

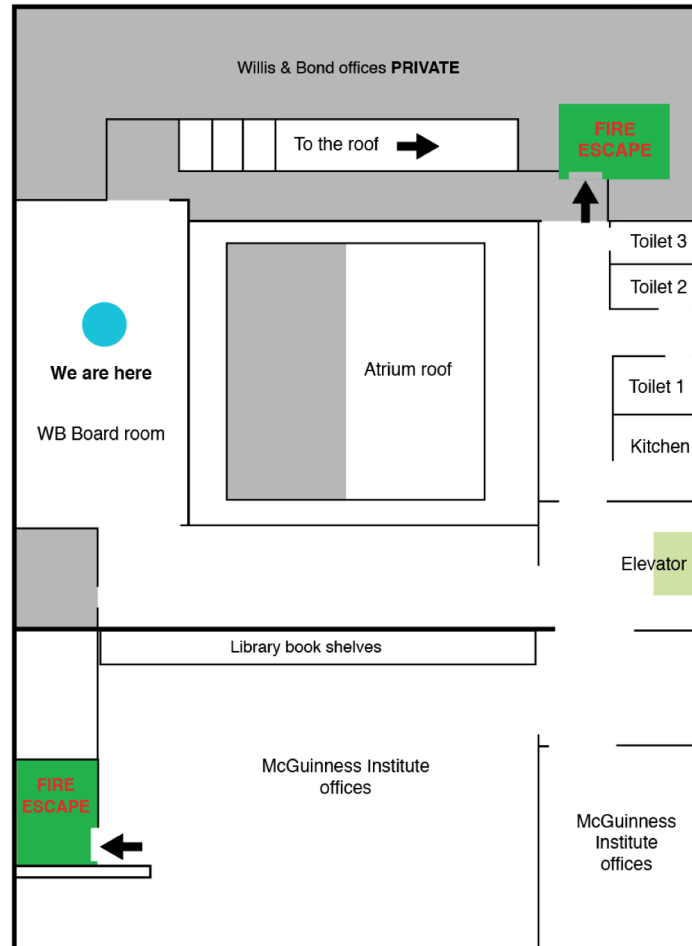


HOW NEW ZEALAND COULD IMPROVE ITS REPORTING FRAMEWORKS?

