

Survey Highlights:

A summary of the 2017 Extended External Reporting Surveys



This paper highlights the key findings from two surveys undertaken in mid-2017.

S1: The first survey was sent to the Chief Financial Officers (CFOs) of NZSX-listed companies (as at June 2017) and the Deloitte Top 200 companies (as at December 2016). Of the 277 CFOs who were sent the survey, 92 responded. This survey is titled *Preparers' Survey*, and the results tell us a little more about what Preparers think about Extended External Reporting (EER).

S2: The second survey was sent to a wide range of potential EER users including investors, industry organisations, NGOs and universities. It was also promoted on various websites, and opened to the general public. There were 104 survey respondents. This survey is titled *Users' Survey*, and the results tell us a little more about what Users think about EER.

The two surveys and their responses can be read in full in the *Preparers' Survey: Attitudes of the CFOs of significant companies towards EER* booklet and the *Users' Survey: Attitudes of interested parties towards EER* booklet. A full analysis of the surveys can be read in *Survey Insights: An analysis of the 2017 Extended External Reporting Surveys*. These documents can be found at www.reportingnz.org and www.xrb.govt.nz.

The results are broken down into five parts: what the respondents think about accessibility, engagement, content, frameworks and assurance. Selected respondent comments have been included in speech bubbles to show the range of opinions. This *Survey Highlights* paper concludes with our analysis of respondents and provides further information about the purpose of the survey.

For the purposes of this publication, Extended External Reporting means all information above and beyond what a company is required to provide under the Companies Act 1993 and the Financial Reporting Act 2013. Extended External Reporting can include information on a company's outcomes, governance, business model, risks, prospects, strategies and its economic, environmental, social and cultural impacts.

What preparers think

What users think

A. ACCESSIBILITY | Ability to find EER information

43% of CFOs did not consider their companies to have prepared EER information (Q6).

CFOs identified the following key challenges in preparing EER (Q15):

- 63%** generating new information in-house
- 61%** sensitivity of information
- 60%** time constraints
- 56%** gathering available information in-house

27% indicated they applied concessions under s 211(3) of the Companies Act and therefore did not disclose information on the company's state of affairs or governance (Q22). The main reason listed was to prevent competitors from having that information (Q23).

53% indicated they would support mandatory filing of both listed and non-listed company annual reports on the Companies Office website (Q29).

63% of Users did not consider EER information to be easily accessible (Q14). **95%** of Users indicated they primarily access EER in an annual report (Q15).

'NZ is quite a few years behind best practice.' – User comment (Q14)

'[If] disclosed on a central depository, it would be easily accessible for all companies. However, it is primarily the company's information, and they demonstrate ownership by having it on their website.' – User comment (Q20)

85% indicated they access annual reports on the for-profit entity's website, while 23% indicated they access annual reports on the Companies Office website (Q16).

1. Both Preparers and Users welcome mandatory filing of annual reports.



It is a simple way to improve access to EER information disclosed in annual reports.

B. ENGAGEMENT | Communication with stakeholders

87% indicated that the biggest opportunity in preparing an annual report was to communicate with shareholders (Q8).

74% thought their company should engage with shareholders every 12 months or less (Q17).

21% thought their company should contact members of civil society every 6–12 months (Q17).

71% said they had never been contacted about their information needs (Q17), BUT **33%** said they would like to be contacted 'as needed' by a company (Q22).

2. Preparers and Users have different views over whether the audience should remain the shareholders or be extended to stakeholders.



Wider engagement ensures all stakeholders can obtain relevant EER information.

C. CONTENT | Elements of EER disclosure

90% considered governance to be an important/very important disclosure in an annual report (Q12).

97% thought governance information was important/very important to disclose (Q6), BUT only **68%** considered it to be reported on well (Q9).

Q: Do you think it is important/very important to disclose information on the following four capitals in EER?

