

2017 Extended External Reporting (EER) Surveys

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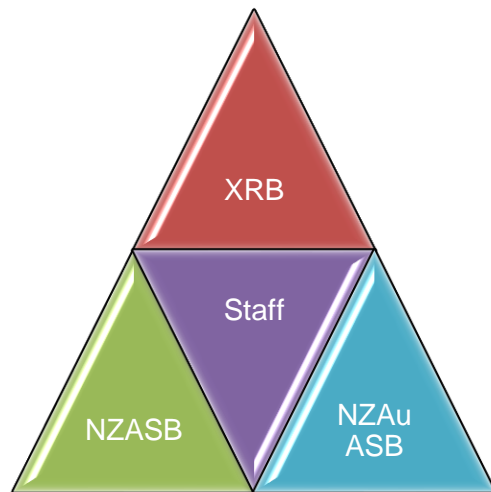
A summary of survey findings
October 2018

Session outline

- Background
- Overview of the EER surveys
- Survey insights relevant to the IASB's *Management Commentary* project
- Overview of the XRB's EER project
- Questions

Background: about the XRB

- The XRB is an independent Crown Entity responsible for developing and issuing accounting and auditing & assurance standards in New Zealand
- **The XRB organisation's structure**



- External Reporting Board (XRB)
- New Zealand Accounting Standards Board (NZASB)
- New Zealand Auditing and Assurance Standards Board (NZAuASB)

Background: contents of the Annual Report

- Limited requirements for contents of the Annual Report in NZ
 - Requirements of the Companies Act 1993 and Financial Reporting Act 2013
 - Financial Statements
 - remuneration greater than NZD 100,000 in brackets of NZD 10,000 increments
 - Nature of the business and classes of business in which the company has an interest
 - Auditor's Report
 - Entries in the interest register during the accounting period
 - Remuneration of directors
 - Number of employees who received
 - Total donations made during the accounting period
 - Names of directors holding office during the accounting period
 - Amounts payable to directors and Auditor (amount relating to audit fees separate from other services)
- NZ Companies typically voluntarily prepare MD&A to accompany the financial statements
 - Largely focused on financial information already reported in the financial statements
- New NZX requirements for listed companies – from Oct 2017
 - Provide annual non-financial disclosure, including material exposure to environmental, economic and social sustainability risks and other key risks on a comply or explain basis

Overview of the EER surveys

- In 2017 the XRB and McGuinness Institute undertook two surveys on EER in New Zealand



MCGUINNESS INSTITUTE
TE HŌNONGA WAKA

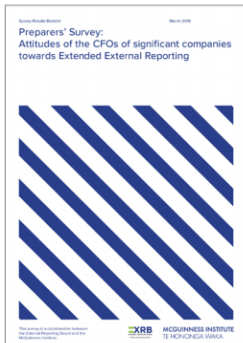
- For the purposes of the surveys EER was defined broadly as follows

Extended External Reporting (EER) includes all information above and beyond what a company is required to provide under the Companies Act 1993 and the Financial Reporting Act 2013. *EER can include information on a company's outcomes, governance, business model, risks, prospects, strategies and its economic, environmental, social and cultural impacts.*

Overview of the EER surveys

- The surveys aimed to
 - Raise awareness about the importance of non-financial information
 - Learn more about what is and is not working in the current reporting landscape
 - Understand the barriers to and enablers of Extended External Reporting
- The goal was to identify what EER information preparers want to provide and users need to receive

Overview of the EER surveys



- **Preparers' Survey**

- The first survey was sent to CFOs of NZX-listed companies and the 2016 NZ Deloitte Top 200 companies
- 92 CFOs responded



- **Users' Survey**

- The second survey was sent to a wide range of potential EER users including investors, industry organisations, NGOs and universities
- Promoted on various websites, social media pages and opened to the general public
- 104 survey respondents

Overview of the EER surveys



- Survey Insights
- The survey insights publication focuses on the findings of the surveys
<https://www.xrb.govt.nz/dmsdocument/2844>

- All publications in the series can be found at www.reportingnz.org



Survey insights relevant to the IASB's MC project:

Use of EER



Users are using EER information

92% accessed EER information to understand the company's business model

92% accessed EER information to understand the company's strategies and future prospects

90% accessed EER information to make judgments about the operations and wider impacts of the company

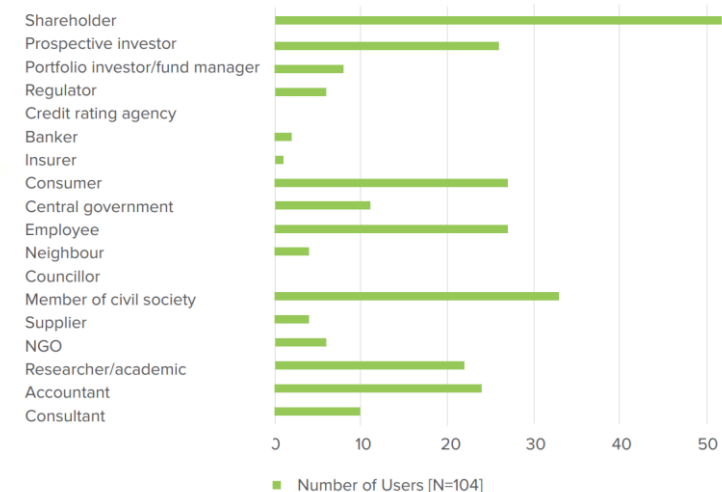
- However a lower number of users indicated that over the next five years they expected to use EER for*