1 AUGUST 2018

MCGUINNESS INSTITUTE
TE HONONGA WAKA

HEALTH AND SAFETY



August 2017

Report 17

2058

ReportingNZ

Building a Reporting
Landscape Fit for
Purpose

MCGUINNESS INSTITUTE

AGENDA

About the McGuinness Institute

Section 2 – Hindsight: Evolution of the reporting framework

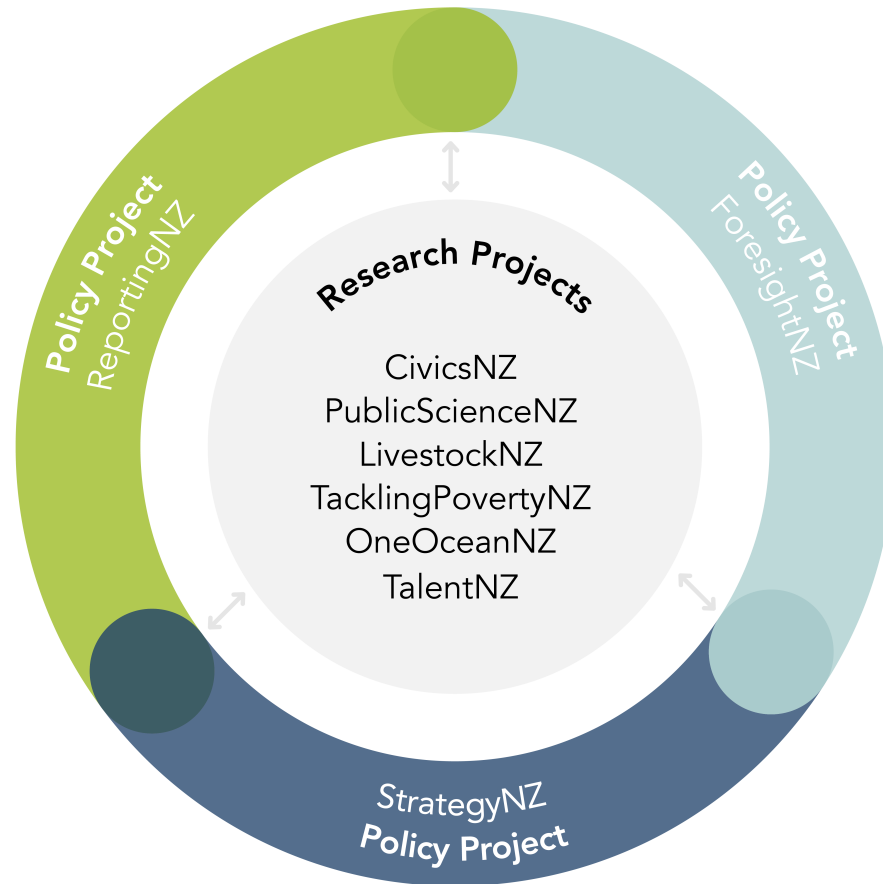
Section 3 – Insights: Primary research

Section 4 – Foresight: Trends

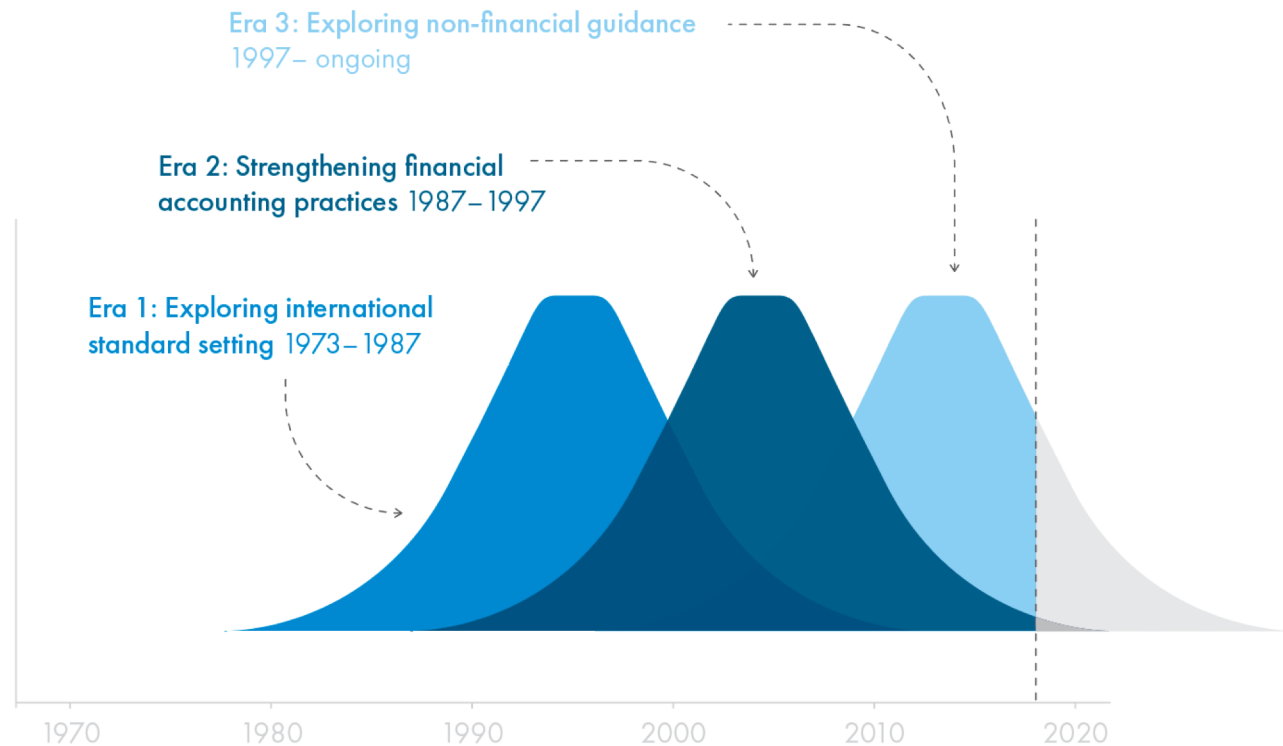
Section 5 – Analysis of the New Zealand reporting framework

