

# Broad Based Business Reporting

Supplementary paper

## Business reporting in practice



The Institute of  
Chartered Accountants  
in Australia

## The Institute of Chartered Accountants in Australia

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## Foreword

The Institute of Chartered Accountants in Australia (the Institute) is pleased to release the supplementary paper to its 2008 thought leadership paper, *Broad Based Business Reporting – The complete reporting tool*. This original paper provided an overview of Broad Based Business Reporting (BBBR), including the importance of financial and non-financial key performance indicators (KPIs) and ways to incorporate non-financial KPIs into existing reporting. The original paper should be read in conjunction with this supplementary paper.

*Broad Based Business Reporting – Supplementary paper* expands on the original paper by placing BBBR firmly in the context of the global economic downturn and the ongoing tightening of capital.

The current global economic downturn has shown the folly of business and investment decisions based on short-term gain rather than meaningful long-term value creation. In developing this paper the Institute wanted to stimulate further debate and encourage more industries to adopt new directions in business reporting based on reporting strategies designed to allow businesses to build business reports which effectively communicate with their capital markets, including clear articulation of their business strategies, KPIs and risks, and prospects based on economic, social and governance (ESG) principles.

The Institute recognises the need for the accounting profession to lead in thinking and advocating evolving forms of reporting. Through developing this supplementary paper the Institute also recognises the important role the business community plays in facilitating industry-wide adoption and putting into practice the BBBR principles discussed in this paper.

Finally, I would like to thank the Institute's BBBR Advisory Panel for their contribution in preparing this paper.



**Richard Deutsch**

President

The Institute of Chartered Accountants in Australia



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# 1. Introduction

'Now is the perfect time for organisations to review and re-assess the core planks of their business strategy and the outcomes they are seeking. With a renewed clarity of purpose, management can manage and report on the key measures of success relating to the required outcomes, and in effect eradicate redundant and superfluous management information. This not only makes the organisation fit for purpose in the new business environment and aligns the staff to core strategy, but will also save significant cost and management effort.'

**Nick Ridehalgh**, Lead Partner, Corporate Reporting and Communications, PricewaterhouseCoopers

In November 2008, the Institute released its first paper, *Broad Based Business Reporting – the complete reporting tool*, a paper produced in a business environment very different to which we are currently experiencing. Since the paper the struggle between businesses for capital has increased, making any initiative to reduce the cost of capital even more important. The chase for capital involves competition between firms within an industry, between industries, and indeed between Australia and other nations. It is critical that businesses 'sell' their unique business cases and competitive differentiators if they are to obtain the capital they need.

Evidence suggests that current business performance, support and survival is intrinsically linked to capital allocation. However, businesses are experiencing capital shortages which are likely to endure, as long as there is misunderstanding in the marketplace of what a balance sheet means compared to market capitalisation. For example, a paper submitted by the Energy Alliance of Australia entitled *Financing the Australian Energy Sector 2009* commented on the capital shortage facing the Australian energy sector, threatening energy security and the ability to make climate change management investments.

Financial modelling by sophisticated capital market players is forced to rely too much on extrapolation, assumption, industry-based input, and unaudited and inconsistent information. As such there are gaps in company-specific information on the strategy, performance and prospects of the business. BBBR provides the step to bridge this gap. Through BBBR there is a focus on enabling the improvement of financial models through business reports and communications, and forward-looking additions to financial reports. The future of BBBR will be focused on the balance of reporting and include overall thought leadership and assisting organisations with developing and implementing their reporting and communication strategies.

## The value proposition

Recent Treasury research<sup>1</sup> examines the relationship between a company's adoption of the Australian Securities Exchange (ASX) Corporate Governance Principles and its financial performance in the areas of shareholder performance, operating performance and one-year sales growth for the top 300 Australian listed companies. The results suggest that companies demonstrating greater compliance with the ASX Corporate Governance Principles outperform less compliant companies in each of these three financial areas.

Integrated non-financial and financial reporting presents the full picture by encompassing both non-financial and financial metrics. Non-financial metrics include operational measures as well as ESG matters, as noted in the first paper<sup>2</sup>. With the recent market turmoil, the governance aspect has taken a higher priority, however, businesses looking to differentiate themselves and position themselves for the future should not ignore the environmental and social aspects.

It is management's and the board's role to produce the businesses strategy in order to put their business in a position to best perform coming out of the current downturn. Therefore it is vitally important that internal resources are allocated in the most effective way to achieve this. Businesses that have invested their scarce resources wisely during the downturn will be well positioned to take advantage of the upturn when it comes. Additionally, businesses can reduce the volume, burden and cost of reporting by focusing on the right metrics to report.

