspects of their management and performance.	SR	Guidance that could be considered as part of the development of an IR framework.

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Shareholder Friendly Report http://www.companydirectors.com.au/Publications/E-Books/Shareholder+Friendly+Report	Australian Institute of Company Directors (AICD)	Guidance	With the increasing complexity of reporting requirements, information provided to shareholders on company performance is becoming less meaningful without expert "translation". Offering a comprehensible alternative, the Shareholder Friendly Report is an illustrative guide to reporting that companies can offer to retail shareholders. The performance of a fictitious company, AICD Holdings Limited Group (the Group), is presented in this example report which was prepared by AICD with PricewaterhouseCoopers.	FR	Guidance for retail investors on company reporting that could be considered as part of the development of an IR framework.
Best Practice Environmental Social and Governance (ESG) Reporting http://www.pwc.com.au/assurance/financial/publications/esg-reporting.htm	PricewaterhouseCoopers (PwC) Australia	Guidance	This report builds on the Report Leadership publication 'Tomorrow's Reporting Today' and proposes that additional financial and narrative information about Generico's delivery of its environmental, social and governance strategies - both now and in the future - be included in the annual report. The report demonstrates a practical approach to quantification and valuation of Generico's sustainability strategy and practices.	SR G	Guidance that could be considered as part of the development of an IR framework.

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<p>The Journey to Better Business Reporting Series</p> <p>http://www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/Better-Business-Reporting/Pages/The-Journey-to-Better-Business-Reporting.aspx</p>	<p>KPMG Australia</p>	<p>Guidance</p>	<p>The Journey to Better Business Reporting explores the actions some organisations are taking now to address the limitations of traditional financial reporting and also provides a roadmap for the journey to improved communication with the capital markets. It includes information about the experiences of businesses including Microsoft, Novo Nordisk, United Technologies and BHP Billiton. The issues discussed in this paper are likely to be of particular interest to chief executive officers, chief financial officers, chairmen and other board members, as they all face the challenge of effectively communicating with the markets in order to obtain capital at a reasonable cost and enhance their organisations' reputations.</p>	<p>FR</p>	<p>Guidance that could be considered as part of the development of an IR framework.</p>
<p>Better Business Reporting: Enhancing Financial Reporting</p> <p>http://www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/Better-Business-Reporting/Pages/Better-Business-Reporting-Enhancing-Financial-Reporting.aspx</p>	<p>KPMG Australia</p>	<p>Guidance</p>	<p>This paper explores the immediate steps an organisation can take to enhance its financial reporting and improve communication with the capital markets. It outlines practical examples from ASX top 20 companies to illustrate how to communicate more clearly and better inform investors about important strategic information and business drivers. The issues discussed in the paper should be of particular interest to CFOs and Audit Committee Directors, who all face the challenge of effectively communicating with the markets in order to obtain capital at a reasonable cost and enhance their corporate reputations.</p>	<p>FR MC</p>	<p>Guidance that could be considered as part of the development of an IR framework.</p>

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Australian Guiding Principles on Extended Performance Management www.ske.org.au/download/Australian-Guiding-Principles.pdf	Society for Knowledge Economics (SKE)	Voluntary guidance	SKE proposes a framework and series of management steps to guide organisations interested in preparing an extended performance account. Extended performance management frameworks are used to manage knowledge intensive organisational resources in a balanced and strategic manner.	SR MC	Guidance on intellectual capital reporting that should be considered in an IR framework.
Australian SAM Sustainability Index (AuSSI) http://www.aussi.net.au/	Sustainable Asset Management (SAM)	Voluntary	Launched in February 2005, the Australian SAM Sustainability Index (AuSSI) tracks the performance of Australian companies that lead their industry in terms of corporate sustainability. Based on a thorough assessment of economic, environmental and social criteria, the AuSSI comprises the top sustainability-driven companies from each of 21 industry clusters covering the entire Australian economy.	SR	Part of Dow Jones Sustainability Index 'family' that would likely benefit from the development of an IR framework.
Corporate Sustainability — an Investor Perspective The Mays Report www.environment.gov.au/sustainability/.../mays-report/pubs/mays-report.pdf	Australian Government Department of Environment and Heritage	Voluntary guidance	In 2003 the Department of the Environment and Heritage commissioned the research for the report, with the intent of contributing to discussion within the financial services sector on the value of including sustainability issues within mainstream investment evaluation processes. The Department has been working with business to raise awareness and improve understanding of sustainability issues, and sees the financial services sector as playing a pivotal role in deepening this understanding.	SR MC	Framework that should be considered in an IR framework.

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Reporting on Non-Statutory Financial Information – Underlying Profits	Australian Institute of Company Directors	Voluntary guidance	This publication is intended to encourage companies to provide, in a responsible and consistent manner, additional non-statutory information about underlying profit and to present this additional information in communications to the investment community in a table that shows and explains adjustments made to the statutory profit.	FR	Part of burning platform for integrated reporting / business reporting
Underlying Profits Survey	KPMG	Voluntary guidance	In 2009 84 percent of companies in the ASX 100 presented a non-statutory measure of performance (sometimes known as ‘underlying profit’) that was different to that calculated under accounting standards (or ‘statutory profit’). This analysis revealed that directors believe statutory profit do not provide all, and certainly not the best, information for investors to understand the operating performance of the company.	FR	Part of burning platform for integrated reporting / business reporting
New Directions in Business Performance Reporting, Communications and Assurance	Institute of Chartered Accountants in Australia	Voluntary guidance	The Institute of Chartered Accountants in Australia is committed to generating broad debate about future directions in corporate reporting and disclosure. To facilitate the debate on this complex issue, the ICAA undertook a series of consultations with senior business and professional leaders. Solutions are more likely to emerge from a principles-based approach than a black letter approach and from market demands and evolving best practice rather than the standard-setting model alone. It is time for substance to be clearly reasserted over form. Australia must remain synchronised with global developments to ensure we do not head down a path that is inconsistent with where others are heading and so put our companies at a competitive disadvantage.	BR	An early paper building the case for and nature of business reporting

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Standard Business Reporting	Australian Government	Voluntary guidance	eXtensible Business Reporting Language (XBRL) is changing the basis of business reporting around the world and there is increasing momentum for its adoption in all major developed countries. In Australia, Standard Business Reporting (SBR), which uses XBRL as the underlying, harmonized reporting language, will be available from 1 July 2010. Audit and assurance practitioners need to be aware of the implementation of SBR and XBRL and how it may impact their work.	BR / Automate Reporting	SBR / XBRL offers the technology to automate business / integrated reporting today. WICI has already developed a taxonomy for its business reporting framework and the SEC has already mandated the use of the MD&A taxonomy in the USA.

Name of guidance	Author	Type	Description, purpose and target audience	Element covered	Implication for the IR framework
Less is More	Group of 100	Voluntary guidance	<p>The G100 has prepared this document in response to an invitation from Sir David Tweedie to develop a principles-based approach to determining disclosures. The principles based approach that is currently being used in standard setting is contradicted by the rules-based approach to disclosure requirements. Disclosure requirements in individual standards do not allow the requisite degree of flexibility to consider an entity's operations as a whole or the prevailing market conditions at any given point in time.</p> <p>As a result of perceived deficiencies with the current disclosure regime, many companies are preparing more focused and user friendly information for investors in addition to their financial report. The G100 believes the time is appropriate to consider a principles-based framework for assessing current disclosures and developing new disclosure requirements.</p>		Cutting through complexity is an important aim of the IR framework