



CAPITAL MARKETS REPORTING INNOVATION GROUP

# Australia in the World of Business Reporting

Brown Bag Lunch, Tokyo, 17 March 2010

AUDIT

# Agenda

- Introductions
- Importance of business reporting
- Australian IFRS experience
- Australia in the world of business reporting
- KPMG Australia's Capital Markets Reporting Innovation Group
- A mining industry KPI taxonomy project
- Establishing an Australian WICI chapter

# Business Reporting – The Tipping Point Has Been Reached

- The time for global action on business reporting is **now**
  - The business reporting framework is **done**
  - The XBRL Business reporting taxonomy is **done**
  - Industry taxonomies are **done** or in progress
  - WICI is **ready to govern**
- Improving and realising the business reporting vision is **complex**
  - **Many** business reporting initiatives are now in place
  - **Fragmentation** and gaps globally and within countries risks slow progress
  - **Roles and responsibilities** require clarification
  - Sustainability / CSR reporting movement has a limited capital markets focus
- Business reporting is **not just** ‘financial reporting’ + ‘Sustainability / CSR’ reporting
  - Capturing the attention of Europe and the Sustainability Reporting movement
- Importance of non-financial information about the ‘business’ – business strategy and business model
- Roles and responsibilities of all stakeholders
  - Not just the accounting profession
  - Capital markets are key, as are industry groups, legislators, regulators, academics

**Need more efficient and effective resource allocation to achieve sustainability within global business reporting movement**



# Australia's Experience with IFRS Implementation

- Five years
- Principles and rules-based approaches
- Unintended consequences
- Country-specific rules
- Volume and complexity (eg fair values)
- Workarounds
- Absence of disclosure framework
- Analyst community understanding
- Financial reporting is limited in allocating capital

**Need business reporting more than ever**

“Things have simply become too complex from my point of view. In fact, they are **so complex and so voluminous** that we run the danger of financial statements not maintaining their relevance to our most important user – the investor.

The real users of financial statements are shrinking. Companies do not use them to manage their businesses. In many cases, management does not use them to explain their financial results and I believe many investors simply cannot understand them.

Instead, companies focus on ‘non-GAAP’ measures in their press releases. A recent report from KPMG Australia showed that **84% of the top 100 Australian listed companies used a measure other than statutory profit** to measure their performance. This showed that directors believe statutory profit does not provide all, and certainly not the best, information for investors to understand the operating performance of the company. We need to re-think financial reporting, remove the complexity and improve the transparency, and develop a disclosure framework, not increase the volume of disclosures.” Tim Flynn, KPMG Global Chairman, Ken Spencer memorial Address, Melbourne, 2 March 2010

# Australia in the World of Business Reporting

- Institute of Chartered Accountants in Australia (ICAA) - 2002 paper
- World Energy Congresses
- ICAA Broad Based Business Reporting Advisory Panel
  - Members include Australian Investor Relations Association, Regnan, KPMG and PwC
  - 2008 and 2009 papers
- Society for Knowledge Economics / CPA Australia
- Engaging ASIC, ASX, FRC, Australian Government
- Mining Industry KPI Taxonomy Project
- KPMG Australia's Capital Markets Reporting Innovation Group
- An Eccles / Krzus visit to launch their book
- Bringing it together - Importance of WICI Australia
- A WICI symposium in Australia to launch WICI Australia?

# KPMG's Capital Markets Reporting Innovation Group - 2010 Plan

- The papers
  - Vision paper
  - Financial reporting improvement paper
  - Management commentary paper
  - Sustainable capital allocation paper
  - Real time reporting paper
- Communications plan
- Connections and alliances
- Mining industry KPI project
- Capital Markets Reporting Summit

## A Mining Industry KPI Taxonomy Project

- Mining Business Model
- BHP Billiton, Lihir Gold, Oz Minerals
- KPMG South Africa (Goldfields)
- PwC – London, Rio Tinto, North America
- BRIC countries (Vale, Indian IR opportunity)

# Establishing an Australian chapter of WICI

- ICAA Broad Business Reporting Advisory Panel
- Society for Knowledge Economics
- CPA Australia
- Other groups to be brought in
  - Industry groups
  - Capital markets groups
  - Treasury / Financial Reporting Council
  - ASX (links to Nikkei?)
  - ASIC
  - Academics (eg University of Melbourne / Melbourne Business School)
- Need a body to bring it all together - **WICI Australia critical**



# Presenters' contact details

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