56% Natural capital (Q12)	87% Natural capital (Q6), BUT only 33% considered it to be reported on well (Q9)
53% Human capital (Q12)	86% Human capital (Q6), BUT only 33% considered it to be reported on well (Q9)
46% Economic capital (Q12)	84% Economic capital (Q6), BUT only 31% considered it to be reported on well (Q9)
42% Social capital (Q12)	75% Social capital (Q6), BUT only 24% considered it to be reported on well (Q9)

C. CONTENT CONT. | Elements of EER disclosure

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

69% Reporting back on goals/performance (Q13) →	94% Reporting back on goals/performance (Q7), BUT only 45% considered it to be reported on well (Q10)
66% Reporting on goals/targets (Q13) →	95% Reporting on goals/targets (Q7), BUT only 54% considered it to be reported on well (Q10)
63% Strategies to achieve goals (Q13) →	95% Strategies to achieve goals (Q7), BUT only 42% considered it to be reported on well (Q10)

3. Both Preparers and Users welcome reporting on goals, strategies and targets, but Users want more information than Preparers provide. Users do not think this information is reported on well.

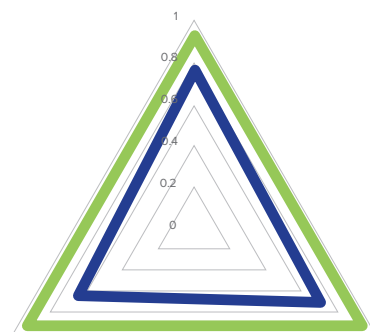


4. Industry statistics are increasingly seen as a key requirement.

They enable comparability between companies/industries and contribute to a deeper understanding of risks and trends over time.



Reporting back on goals/performance



Strategies to achieve goals

Reporting on goals/targets

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

77% Total deaths as a result of work (Q14) →	93% Total deaths as a result of work (Q8), BUT only 37% considered it to be reported on well (Q11)
76% Total company income tax paid (Q14) →	88% Total company income tax paid (Q8), BUT only 59% considered it to be reported on well (Q11)
68% Total injuries/illnesses as a result of work (Q14) →	87% Total injuries/illnesses as a result of work (Q8), BUT only 36% considered it to be reported on well (Q11)
68% Number of full-time equivalents (FTEs) (Q14) →	85% Number of full-time equivalents (FTEs) (Q8), BUT only 53% considered it to be reported on well (Q11)
61% Breaches of air pollution standards (Q14) →	84% Breaches of air pollution standards (Q8), BUT only 8% considered it to be reported on well (Q11)
60% Breaches of water quality standards (Q14) →	86% Breaches of water quality standards (Q8), BUT only 12% considered it to be reported on well (Q11)
54% Number of employees by gender (Q14) →	70% Number of employees by gender (Q8), BUT only 37% considered it to be reported on well (Q11)
53% Total greenhouse gas emissions (Q14) →	79% Total greenhouse gas emissions (Q8), BUT only 18% considered it to be reported on well (Q11)
42% Number of stakeholders engaged (Q14) →	69% Number of stakeholders engaged (Q8), BUT only 23% considered it to be reported on well (Q11)
36% Number of cyber security breaches (Q14) →	77% Number of cyber security breaches (Q8), BUT only 9% considered it to be reported on well (Q11)
31% Amount of nitrogen used (Q14) →	66% Amount of nitrogen used (Q8), BUT only 8% considered it to be reported on well (Q11)
18% Average payment period in days (Q14) →	50% Average payment period in days (Q8), BUT only 14% considered it to be reported on well (Q11)
17% Types and numbers of animals in care (Q14) →	49% Types and numbers of animals in care (Q8), BUT only 10% considered it to be reported on well (Q11)

What preparers think

What users think

C. CONTENT CONT. | Elements of EER disclosure

85% indicated future orientation was an important/very important disclosure (Q12).