Section 6 – Policy knots

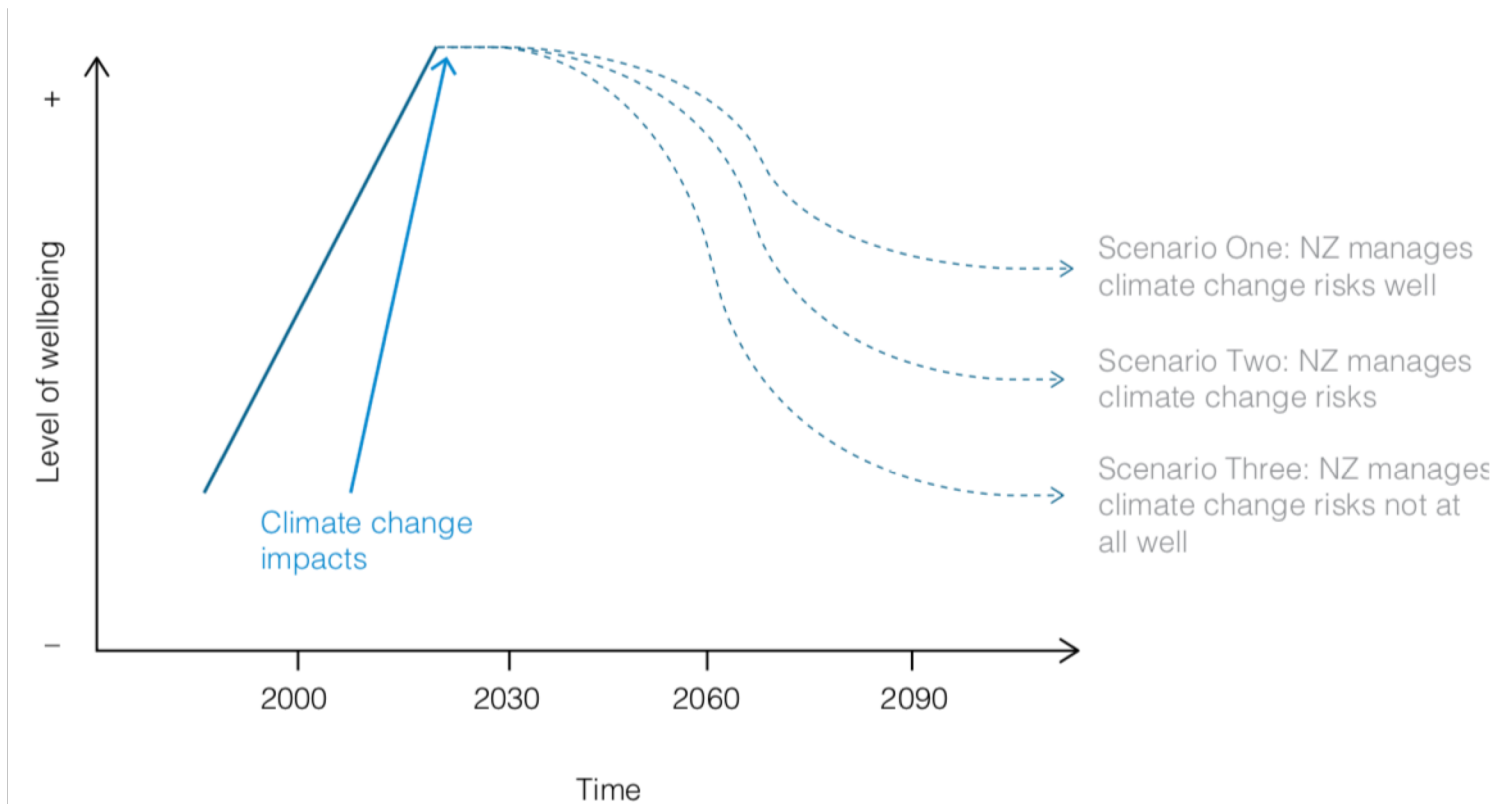
Section 7 – Recommendations

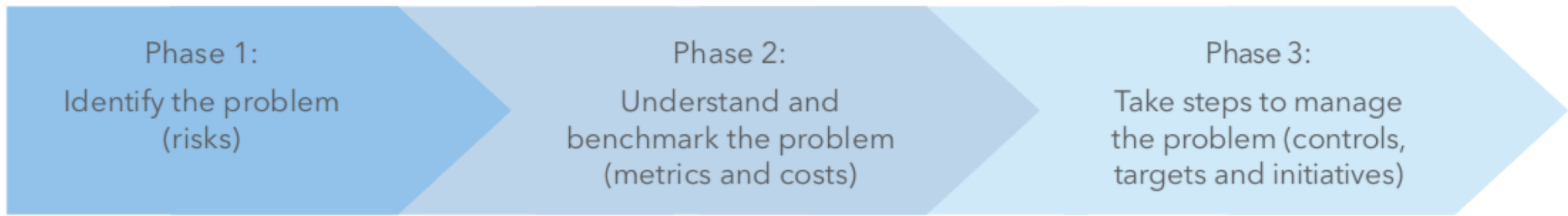


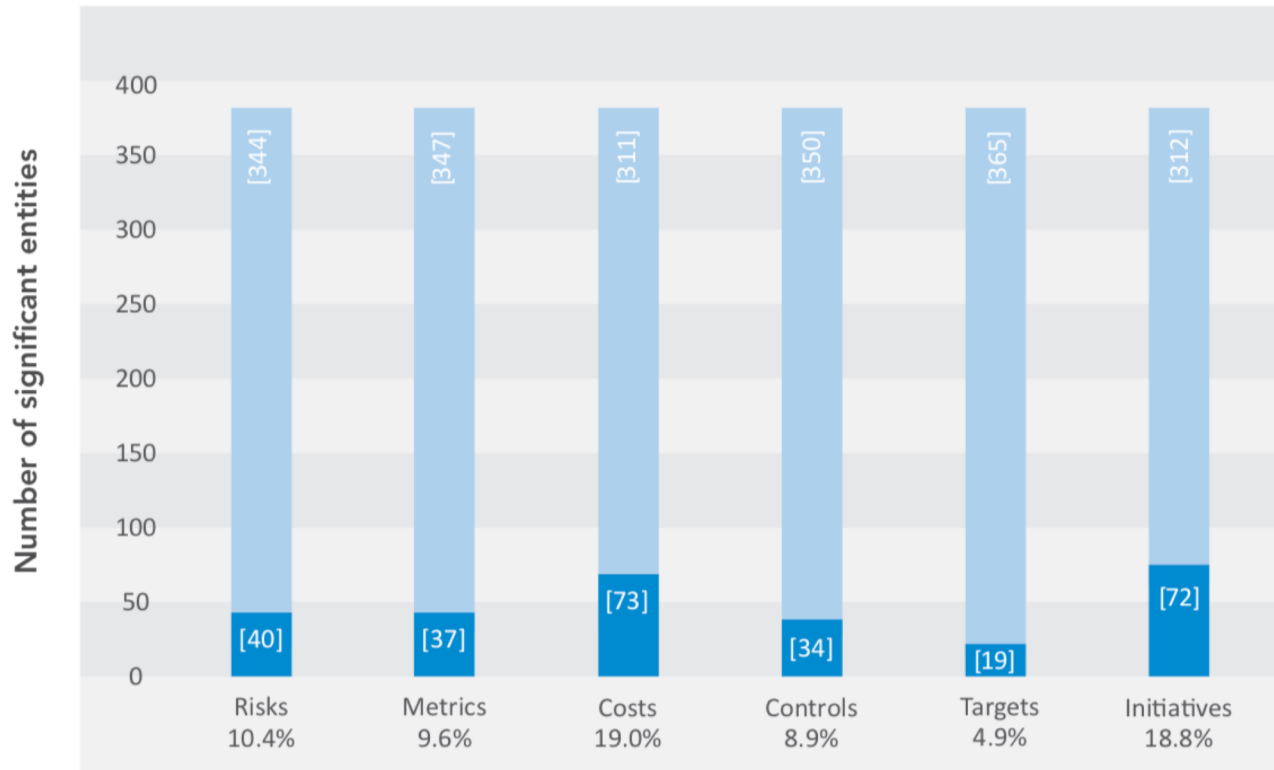
SECTION 2 – HINDSIGHT: EVOLUTION OF THE REPORTING FRAMEWORK



SECTION 3 – INSIGHTS: PRIMARY RESEARCH

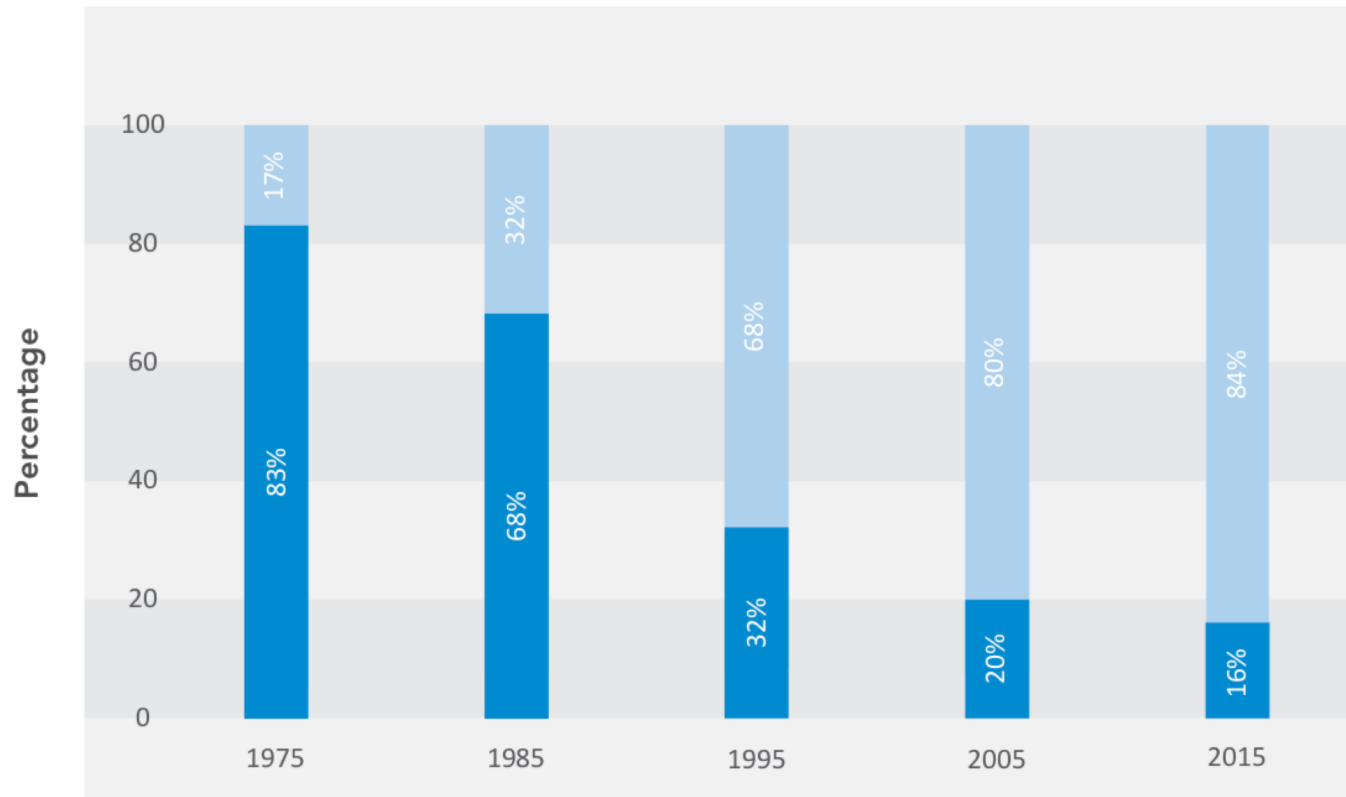






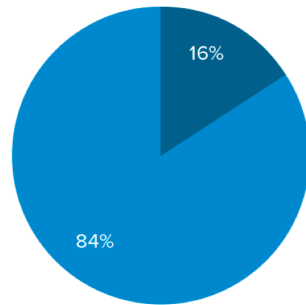
Climate change information categories