Companies are looking to effectively manage their costs in the current economic downturn and there is often a temptation to consider sustainability as something to do only when times are good. Recent A.T. Kearney analysis<sup>3</sup> finds that, during the current economic downturn, companies that show a 'true' commitment to sustainability appear to outperform their industry peers in the financial markets.

## Investor decision-making

Investor decision-making has changed significantly in recent years with steadily growing interest in BBBR factors, which many investors refer to as ESG. ESG took a significant turn for the mainstream in April 2006, with the launch of the United Nations Principles for Responsible Investment (UNPRI). Principle 1 of the UNPRI calls for signatories to value ESG when making investment decisions. Globally, some US\$18 trillion funds are overseen by UNPRI signatories. In Australia, it has been estimated that 43 per cent of Australian institutional superannuation funds are UNPRI signatories, while 50 per cent of all managed funds are in the hands of signatories.

In March 2009, the giant HESTA Super Fund and VicSuper launched ESG Research Australia, a new initiative designed

1. Treasury Working Paper 2009 – 02: Corporate Governance and Financial Performance in an Australian Context – 6/3/2009  
2. Institute of Chartered Accountants : Broad Based Business Reporting (2008)  
3. A. T. Kearney 'Green' Winners

to encourage and promote Australian research that takes into account the impact of ESG issues on investment returns. Put simply, these (and subsequent super funds) have placed an attractive portion of their brokerage spend in favour of quality ESG analysis. The clear economic lever to promote ESG analysis is already having an effect.

The fundamental shift in demand is therefore increasing the need for the supply of relevant information – hence the role of BBBR.

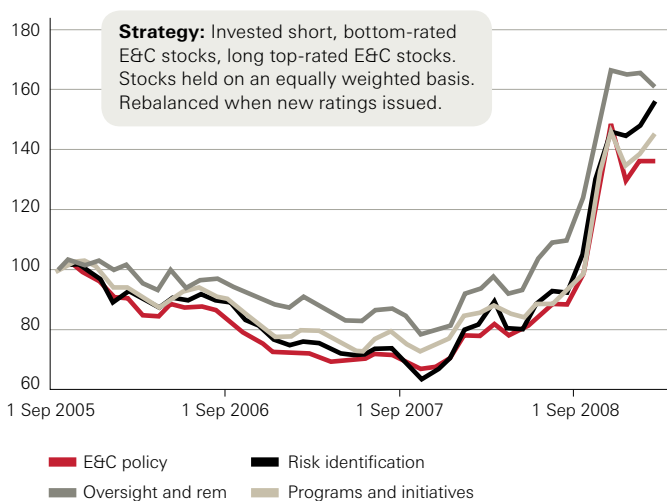
From an economic perspective it is logical that investors should demand BBBR, given recent decades have marked a shift where intangibles have moved from a minority of an entity’s market capitalisation, to today where they are a majority.

ESG factors are recasting the way we look at investment risk and opportunity, such as operational risk related to workplace health and safety, the opportunities presented by good corporate governance and, at times of instability and risk aversion, the importance of ethics and culture (E&C). Without BBBR, sophisticated capital market players (including institutional investors, fund managers and analysts) may lack material information.

The following diagram shows research which indicates that, although stocks rated highly for E&C underperformed the market in the short term, in the longer term they have outperformed it. The research included:

- > E&C risk identification
- > E&C recognition
- > E&C policy
- > E&C oversight and remuneration
- > E&C programs and initiatives.

### Performance index



Source: GSJBW and Regnan

While from the data it is clear that ESG analysis is not a ‘magic bullet’ for investors, the overwhelming consensus is that BBBR factors can influence valuation and there is no evidence that their consideration detracts from performance. The fact ESG analysis is not a perfect buy or sell signal should come as no surprise. Many high-yielding stocks, or those on seemingly attractive price to earnings ratios, can prove to be unsustainable investments.

Together with the phenomenal growth of UNPRI it is clear that BBBR factors have reached a permanent place as part of, and no longer apart from, investment thinking.

### Fit-for-purpose reporting and communication

‘If capital markets do not work efficiently as a capital allocation tool, the world may not invest enough in energy infrastructure in the next 25 years (the International Energy Agency estimates that US\$28 trillion in investment is required) with the consequence that two billion people or more will remain without access to electricity (a key measure of energy poverty) in 2030. This estimate has only a limited inclusion for climate change management investments. In reality it is untenable that a major reduction of energy poverty cannot be achieved before 2030. Accordingly, the real energy investment requirement is probably a multiple of US\$28 trillion.