Other comments: 'As a subsidiary of a foreign-listed company, we report to external stakeholders under our group-wide approach rather than a market-specific [approach] and therefore provide limited information at a local market level.' – Preparer comment (Q12)

Other comments: 'Key stakeholders [are] viewed as owners. Other mechanisms [are] in place to report to these stakeholder groups [these statistics] that sit outside of the financial reporting frameworks.' – Preparer comment (Q12)

Other comments: 'My experience of reporting risks has been that whenever government organisations get involved, the usefulness tends to get diluted and generalised.' – Preparer comment (Q12)

5. Future orientation information is an emerging key requirement.



It delivers better decision making for existing and potential investors, government and other stakeholders.

96% indicated future orientation was an important/very important disclosure (Q6), BUT only **56%** thought future orientation was being reported on well (Q9).

Yes: 'For understanding the longer-term health and prospects of the for-profit entity.' – User comment (Q5)

92% accessed EER information to understand the company's business model (Q5).

92% accessed EER information to understand the company's strategies and future prospects (Q5).

90% accessed EER information to make judgments about the operations and wider impacts of the company (Q5).

Users indicated that over the next five years they expected to use EER for:

33% making investment decisions (Q21)

26% making informed judgments about the operations and wider impacts of the company (Q21)

Other comments: 'Assess the sustainability, integrity, ethics and reliability of an entity based on all of the above for the purpose of building and establishing partnerships or relationships and responding to needs for development and improvement including research and development activities and opportunities.' – User comment (Q21)

D. FRAMEWORKS | Legislation, rules and guidance

23% of CFOs' survey results suggested that they used an external reporting framework when preparing EER (Q9).*

Preparers' Survey results suggested that they were not aware of the following frameworks (Q11):*

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.

6. Preparers are not aware of the range of EER frameworks available.

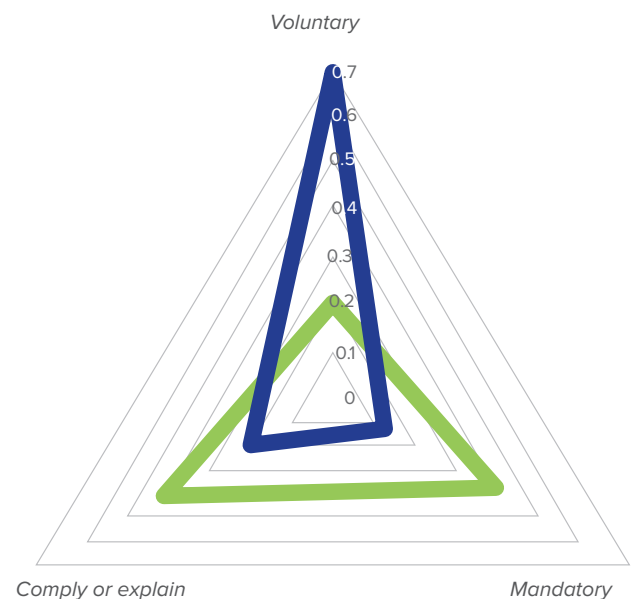


While some are very proactive in seeking out alternative ways to provide EER, others are not interested.

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



In an increasingly complex world, Users want to make decisions based on timely, reliable, relevant and comparable EER information.



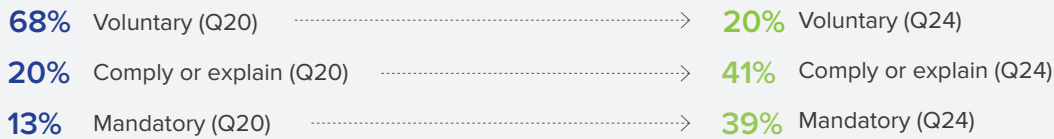
8. XRB is the favoured standard-setter.



Both Preparers and Users look to the XRB for EER guidance or mandatory requirements.

D. FRAMEWORKS CONT. | Legislation, rules and guidance

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



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



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



E. ASSURANCE | Verification, reliability and trust

56% thought that EER should be independently assured (Q19).