- Significant entities that did not disclose climate change information
- Significant entities that disclosed climate change information



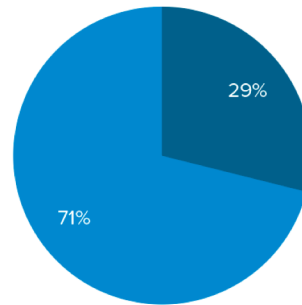
- Intangible assets (market capitalisation less net tangible asset value)
- Tangible assets (net tangible asset value)

(i) 2015 S&P 500



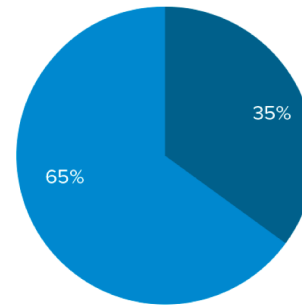
■ Tangible asset value
■ Intangible asset value

(ii) 2015 S&P Europe 350



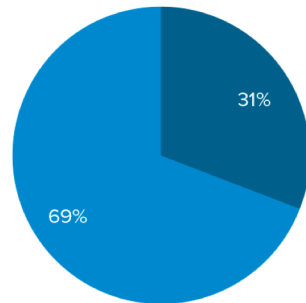
■ Tangible asset value
■ Intangible asset value

(ii) 2015 Shanghai Shenzhen CSI 300



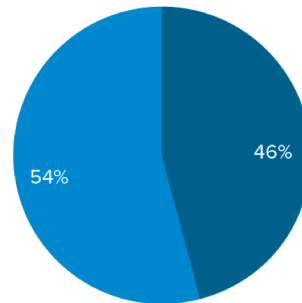
■ Tangible asset value
■ Intangible asset value

(iv) 2015 Nikkei 225



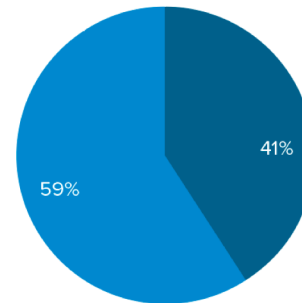
■ Tangible asset value
■ Intangible asset value