In this situation and with these pressures, all conditions will need to be right to significantly increase capital generation and investment in the energy sector to the levels required. There is presently large capital markets reporting constraint that impedes the energy sector’s investment credibility and performance visibility compared to competing investment propositions, enabled by an effective business reporting and communications toolkit.’

**Michael Bray, Reporting and Communications Partner, KPMG**

The business case for BBBR is best demonstrated at the industry or corporate level, for example by the energy industry. Energy is a leading Australian industry, with global leaders in its ranks, and energy investors are looking for long-term payback.

There is massive capital demand in the energy industry, including new areas (uranium, clean coal, Carbon Pollution Reduction Scheme (CPRS)) and global demands for Australian energy capital. The capital supply for the energy industry is severely constrained, and refinancing debt for

the electricity generation sector is restricted given the CPRS forthcoming in Australia. This has resulted in relatively high betas when used in calculating the discount rates. The question remains, how can capital providers distinguish between competing investment propositions between and within industries? Also, how well does the current reporting and communications toolkit serve the key players (capital demand) and the capital markets (capital supply)?

BBBR provides a fit-for-purpose reporting and communications strategy (reporting process, communications process, automation and implementation support) focused on the performance/reward equation.

The flagship in the reporting and communications portfolio under BBBR is the Comprehensive Business Performance Report (CBPR). The CBPR can be a physical report delivered to the capital markets, or a database of information from which a number of reports to the capital markets are drawn; the choice needs to be considered in setting the reporting and communications strategy at the corporate level. Diagram 1 (page 9) is a stylised version of how a CBPR may result from the sophisticated capital markets. BBBR provides a framework for building the CBPR with the aim of improving assumptions, architecture and precision of the players' financial models.

The CBPR is based on the search for optimal capital allocation based on precise capital markets decision-making. It is built on an assumption of the fundamental importance of the financial models maintained by institutions, fund managers and analysts to their decision-making, and their reliance on the information supplied by reporting organisations to enable the precision of those models. The CBPR will help ensure that:

- > The stakeholder's model is built on the reporting organisation's strategy, including underlying assumptions. This will be built on the strategy description in the CBPR and in the management commentary accompanying financial reports
- > The model architecture (eg. formulae) reflects the reporting organisation's objectives, value drivers and key performance indicators. This will be built on the objectives, drivers and KPIs in the CBPR and in significant uncertainties and judgements sections of the financial reports
- > The discount rate reflects a beta factor reflecting the reporting organisation's assets and an alpha factor reflecting the reporting organisation's risks, controls and governance. It will be largely built on the risks and controls KPIs in the CBPR, and supplemented by the risks analysis in the financial reports, along with the corporate governance statement
- > Reporting provides insights allowing stakeholders to model sensitivities (eg. assuming that the strategy is not executed well) and alternative scenarios (eg. alternative strategies).

This approach will strengthen the precision of the financial models being used in the capital markets and allow their decision-making to become more forward looking. It supplements reporting on past financial performance and the current financial position, with commentaries and disclosures about assumption, uncertainties and risks which can be linked with the more forward-looking information contained in the CBPR.