Yes: 'Must be reliable to avoid temptation to fluff.' – Preparer comment (Q19)

No: 'Compliance cost would be an unnecessary burden and barrier to completion.' – Preparer comment (Q19)

36% thought they [the CFO] should sign off the financial statements (Q27).

Yes: 'I believe it is a reasonable stance to take. It feels like common sense.' – Preparer comment (Q27)

No: 'Directors should sign. I would expect that they would seek their own representation from the CFO and CEO.' – Preparer comment (Q27)

9. Independent assurance is an emerging key requirement for EER information.



It inspires trust which enables companies to build good relationships with stakeholders, including suppliers, consumers and the wider public.

76% thought that EER should be independently assured (Q26).

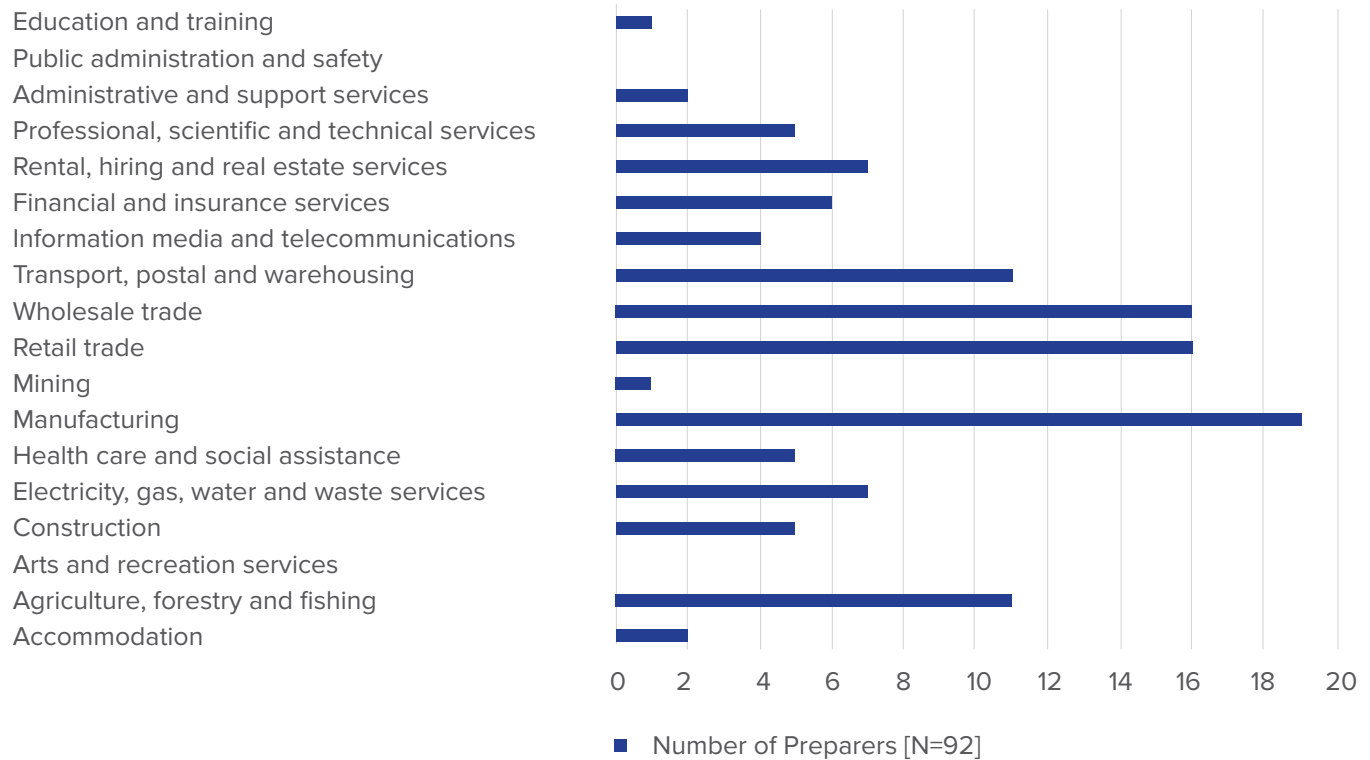
Yes, for credibility and assurance: 'In my experience, company systems for reporting this information are not mature and they are more prone to error. I have assured a number of sustainability reports and have identified contextual errors, issues of balance that need to be addressed and potential bias towards a more positive story. The board is responsible for the content of such a report and needs to have independent assurance (as do the users) that the data is faithfully represented and reporting principles have been applied.' – User comment (Q26)