(v) 2015 Kosdaq Composite Index



■ Tangible asset value
■ Intangible asset value

(vi) 2017 NZSX



■ Tangible asset value
■ Intangible asset value

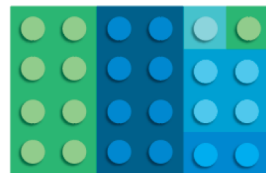
SECTION 4 – FORESIGHT: TRENDS

Trends: Forces shaping the overall system

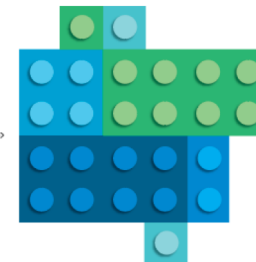
- 1. Increasing complexity and interconnectedness
- 2. Increasing future focus
- 3. Increasing level of distrust
- 4. Growth of big data and information explosion
- 5. Increasing cybersecurity and data privacy concerns
- 6. New business models
- 7. Increasing activism

Implications: Changing the framework

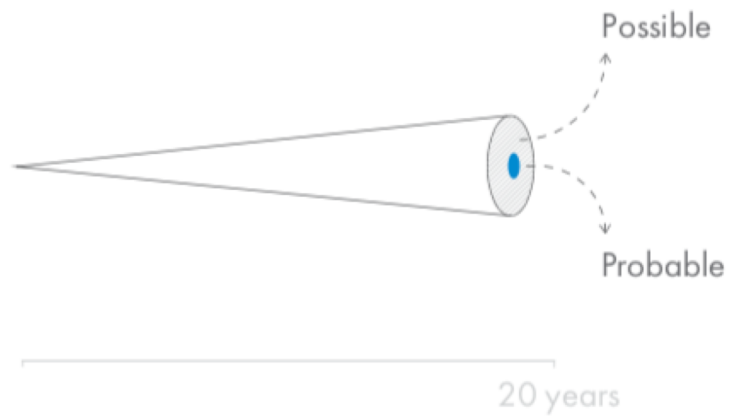
- 1. The need for risk and governance reporting obligations
- 2. The need for climate change reporting obligations
- 3. The need for taxation reform
- 4. Emergence of new reporting practices
- 5. Increase in number and frequency of standards and guidelines
- 6. The need for auditing reform