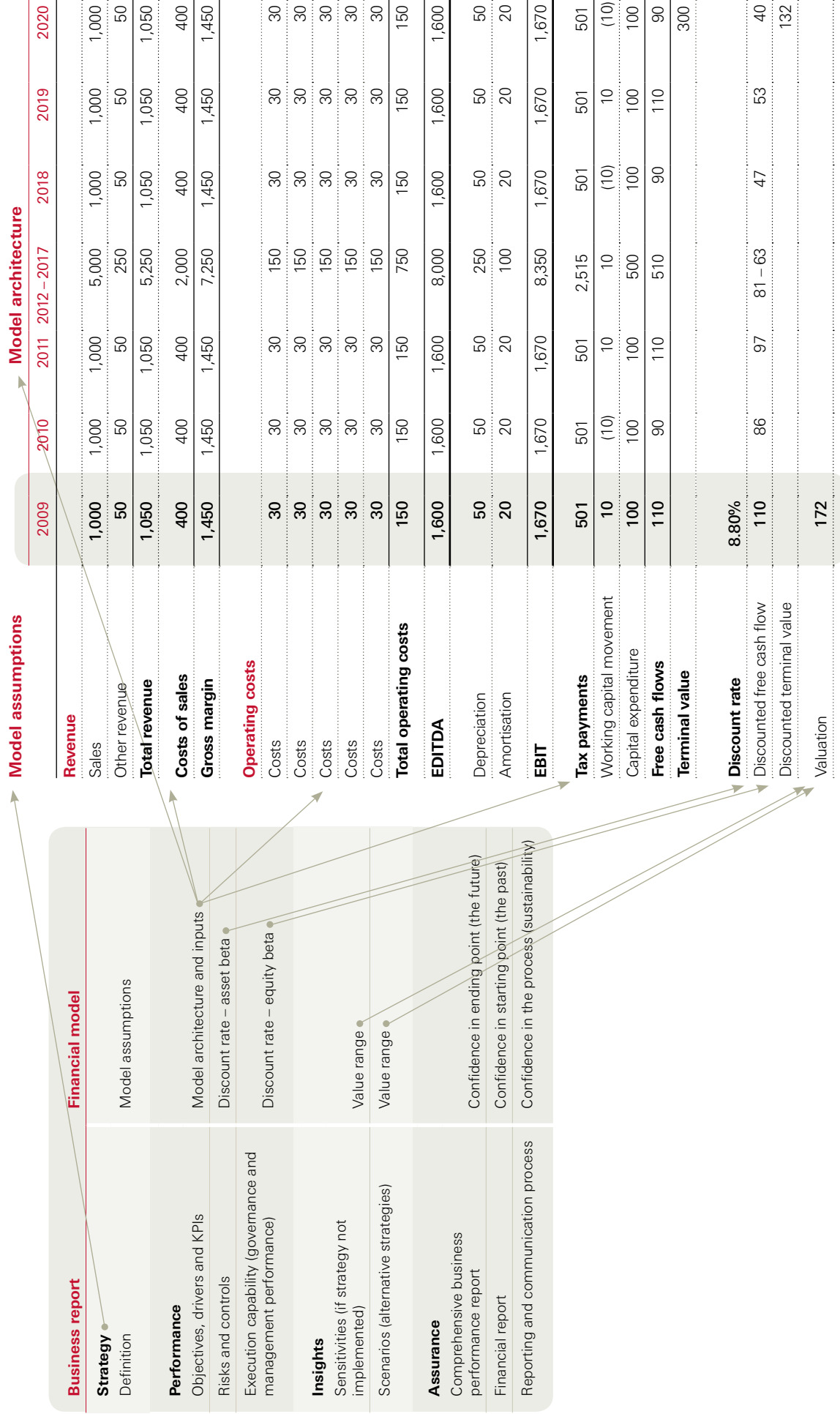
The need for continued development in the financial reporting space is important. A recent paper by the International Accounting Standards Board (IASB) entitled *Snapshot: preliminary views on financial statement presentation* explains the need for continued development in financial reports: 'Analysts and investors have long raised concerns about some issues in the way entities present information in financial statements; in creating a new standard the broad aim is to address these concerns. This project is about finding the right packaging of information – it is not about how profits and losses are recognised or measured. Users need a format that ensures comparability and allows them to understand better how the different pieces within the financial statements of a company fit together. Preparers need a format that allows them to tailor financial statements to communicate the unique aspects of their business.'

### **Recent government announcements**

In a speech to the Property Council of Australia in Hobart on Monday, 20 April 2009, the now Assistant Treasurer, Senator the Hon Nick Sherry, gave a keynote address on corporate responsibility. The address highlighted that 'to be sustainable, businesses must take a long-term view of their impacts on local communities and the natural environment – as well as returns to investors'. Senator Sherry noted that the current global financial crisis has demonstrated the issues with 'decisions based on a focus on short-term paper profits over long-term real and measurable value creation'. He commented that 'responsible business and investment is not about not taking risks – it is about a better understanding of risks, the implications for the community, the environment and value creation, and then taking the right risks'.

This builds on an earlier speech that the Senator gave to the Committee for Economic Development of Australia in Sydney on Thursday, 9 October 2008: 'Through clear business reporting on the strategies, performance and prospects that combines non-financial information with financial information – valuable insight to a company's overall management can be gained ... Importantly companies reporting their sustainability risks and strategies for managing those risks provide valuable information to both the market and broader community of the impacts of their corporate activities ... Reporting needs to provide the information investors and consumers seek. It needs to allow them to confidently compare the performance of different companies in a particular sector.'

**Diagram 1 – Stylised net present value model**



## 2. The perceived barriers

‘Australian institutional investors are leading the world with their commitment to responsible investing via the UNPRI.<sup>4</sup> Along with their global peers, these investors are now walking the talk of UNPRI commitment. That means demanding Broad Based Business Reporting and investing based upon these broader understandings. Companies that fail to embrace this change do nothing to help “buy” recommendations and will increasingly come last in the race for the invested dollar.’