Other comments: 'The extended reporting will be varied across entities and industries and will be very difficult to standardise and assure. Any assurance process will add time, cost and complexity to an organisation. Emphasis should be placed on improving and standardising disclosures.' – User comment (Q26)

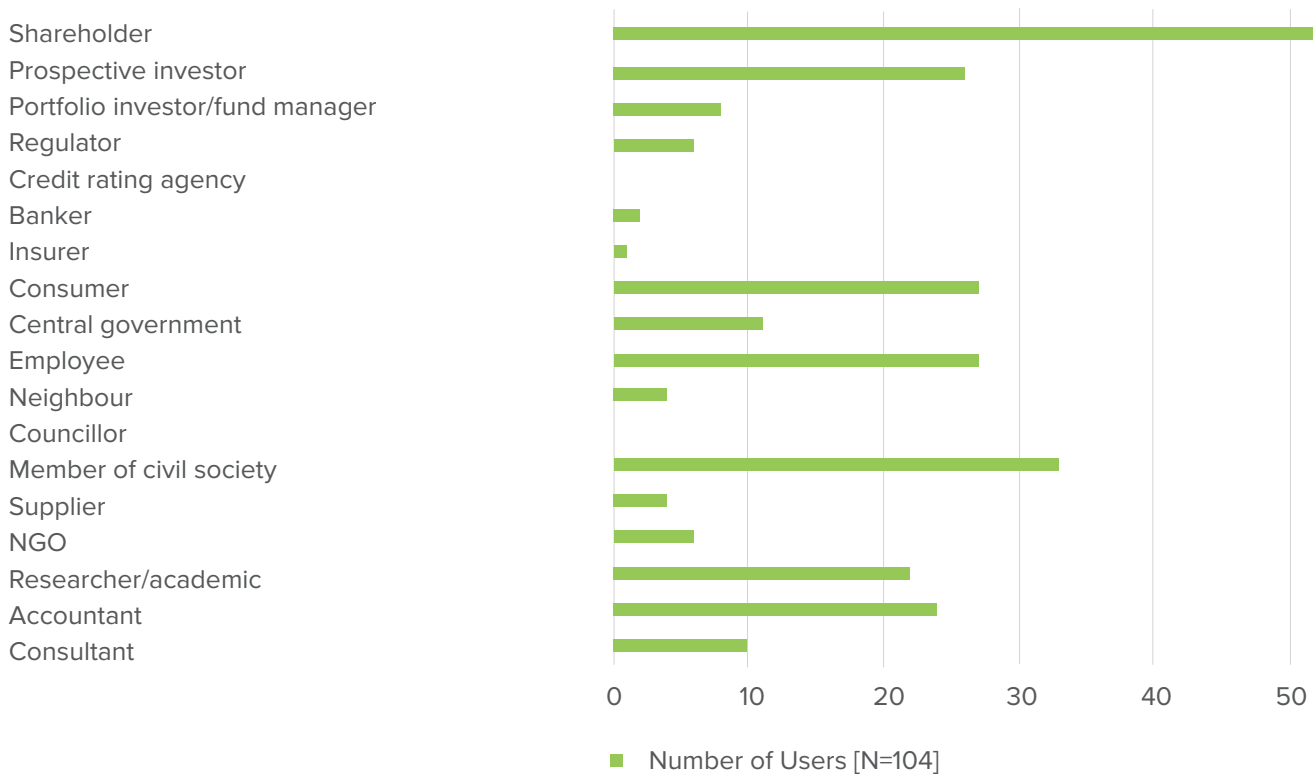
Other comments: 'The extent to which an entity is transparent is evidence of itself from my perspective – tells you a lot about an organisation's culture and commitment.' – User comment (Q26)