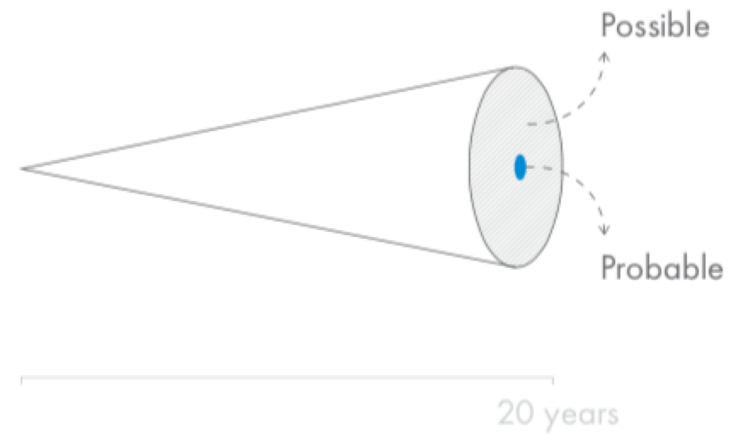
2013
Reporting framework



2018
Reporting framework

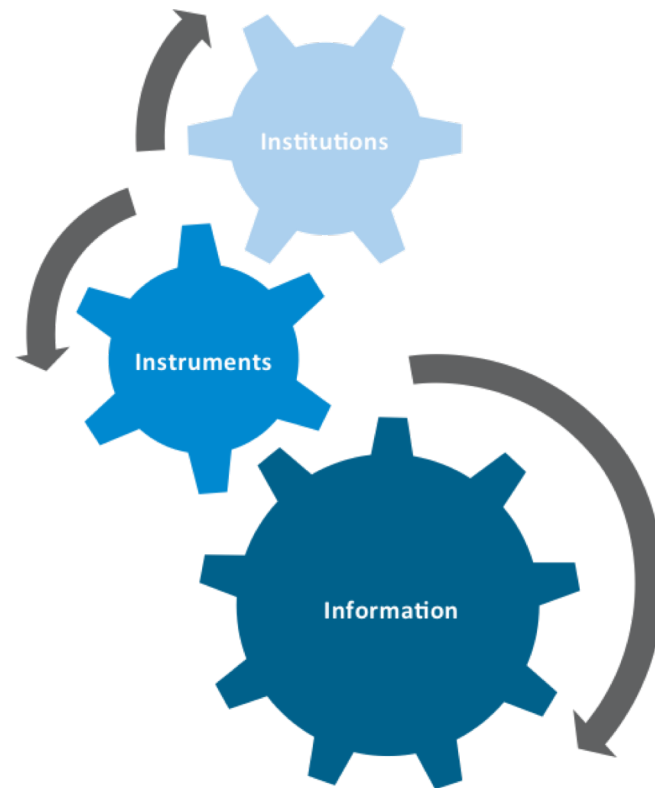


Certain, simple future



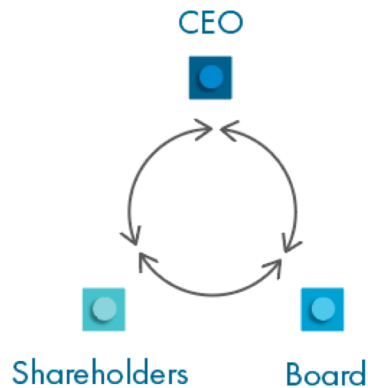
Complex, uncertain future

SECTION 5 – ANALYSIS OF THE REPORTING FRAMEWORK

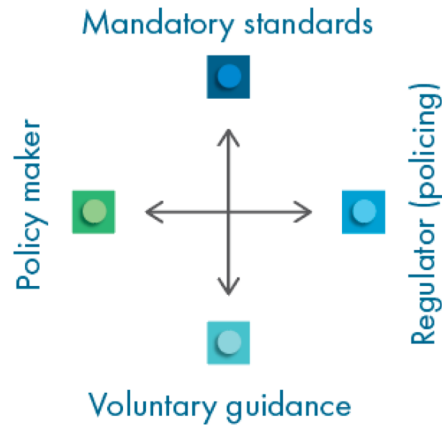


SECTION 6 – POLICY KNOTS

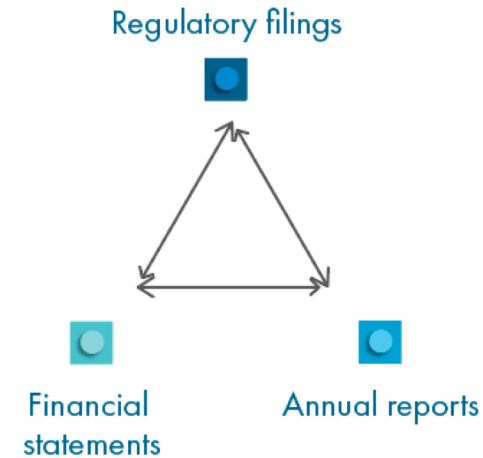
1. Tensions over who holds power:



2. Tensions over who writes and who regulates standards/guidance:

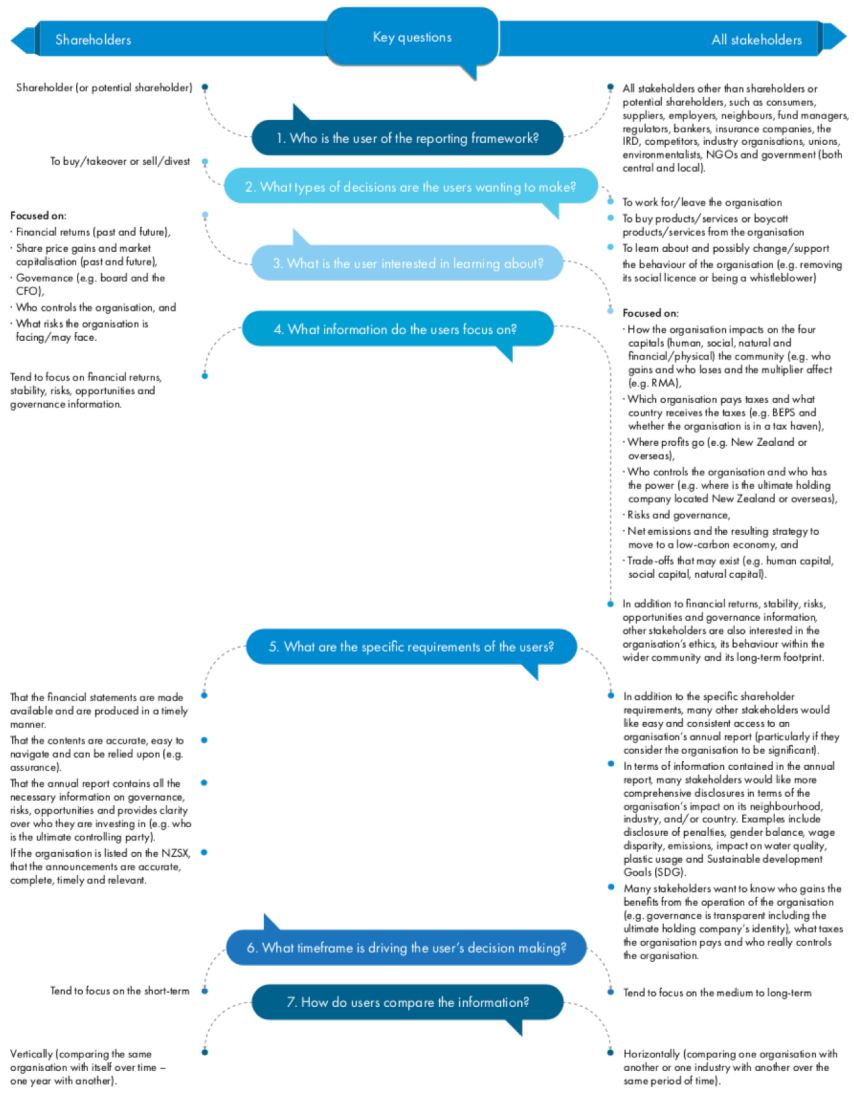


3. Tensions between reporting instruments:

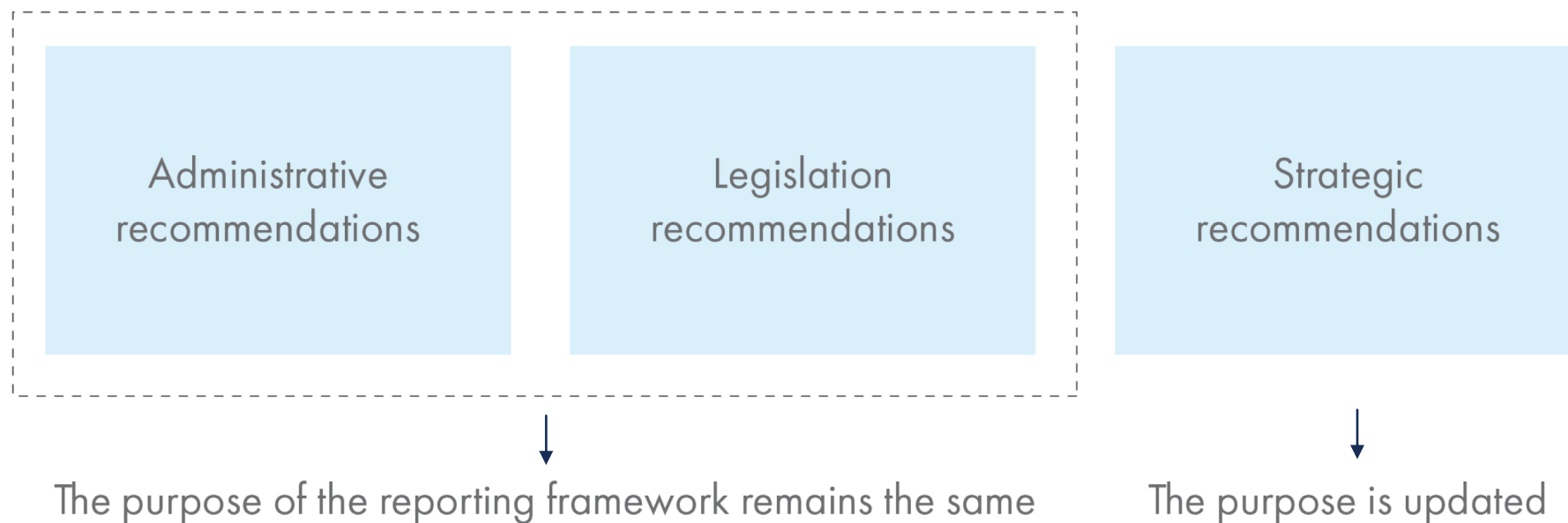


4. Tensions between reporting audiences:





SECTION 7 – RECOMMENDATIONS



- The reporting framework is unnecessarily complex, outdated and inefficient. The framework has not been reviewed as a whole since the 1990s, not since the passing of the Companies Act 1993 and the Public Finance Act 1989.
- The legislation is not well integrated, especially the interaction of the Companies Act 1993 and the Financial Reporting Act 2013.
- The private sector reporting system continues to focus on shareholders even though shareholders are now working hard to report to stakeholders, as evidenced by the Climate Leaders Coalition. However without guidance on initiatives such as these they are likely to be unsustainable.
- The public sector reporting system continues to be made up of separate sub-systems and, as such, fails to capitalise on the benefits of integration and scale.
- Financial statements are losing their relevance as price (market value) and tangible assets on balance sheets become increasingly disconnected.
- Penalties for non-compliance with reporting requirements are low or non-existent (e.g. s 211 of the Companies Act).
- Timing boundaries for publication are unnecessarily long (e.g. currently some companies have five months from balance date to file financial statements).
- The IASB is unlikely to resolve reporting on non-financial information in the short to medium-term; their focus will continue to be maintenance of the status quo.
- Unlike financial statements that follow international standards, the annual report and national filings can be managed by each country.
- There is no one responsible for stewardship of the whole system.

THANK YOU



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