**Erik Mather, Managing Director, Regnan Governance & Research**

Businesses perceive many barriers to the transparent and balanced reporting of non-financial measures demonstrating performance in achieving strategy. These include the following:

- > Although known as ‘non-financial’, there are financial implications to these measurements. For example, carbon emissions are likely to have a financial impact in the future under an emissions trading scheme and high staff turnover will lead to increased recruitment and training costs as well as the damage to customer relationships. However, the difficult aspect here is putting a value on some of these measures, although there are known financial impacts
- > The necessary longer-term focus is often beyond most executives’ tenure. This can make it hard for them to focus on performance measures where achievement will be over that period. They may need to bear the costs now, but the benefits will not be seen until after their tenure is over. APRA’s revised Prudential Standard is aimed at financial institutions, but is applicable to boards as a way of incentivising management to deliver on both the short-term and longer-term corporate strategy. While recognition and linking rewards to this type of performance can pose challenges, institutional investors are leading the demands that boards recognise this fundamental shift to longer-term behaviour. For example, the Regnan long-term remuneration model is supported by owners of more than five per cent of ASX200 invested funds
- > Management can find it difficult to identify the right measures for their business. For the reporting to be effective, they need to report these same measures consistently over time to enable comparison between periods. Additionally, there is a need for comparable and consistently reported KPIs across businesses within the same sector, as noted in the previous paper
- > The Institute is working with key industry bodies (see Industry focused reporting) to help identify some key measures for that sector, which can assist management in identifying the right measures that demonstrate a clear linkage to their strategy
- > The time and cost in collecting and reporting the information is often cited as a barrier to improved reporting. Businesses can find that by reporting on fewer key metrics that are material to the business they may save time. However, it should be noted that the key metrics need to be the right metrics
- > The achievement of non-financial measures has not been fully embedded in the business. Businesses therefore risk reputation damage if targets reported are not met. Often reporting of non-financial data can become a public relations exercise for the business, sometimes known as ‘greenwashing’. Businesses may report on what they believe customers and other stakeholders wish to hear rather than truly reporting on what is strategically important to the business. This can occur particularly when senior executives are not engaged and have not included these aspects in their strategic objectives. However, in the long term, ‘greenwashing’ is likely to have a negative impact on corporate reputation, when stakeholders perceive they have been misled by a business
- > It could be viewed that the lack of engagement in previous years’ non-financial factors meant that there would be little engagement in the future – which can be a barrier to the development of BBBR. However, the business leader who can adopt a forward-looking agenda, rather than a retrospective analysis, can see the growth occurring for non-financial information – even in the less-than-successful years.

As the current economic situation has highlighted, effective risk management remains critical to business success. Management must especially consider the impact to the business of specific risks, not just their likelihood. Although some matters may be considered unlikely, if the impact on the business is severe, businesses need to have a plan in place to manage the risk.

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4. United Nations Principles of Responsible Investment.

### 3. Industry-focused reporting

KPIs are only a first step; a business needs to have a reporting and communication strategy tailored to its circumstances. For businesses operating in the energy and minerals sectors, the industry bodies for these sectors provide guidance for KPI reporting, as detailed below.

#### 3.1 Energy

##### Energy Supply Association Australia (esaa) Sustainable Practice Framework

The Sustainable Practice Framework builds on the former esaa Code of Sustainable Practice. It recognises existing minimum standards of performance and sets 'stretch goals' to help businesses implement sustainability over time.

The Framework has been developed to set a standard of sustainability performance in line with leading national and international sustainability, practice and reporting, encourage best practice sustainability programs, improve voluntary sustainability reporting and share good environmental, community, governance and workplace practice within the energy supply industry. Signatories are encouraged to publicly report their sustainability performance.

The Framework comprises a set of nine sustainability principles, two reporting options and an awards structure covering both sustainability reporting and innovation in sustainability such as demand management, supply chain and climate change response.

##### Sustainability principles

1. Maintain good corporate governance practices
2. Deliver value to shareholders, customers and the community
3. Provide a safe, secure and reliable energy supply
4. Engage key internal and external stakeholders on significant sustainability matters
5. Maintain and enhance workforce health, safety, wellbeing and development
6. Develop and implement climate change responses
7. Improve environmental performance and resources efficiency
8. Foster and support community programs
9. Promote measurement and reporting of sustainability performance.

Each of the nine principles is supported by a position statement, qualitative measures and quantitative measures. Refer to Appendix 1 for details of the quantitative measures for each principle across the four industry sub-sectors: Generator, Transmission, Distribution and Retail. The Framework takes into account the GRI G3 Guidelines and its related electric utilities sector information when determining the quantitative measures.

##### Reporting options

###### Option 1

Companies already producing a sustainability report or annual report containing sustainability information continue to do so. Responses to the reporting guidelines are incorporated into the report and the page numbers referenced in the questionnaire.

