



To:	AASB Members	Date:	27 June 2011
From:	Kevin Stevenson	Agenda Item:	8.1
Subject:	Integrated Reporting	File:	

Actions

Consider the attached request from John Stanhope, Chairman of the FRC's task force on integrated reporting.

Identify, in broad terms, AASB responses to the questions raised.

Attachments

- 8.2 Letter from John Stanhope, Chairman, FRC Integrated Reporting Taskforce dated 23 June 2011
- 8.3 Article *Integrated reporting: if not now, when?* Michael P Krzus

Background and Introduction

The FRC has developed its strategic plan and formed task forces to consider (a) complexity in reporting (b) public sector reporting (c) integrated reporting (d) education of preparers, and (e) audit quality. I am a member of (a), (b) and (c).

John Stanhope's letter is seeking inputs from various stakeholder groups and from the Boards on the topic of integrated reporting (sometimes called sustainability reporting). The FRC is seeking to be able to advise the government should it request a view on integrated reporting. Changes to the AASB's remit are not being considered.

By way of background, I refer you to the GRI's Sustainability Reporting Guidelines (version 3.1) and their plans for G4, the next version of the guidelines, at: <http://www.globalreporting.org/CurrentPriorities/G4Developments/WhatIsG4.htm>

My review of those guidelines indicates that they envisage a report that focuses an entity's economic, environmental and social performance. It does not seem to encroach on financial reporting per se, but does leverage a number of standards (eg the definition of segments), terms (some of the qualitative characteristics, albeit with broader interpretation) and conceptual matters (they have a type of Conceptual Framework) from financial reporting.

My personal view is that we need to be quite knowledgeable about directions in this form of reporting because of the scope for overlap (eg in performance reporting), confusion in the market

place and because, as we know from the Conceptual Framework, the definition of financial reporting is not rigid and could shift to embrace aspects of such a development in time. In the short-run, however, I believe we should be focusing on the borderline between financial reporting and integrated reporting. Some see a far more fundamental integration of integrated reporting and financial reporting than do I. The attached article (agenda paper 8.3) is an example of this other view.

In Australia we have had contact from the Business Reporting Leaders Forum (BRLF) who are actively involved in the consideration of the forthcoming discussion paper of the IIRC (International Integrated Reporting Committee, which brings together the Prince Charles Accounting for Sustainability project, GRI and others). The background of the IIRC can be found at: <http://www.theiirc.org>.

We have had approaches from the BRLF and KPMG to try to enlist as a stakeholder in Australian discussions. I have indicated we are quite interested in the developments but that, at this stage at least, I did not believe it was appropriate to allow a formal relationship. I was concerned about the possibility of being compromised as to independence. We do receive the BRLF emails to stakeholders.

Suggested Responses to Questions (for Board Comment)

- (a) Bodies/associations dealt with
 - (i) The AASB has no formal relationships with bodies or associations involved in integrated reporting, but
- (b) Actions taken:
 - (i) AASB staff monitor the IASB's liaison with the IIRC, and IIRC/GRI/BRLF developments.
 - (ii) We have received deputations from people connected with the BRLF and receive emails addressed to their stakeholders. However, we have refrained from a formal relationship for independence reasons
 - (iii) We have reviewed the GRI guidelines (version 3.1) and their plans for version 4.
- (c) Positions of Principle:
 - (i) The AASB retains an open mind on the merits of integrated reporting. Our principle area of focus at this stage is on the demarcation between financial reporting and other aspects of integrated reporting.
 - (ii) The AASB sees a risk that integrated reporting could lead to a confusion as to the role of financial reporting.

<p>Question for the Board:</p> <p>Do you have any comments on the above suggestions (or do you have any other suggestions) for responding to the dot-point issues raised in agenda paper 8.2?</p>
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