Respondents by primary activity or capacity and reason for interest

S1: Preparers' areas of primary activity



S2: Users' capacities and reasons for interest



Note: Both Preparers and Users could select more than one option in this section. Responses to the questions throughout the survey may therefore be a response from more than one industry or capacity.

Why the two surveys?

The *Preparers' Survey* and *Users' Survey* explored the current and future landscape of reporting in New Zealand and the usefulness of corporate reporting for public decision making. We were interested in the threshold (criteria) that determines which companies should have to report what information (content), to whom this information is disclosed (accessibility) and whether corporate reporting is meeting the needs of users.

With this in mind, 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 and
- understand the barriers to and enablers of Extended External Reporting.

These two surveys asked respondents to tell us about the challenges and opportunities that currently exist for Preparers and Users of Extended External Reporting. The goal was to identify what Preparers want and Users need. Getting the balance right between their conflicting needs and wants often comes down to discussions over the cost of preparing information and the desire to keep certain information private for competitive reasons. However, companies' licences to operate must be considered within the wider context of technological and sociological change.

These surveys highlight the current state of play of Extended External Reporting in New Zealand. They illustrate the gaps between Preparers and Users from the lens of the public good: what is good for the company, the investor, the citizen and the country.

These surveys were a collaboration between the External Reporting Board and the McGuinness Institute. We hope this highlights summary will be used as a tool to inform CFOs and company boards, industry organisations, standard-setters, policy makers and other innovators. All four documents below can be found at www.reportingnz.org and www.xrb.govt.nz.

Publications in this series



(This document)

About XRB

The External Reporting Board (XRB) is an independent Crown Entity responsible for financial reporting strategy and for accounting, and auditing and assurance standard-setting in New Zealand. The XRB aims to engender trust and confidence in New Zealand organisations' external reporting, assist organisations across the for-profit, public and not-for-profit sectors to compete internationally and to enhance their accountability to stakeholders.

About McGuinness Institute

The McGuinness Institute is a non-partisan think tank working towards a sustainable future for New Zealand. The Institute undertakes research and analysis with a view to contributing to a national conversation on New Zealand's long-term future.

Wendy McGuinness BCom, FCA, MBA (Author)

Reporting for the common good is a thread that runs through Wendy's career. In 1988 she prepared a report, *Implementation of Accrual Accounting for Government Departments*, for the New Zealand Treasury. In 2002 she was a member of the New Zealand Institute of Chartered Accountants' Taskforce on Sustainable Development Reporting. This led to the formation of the National Sustainable Development Reporting Committee in 2003–2004, of which Wendy became Chair. She was a judge of the Sustainability Awards from 2004–2009. In 2004 she set up the McGuinness Institute, which in 2011 published the *Integrated Annual Report Survey of New Zealand's Top 200 Companies: Exploring Responses from Chief Financial Officers on Emerging Reporting Issues*.

The research team included: Isabella Smith, BA; Sally Hett, BA; Karri Shaw, BCom; and Madeleine Foreman, LLB (Hons)/BA.

Special thanks

Thank you to all the survey respondents. It was important to hear your thoughts and ideas on Extended External Reporting. The team at the McGuinness Institute would also like to thank the External Reporting Board and, in particular, Lay Wee Ng for her feedback and guidance on this work.

This research is a collaboration
between the External Reporting Board
and the McGinness Institute.



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