###### Option 2

Companies that do not already publicly report information may respond to the reporting guidelines via the questionnaire. The questionnaire would require companies to explain how they have complied with each principle and measure their performance in each area.

## 3.2 Minerals

### Minerals Council of Australia

The Minerals Council of Australia (MCA) has a sustainable development framework entitled *Enduring Value – the Australian Minerals Industry Framework for Sustainable Development*.

Commitment to *Enduring Value* involves:

- > Progressive implementation of the International Council on Mining and Minerals (ICMM) principles and elements
- > Public reporting of-site level performance, on a minimum annual basis, with reporting metrics self-selected from the Global Reporting Initiative (GRI), the GRI Mining and Metals Sector Supplement, or self-developed
- > Assessment of the systems used to manage key operational risks.

ICMM has developed and published the following 10 principles:

<b>Principle 1</b>	Implement and maintain ethical business practices and sound systems of corporate governance.
<b>Principle 2</b>	Integrate sustainable development considerations within the corporate decision-making process.
<b>Principle 3</b>	Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.
<b>Principle 4</b>	Implement risk management strategies based on valid data and sound science.
<b>Principle 5</b>	Seek continual improvement of our health and safety performance.
<b>Principle 6</b>	Seek continual improvement of our environmental performance.
<b>Principle 7</b>	Contribute to conservation of biodiversity and integrated approaches to land use planning.
<b>Principle 8</b>	Facilitate and encourage responsible product design, use, reuse, recycling and disposal of our products.
<b>Principle 9</b>	Contribute to the social, economic and institutional development of the communities in which we operate.
<b>Principle 10</b>	Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

*Enduring Value* builds on the 10 principles through articulating what the implementation of these principles looks like at the operational level. This implementation has been developed in conjunction with over 900 stakeholders in the minerals sector.

The principles are compulsory for MCA membership; however, some non-members are also signatories to the principles.

In 2009, the GRI released a draft mining and metals sector supplement. This supplement deals with the aspects of sustainable development that characterise the mining and metals sector, often because they are encountered more frequently or in greater measure than in other sectors. Along with this supplement the minerals industry is currently engaged in refining GRI G3 Guidelines while developing more detailed reporting mechanisms on specific issues of interest to both government and the broader community, including a water accounting framework.

## 4. Global initiatives

BBBR draws on international best practice models, taking on the best features from each of the following initiatives.

### 4.1 Global Reporting Initiative (GRI) and eXtensible Business Reporting Language (XBRL)

*Broad Based Business Reporting – the complete reporting tool* included some background information on the GRI.

GRI has been working with the investor community since its inception and is currently working with investors in several areas:

- > Establishing an Investor Consultation Group to develop guidance on how sustainability reports can be most useful for investors
- > Researching trends in how investors use ESG information
- > Making communication of ESG information to investors and research agencies more efficient through XBRL
- > Working with investor initiatives to further promote the use of sustainability information.

#### What is XBRL?

XBRL offers a way to put an electronic 'tag' on numbers or other qualitative information in the report. It provides major benefits in the preparation, analysis and communication of business information. It also offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data.

### 4.2 Enhanced Business Reporting (EBR)

[www.ebr360.com](http://www.ebr360.com)

We noted the EBR Consortium in our first paper. The core principles of EBR are:

1. **Give the capital markets relevant information**  
To make successful decisions, management and investors need information about value drivers. These can be measured numerically through KPIs or may be qualitative factors such as business opportunities, risks, strategies and plans, all of which permit assessment of the quality, sustainability and variability of its cash flows and earnings
2. **Eliminate stale and redundant disclosures**  
Some older requirements may no longer be useful and actually obscure with needless and irrelevant detail the important current information a company may be attempting to disclose
3. **Make information easier to use**  
The EBR framework makes it possible to create useful classifications (ie. taxonomies for value drivers, non-financial performance measures and qualitative information) and specifically enables a more robust use of XBRL taxonomies

### 4. Collaborate with users and suppliers of capital

The EBR Consortium will provide an opportunity for the users and providers of capital, working together, to improve the quality of the information provided to the capital markets. Companies that provide relevant, neutral, verifiable and complete information get benefits in the form of lower capital costs and greater market credibility

### 5. Enhance the integrity of the capital markets

No regulation, rule, law, standard or principle alone can protect investors and maintain the integrity of the capital markets. A steady flow of timely, comprehensive and accurate information requires all of the following elements:

- > A culture that embraces transparency, accountability and integrity
- > Effective controls over business systems and processes
- > A more efficient and effective way to accumulate, disseminate and use information
- > A voluntary framework for providing relevant information
- > Timely assurance that a broad range of information is relevant and reliable.

