UNCTAD-ISAR Workshop on the Future Direction of the Corporate Reporting Model

Monday, 13th October 2014
Room XXVI, Palais des Nations, Geneva

Workshop material:

*The role of business and corporate reporting in addressing major challenges of global development agenda*

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Future Direction of the Corporate Reporting Model

Geneve - November 13, 2014
WHY CORPORATE REPORTS ARE SO IMPORTANT?

**Cause**

- Reporting requires knowledge
- Reporting influences behavior
- Good Reports result in greater transparency
- Good Reports help to build trust

**Effect**

- Better controls
- Better Management
- Solid decision making process
- Improve market capability of ascertain the company’s value
- Generate long term value
FINANCIAL REPORTS

- Listed Companies/Financial Institutions
- Public Sector
- Corporate Report
- Non-listed Companies
- SMEs
The percentage of market value represented by physical and financial assets versus intangible factors, some of which are explained within financial statements, but many of which are not.
WHEN A COMPANY HAS PROVED ITSELF SUSTAINABLE?

SUSTAINABLE COMPANY
Evolution of Corporate Reporting

Source: IIRC
Content Elements

- Organizational overview and business model
- Operating context, including risks and opportunities
- Strategic objectives and strategies to achieve those objectives
- Governance and remuneration
- Performance
- Future Outlook
Basic Principles of Integrated Reporting

**Strategy focus and future orientation**
- Companies shall inform not only where they are now, but where they intend to be in the future

**Connectivity of Information**
- What a company inform in a report shall be compatible with what is informed elsewhere

**Stakeholders responsiveness**
- Reports shall address the necessity of stakeholders
Basic Principles of Integrated Reporting

Materiality and Conciseness
- Excess of information can be misleading, companies shall keep reports concise and objective through the application of materiality concept

Reliability and Completeness
- Reports shall present not only opportunities, but also the risks a company is subject to, in such a way that independent auditors can, in the future, provide assessment

Consistency and comparability
- Information shall be given on a consistent basis so stakeholders can build solid analysis
INTEGRATED THINKING

Report

Financial Information

Responsibility

Accounting Department

Sustainability

Marketing/Environmental Division

Social Responsibility

Human Resources

Corporate Governance

Investor Relations
• Until a recent past, each country applied their own accounting standard

• Currently a large number of countries had converted to an international standard – mainly IFRS and at the same time that are requiring or stimulating the presentation of non-financial information, like sustainability reports

• In a near future, all countries and companies will be presenting financial and non-financial information on an integrated basis
Transparency

Better Information

Better decisions

REPORTS ARE MANAGEMENT TOOLS
Brazilian Initiatives

Brazilian Stock Exchange and Central Bank have been sponsoring the presentation of non-financial information

BMF & Bovespa
- Brazilian Exchange
  • Sustainability Report or Integrated Reporting
  • Explain why not

Brazilian Central Bank
  • Resolution 4327
  • Socio-environmental Policy
“We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle. We encourage industry, interested governments as well as relevant stakeholders with the support of the UN system, an appropriate, to develop models for best practice and facilitate action for the integration of sustainability reporting, taking into account the experiences of already existing frameworks, and paying particular attention to the needs of developing countries, including for capacity building”. 
Development Banks Engagement

- Leadership and Knowledge of companies
- Aim at Transparency
- Anticipate Problems
- Act as facilitator towards the Capital Market
- Take part in the Regulation Process
- Represent the IDFC’s position
- Link to Regulators
- Network to other development banks
Brazilian Monitoring Network
Brazilian Monitoring Network

• IIRC

FRAMEWORK

Pilot Program

• Member Companies

• Brazilian Market

Brazilian Network
Currently: 256 participants
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• Brazilian Securities Exchange

• Brazilian Institute of Auditors

• Association of Market Analysts

• INICIATIVE OF BRAZILIAN EXECUTIVES
IT'S TOO MUCH IMPORTANT TO ALLOW FOR PASSIVE ATTITUDE
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