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Friday, 6 November 2015
Morning Session

Guidance on good practices in the area of compliance monitoring and enforcement

Presented by

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Guidance on good practices in the area of compliance monitoring and enforcement (global view)

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Room XVIII, Palais des Nations, Geneva, 46°13’35.63″N 6°8’25.72″E
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Global Capital Markets

Sources: www.world-exchanges.org, www.marketwatch.com (estimates) and UNEP Inquiry

- **Equities**: 45,000 listings, $66 trillion market cap
- **Currencies**: $5 trillion daily trading
- **Public Debt**: $58 trillion
- **Banks and Institutional**: Value Multipliers: Derivatives, other bonds and loans (secured and unsecured): 167 trillion
- **SMEs, Real Estate other Tangibles and Natural Capital**
- **Insurance and Intangibles**
“The development of audit standards and practice in different countries is influenced by numerous factors including the nature of financing, the size and complexity of businesses and capital markets, tax laws and the legal environment.”

Look at: http://adt.unctad.org/

What has changed?

1. Preparers
2. ICT information/communication technology
3. Payment Systems
4. Standards and Frameworks
5. Legal and Tax (LEI, OECD – “global tax chaos”)
6. External information - sustainability
7. Auditors
Codify Information in the Reporting Supply Chain – good practices

- Information Repositories for entities and languages
- Standards (IFRS, GRI, SASB, others) converge and copy
- Technology (ERP, XBRL, ICT, SoMoClo, others)
- Integration (new models)
- 3 P Model (products, people, physical infrastructure)
- Separate Objects from Value – physical objects are becoming software code (3D, IoT) – focus on valuation: IVSC and materiality of objects
- Auditing (Big 4: $130 billion Revenue, 800,000 people, 40% global consulting share, PwC largest) – Global knowledge gateway and global regulation survey (IFAC)
Discussion Points: **good practices**

- **Capital Markets:** complexity of regulation
- **Reporting entities:** comparability, transparency
- **Standards and Auditing** (e.g. SASB, metrics)
- **Integrated Reporting:** combine standards

**Technology and Paradigm Shift needed**

- Plenary Discussion
Proposed Reporting Format by Entity: Industry/Segment (3P’s)

3P’s:
Separate
Object (fact)
tracking
and Valuation

OBJECTS    X    VALUE
@ Location  @ Time

3P Statement
Cash Flow +/- Non-Cash = Results per Period

1. Products/Services – external (Social & Relational Capital)
   Objects x Value by currency

2. People - Detail (Human Capital)

3. Physical (Plant) Infrastructure (Manufactured & 4. Natural Capital)

Integrated “Thinking” & Capitals, including 5. Intellectual Capital (IC)
Forecast  Disclosure  Risk
Period 1, 2, 3  Explain  Assess

6. (Funded by) Financial Capital – Reconciliation & Forecast
   Net Operating Assets less net Investing
   and Financing activities
   Owners (Income/Equity) +/- Tax (Net)
   Additional disclosures

Figure A2. The proposed reporting format (numbers 1–6 indicate IIRC capitals).
Notes: As mentioned in Section 4.2.1, each entity has to define its own objects based on an assessment of materiality and risk, and report values in each currency.
Integrated Capital Disclosure and Performance Reporting (Ramin-Lew) Model

Outline: 3.0 Three simple Capital Drivers: (3Ps: Products, People, Physical Infrastructure) and an XBRL example using IFRS, GRI and SASB standards

A model for integrated capital disclosure and performance reporting: separating objects from value

Journal of Sustainable Finance & Investment

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