### 4.3 World Intellectual Capital Initiative (WICI)

[www.worldici.com](http://www.worldici.com)

WICI is a private/public sector collaboration aimed at improving capital allocation through better corporate reporting information. Its goals are to:

- > Develop a voluntary global framework for measuring and reporting corporate performance to shareholders and other stakeholders
- > Develop guidelines for measuring and reporting on industry-specific KPIs
- > Facilitate the development of XBRL taxonomies for this content.

It is hoped that the provision of better information will improve capital allocation decisions both within companies and between investors and companies. The result will be more wealth creation for a better world economy.

In 2008, WICI published a comprehensive information framework and XBRL taxonomy to help companies improve communications with investors and other stakeholders about business strategy and performance.

The EBR Consortium and Gartner, Inc. are collaborating to engage capital market participants in a study to test and validate research on a set of KPIs, for the high technology, insurance and retail and consumer goods sectors, that are predictive of financial results.

#### 4.4 Accounting for Sustainability

[www.accountingforsustainability.org](http://www.accountingforsustainability.org)

The Prince of Wales, Accounting for Sustainability (A4S) project was introduced in the first report. The Institute is a member of the Accounting Bodies Network. The Network brings accounting bodies together from around the globe to help minimise the duplication of initiatives undertaken in isolation and achieve a common approach to accounting for sustainability.

The A4S project released its Connected Reporting Framework (CRF) in 2007. The following principles underlie the CRF and are in clear alignment with the goals of BBBR:

- > Sustainability issues need to be clearly linked to the organisation's overall strategy
- > Sustainability and more conventional financial information should be presented together so that a more complete and balanced picture of the organisation's performance is given
- > There should be consistency in presentation to aid comparability between years and organisations.

In 2009, the A4S project published a new report, *Connected Reporting in Practice*, which explains the experience of six of the organisations who have adopted the CRF.

The responses from practitioners included in the report show that there is a strong desire to move away from sustainability as a separate and 'siloed' activity, and towards connecting it with financial performance and the strategic direction of the organisation.

The main findings of the report show the CRF has:

- > Led to cost savings being identified by organisations through bringing together financial and sustainability information
- > Increased awareness of sustainability internally, at board and operational level, and received positive feedback from report users
- > Helped foster collaboration between parts of the business, particularly finance and sustainability, which have not traditionally worked together
- > Shown its flexibility, being adaptable to the needs of diverse private and public sector organisations.

It also includes practitioner experience and extracts from published reports of the following organisations: Aviva, BT, EDF Energy, Environment Agency, HSBC and West Sussex County Council. Since the initial trial of the CRF by these organisations, 12 more companies in the UK and Europe have adopted it.

## 5. In Australia

'In many instances Australia has shown bold leadership in innovative business developments. This leadership has earned Australia a global reputation for effective and efficient capital markets and business practices.

The Institute strongly believes that the principles and practices of BBBR will continue to evolve and improve. It is important that Australian businesses and Chartered Accountants adopt and practice non-financial business reporting practices, like BBBR, to attract domestic and international investors.'

**Lee White, General Manager Leadership and Quality,  
Institute of Chartered Accountants in Australia**

Along with the Institute's BBBR reporting tool, a number of organisations have developed like-minded reporting frameworks, designed to challenge the way an organisation's financial and non-financial performance indicators are reported.

### 5.1 PwC Corporate Reporting

[www.corporatereporting.com](http://www.corporatereporting.com)

Globally PricewaterhouseCoopers (PwC) has identified forward-thinking companies who has challenged the way they present traditional financial information and whose reporting provides clear and explicit narrative and contextual information to help investors model the future. It uses its corporate reporting framework as the basis for choosing and presenting these examples. The framework covers four areas: Market Overview, Strategy & Structure, Managing for Value and Performance.

In Australia the following companies have been identified as having good practice examples of reporting in the following areas:

- > **ANZ Banking Group Limited** – for disclosures on Managing Value (Customers)
- > **IAG Limited** – for disclosures on Market Overview (Competitive Environment), Strategy & Structure (Goals & Objectives), Managing Value (Customers), Performance (Economic & Operating)
- > **Santos Limited** – for disclosures on Strategy & Structure (Goals & Objectives, Governance), Managing Value (Physical Assets, Supply Chain), Performance (Economic, Operating, Segmental)
- > **Westpac Banking Corporation** – for disclosures on Strategy & Structure (Goals & Objectives, Governance), Managing Value (Customers, People, Supply Chain), Performance (Operating, Segmental).

### 5.2 Tomorrow's Company

[www.tomorrowcompany.com](http://www.tomorrowcompany.com)

Tomorrow's Company is seeking to encourage a change in mindset and to promote the decisions and behaviours that will make for sustainable business success. So doing, it can fulfil its founders' vision of 'a future for business which makes equal sense to staff, shareholders and society'.