33% making investment decisions

26% making informed judgments about the operations and wider impacts of the company

*Likely a factor of the broad range of respondents:
Not all respondents make investment decisions or such judgements

Users' capacities and reasons for interest



Survey insights relevant to the IASB's *MC* project:

Awareness of existing EER frameworks



Many preparers are not aware of the range of EER frameworks currently available

23% of CFOs' survey results suggested that they used an external reporting framework when preparing EER

Preparers' Survey results suggested that they were not aware of the following frameworks

84% Global Reporting Initiative (GRI)

96% AccountAbility

83% Accounting for Sustainability (A4S)

91% International Integrated Reporting Council (IIRC)

*Please note: Respondents who skipped these questions were assumed to be unaware of the listed frameworks. See *Survey Insights* for further information.

Survey insights relevant to the IASB's MC project:

Suitable body for setting EER guidance/requirements



The standard-setter is the favoured body to set requirements for EER in NZ

What preparers think

What users think

Q: If EER became expected practice, who should set guidance?



FMA – Financial Markets Authority (Regulator of financial markets and financial services)

CAANZ – Chartered Accountants Australia + New Zealand

NZX – New Zealand Stock Exchange

Q: If EER became mandatory, who should set the requirements?



* Note: Respondents were able to select more than one response. Other options were also available.

Survey insights relevant to the IASB's MC project:

Status of EER guidance



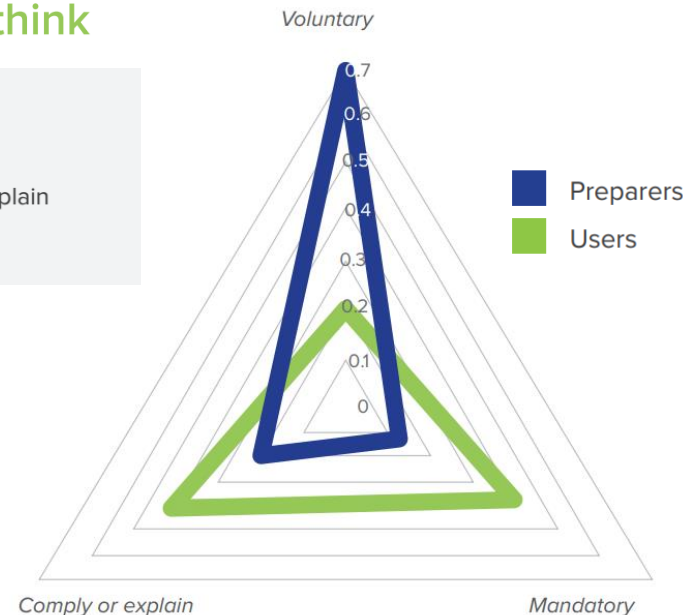
Preparers and Users have different views over whether EER should remain voluntary or move towards a more mandatory approach

What preparers think

Q: Should EER be mandatory, 'comply or explain' or voluntary?

68%	Voluntary	→	20%	Voluntary
20%	Comply or explain	→	41%	Comply or explain
13%	Mandatory	→	39%	Mandatory

What users think



Survey insights relevant to the IASB's MC project:

Engagement with Users of EER



Preparers should engage with Users when determining [relevant] EER information to report

71%

of Users said they had never been contacted about their information needs, BUT **33%** said they would like to be contacted 'as needed' by a company

Survey insights relevant to the IASB's MC project: EER content



Both Preparers and Users welcome reporting on governance



Future orientated information is an emerging key requirement

Preparers' and Users' views on content that is considered to be important or very important to disclose



Survey insights relevant to the IASB's MC project: EER content



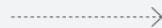
Both Preparers and Users welcome reporting on goals, strategies and targets, but Users want more information than Preparers currently provide

What preparers think

What users think

Q: Do you think it is important/very important to disclose the following performance details in EER?

69% Reporting back on goals/performance



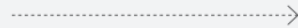
94% Reporting back on goals/performance
BUT only **45%** considered it to be reported on well

66% Reporting on goals/targets



95% Reporting on goals/targets
BUT only **54%** considered it to be reported on well

63% Strategies to achieve goals



95% Strategies to achieve goals
BUT only **42%** considered it to be reported on well

Survey insights relevant to the IASB's MC project:

Content and assurance of EER



Industry statistics are increasingly seen as a key requirement [where relevant]



Independent assurance is an emerging key requirement for EER

What preparers think

56% thought that EER should be independently assured

What users think

76% thought that EER should be independently assured

Overview of the XRB's EER project

- In August 2018 the XRB and NZASB added a project on EER
- The objective of the project is to develop materials that
 - Help EER stakeholders distinguish between existing EER frameworks in order to make better informed decisions about EER
 - Clarify **EER information relevant to the Annual Report***
 - Provide guidance for reporting **EER information relevant to the Annual Report** to meet user information needs
- Work with regulators to give authoritative status to EER guidance issued by the XRB

*meaning – EER information that is relevant to the users of general purpose financial reports. In contrast to other types of EER information that has a different purpose e.g. information for public policy purposes

Questions





Te Kāwai Ārahi Pūrongo Mōwaho

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