### 5.3 Responsible Business Practice project

<http://thehub.ethics.org.au>

The Australian Government, through Treasury, has commissioned St James Ethics Centre to undertake a three-year project to expand responsible business practice nationally.

The goals of the project are:

- > To expand the number of Australian companies that are actively engaged in identifying and adopting more responsible business practices
- > To consider options to improve, and where necessary refine, the tools that are available to promote responsible business practices across all levels of corporate management.

St James Ethics Centre has launched a website called the HUB of Responsible Business Practice. This website has been designed as a consolidated space for engagement, interaction and connectivity to help build communities of responsible business practice in Australia. The website also provides a portal to the key global initiatives, including the Global Reporting Initiative (GRI), Corporate Responsibility Index (CRI) and United Nations Global Compact (UNGC), seeded through a range of local activities. Complementing these global initiatives are a suite of resources designed to support and guide small to medium enterprises on their responsible business practice journey.

## Appendix 1 – Energy Supply Association of Australia (esaa) sustainability principles and reporting

Principle	GRI indicators			
	Generator	Transmission	Distribution	Retail
1. Maintain good corporate governance practices	Report against GRI standard disclosures 4.1–4.10 and 4.12 on governance structure and practices.			
	EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.		
	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		
	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		
	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		
2. Deliver value to shareholders, customers and the community	EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.		
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.		
3. Provide a safe, secure and reliable energy supply	EU5	Planning to ensure short- and long-term electricity availability and reliability.		
	EU24	—	—	—
4. Engage key internal and external stakeholders on significant sustainability matters	Report against standard disclosures 4.14–4.17 on stakeholder engagement.			
	EU18	Participatory decision-making processes with stakeholders and outcomes of engagement.		
	Indicate the proportion of suppliers who have been assessed against sustainability criteria.			
5. Maintain and enhance workforce health, safety, wellbeing and development	LA2	Total number and rate of employee turnover by age group, gender and region.		
	LA6	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programs.		
	LA7	Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region.		
	LA10	Average hours of training per year per employee by employee category.		
	LA14	Ratio of basic salary of men to women by employee category.		
	HR4	Total number of incidents of discrimination and actions taken.		
	EU15	Processes to ensure retention and renewal of skilled workforce.		
	EU17	Percentage of contractors and subcontractors that have undergone relevant health and safety training.		

Principle	GRI indicators				
	Generator	Transmission	Distribution	Retail	
6. Develop and implement climate change responses	EN3	Direct energy consumption by primary energy source.	—	—	—
	EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.			
	EN16	Total direct and indirect greenhouse gas emissions by weight.			
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.			
7. Improve environmental performance and resources efficiency	EN8	Total water withdrawal by source.	EU13	Transmission and distribution efficiency.	—
	EN20	NOx, SOx and other significant air emissions by type and weight.	EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	
	EU12	Average generation efficiency by energy source and by country or regulatory regime.			—
	EN21	Total water discharge by quality and destination.			
	EN22	Total weight of waste by type and disposal method.			
	SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.			
8. Foster and support community programs	SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.			
9. Promote measurement and reporting of sustainability performance	Has the organisation reported on the indicators referenced in this table?				

## Appendix 2 – References

<i>Broad Based Business Reporting – the complete reporting tool (2008)</i>	<a href="http://www.charteredaccountants.com.au/leadership/reporting">www.charteredaccountants.com.au/leadership/reporting</a>
<i>Financing the Australian Energy Sector 2009 – the impact of climate policy and the global credit crunch (2009)</i>	<a href="http://www.energyalliance.com.au">www.energyalliance.com.au</a>
<i>Treasury Working Paper 2009 – 02: Corporate Governance and Financial Performance in an Australian Context (2009)</i>	<a href="http://www.treasury.gov.au">www.treasury.gov.au</a>
<i>Australian Securities Exchange Corporate Governance Principles and Recommendations</i>	<a href="http://www.asx.com.au">www.asx.com.au</a>
A.T. Kearney 'Green' Winners	<a href="http://www.atkearney.com">www.atkearney.com</a>
United Nations Principles for Responsible Investment	<a href="http://www.unpri.org">www.unpri.org</a>
<i>Snapshot: preliminary views on financial statement presentation</i>	<a href="http://www.iasb.org">www.iasb.org</a>
Energy Supply Association of Australia	<a href="http://www.esaa.com.au">www.esaa.com.au</a>
Mineral Council of Australia	<a href="http://www.minerals.org.au">www.minerals.org.au</a>

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