

Memo



Attn: Pantelis Pavlou – FEE
From: Dick de Waard – University of Groningen
Date: 30 April 2016
Subject: Questions/answers FEE document Future of Corporate Reporting

No.	Question	Answer
1.1	<i>Which are the steps in the reporting process that assist in ensuring that the stakeholders' information needs are properly addressed?</i>	The company should establish an adequate and continuous process of stakeholder engagement to learn from her stakeholders. Not only to find out what is relevant for the content of the corporate report. Corporate reporting is a process that starts with the company's strategy and target setting and ends up in the corporate report. This means that stakeholder engagement is relevant for the development of the company's strategy and goals. The company should report in accordance with her strategy, which means that the stakeholder's needs will be reflected in the corporate reporting process.
1.2	<i>Do you identify any impediments to reach to a broader audience for corporate reporting?</i>	A relevant impediment might be to complex models for corporate reporting. Information should be easy to access. However, that in itself implies, that the website and its content should be available in the national language too.
1.3	<i>When and how should stakeholders get involved in the reporting process?</i>	See my answer to Q1.1. It is important to involve stakeholders in the process of developing the strategy and in the target setting process. Corporate reporting is a process, not only the end of it.
1.4	<i>Do you agree that two-way communication between companies and their stakeholders is needed to focus reporting on stakeholder needs?</i>	Yes, I agree. If a company wants to report in accordance with her stakeholders' needs, management should know what these needs are. Besides that, it would be very inspiring and informative to know the stakeholders' needs, to strengthen the company's license to operate and to ensure that company goals will be reached.
1.5	<i>How could technology drive and enable changes in the audience of corporate reporting?</i>	I am not an expert in the field of modern (digital) technology, but I think that these modern technologies might enable the company to seek for her stakeholder's attention in a proactive way by using social media, but also by redesigning the corporate website and redefining it's content.

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2.1	<i>Do you agree that financial statements have lost, or are losing, some of its relevance?</i>	If too many people repeat too often that something is changing, we all will start to believe that it is really happening: institutionalization. It is also possible that financial statements as such are still relevant, but that the relative position – comparing with non-financial information – is declining. And if that is your question, I would say: yes I agree.
2.2	<i>If so, which are the key issues resulting in the declining relevance of financial statement?</i>	In my opinion there has always been a need for non-financial information, but it looks like it was not part of our culture to make this need concrete. Nowadays other relevant stakeholders like NGOs are in a different position, more real stakeholders and less constraining opponents. Besides that, there is a growing concern regarding the state of our planet combined with shifting ideas about ethics. This makes that governments, the NGOs, clients, employees and so on do need other information.
2.3	<i>What are the key steps that should be taken by standard setters and policy makers to foster innovation and enable financial reporting to regain and enhance its relevance?</i>	The most important to do – in my opinion – is to give financial information a new – more integrated position in the total mosaic of information to share, with crystal clear cross references with other types of information. It is in my opinion wrong to make a difference in financial and non-financial information in the way it is being done nowadays. I don't offer a solution, but the non-financial information we are talking about, also contains financial information, but that is information that is most of the times not mandatory.
2.4	<i>How could technology assist in innovation for financial reporting?</i>	As I mentioned before: corporate reporting should be built on cross references between types of information. I agree with the recommendations as presented on page 43: "(b) Improving the notes in financial statements". This will result in a more integrated way of presenting information and this might give less financial orientated stakeholders more insight in the company's activities.
2.5	<i>Which are the key challenges in developing an international set of standards and/or guidance for NFI that can be applied cross the board?</i>	The main challenge is the balance between mandatory and voluntary reporting. It might be necessary to set a certain amount of legislation on this issue to make companies report more relevant information, but using checklists will result in ticking boxes. I think it is very important for companies to start reporting more about the outcomes of their activities. The UN set the Sustainable Development Goals and national governments gave their commitment to these SDGs. How will they/we know that these goals are reached, without reliable information from companies that are relevant parties to reach these goals.

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2.6	<i>Which organization – if any – should take the lead in developing an internationally accepted principles-based framework for NFI?</i>	In my opinion the IASB could be an important institute to set new standards. They could move from IFRS to ICRS (International Corporate Reporting Standards).
2.7	<i>What is the appropriate level of authority that those principles should have?</i>	The same level as IFRS has. Unfortunately we have to deal with separate standard setting in some countries like the US. Cooperation and an open dialogue would be necessary.
2.8	<i>What is the best approach to experimentation in the area of NFI? What challenges would constituents be expected to face?</i>	I think that some large and visible multinational (European) companies should participate in a pilot project (financed by governments or the EU). The main challenge is the fact that this would imply extra support and costs for more than one year. The way participating companies will fill in their ideas of corporate reporting might differ and then the constituents have to distill a kind of suitable uniform model based on different outcomes.
3.1	<i>Do you agree that the proposed CORE & MORE model could be a way forward for corporate reporting in the future? If not, why not?</i>	Yes, I agree. I think, that it is inevitable because of the arguments mentioned in the paper: the growing audience and the need for additional information.
3.2	<i>In which ways could the CORE & MORE help addressing the needs of a wider stakeholders' group?</i>	I think this is the only option. The next step is to develop techniques to make CORE & MORE real. The new and next generation(s) of stakeholders will access the company via the digital channels, so it is important to create innovative digital models for reporting. CORE & MORE is a concept, a way of thinking. It might be an idea to approach companies that are already ahead in corporate reporting and ask for their commitment (maybe by putting EU grants on it) to start a real innovative reporting model/system. Annual reporting is a money consuming activity. These small pilot group has to meet the existing mandatory reporting and besides that they might be asked to develop a second reporting model, process, system. No company will do this on a 100% voluntary base.
3.3	<i>What is the role of technology in developing a CORE & MORE model?</i>	I think that technology is essential. No CORE & MORE without smart technology.

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3.4	<i>Do you have any thoughts on whether, when and how corporate reporting should be updated?</i>	This question can be answered from two perspectives. If you mean updating the model of CORE & MORE as presented in the paper, I think that this should be an ongoing process from now on. If you mean the updating of the information that companies present in CORE & MORE, I agree with the vision as presented in the model of dynamic, periodic and ad hoc elements. There might be a risk that corporate reporting evaluates toward a news bulletin, communicating continuous developing 'news facts'. Maybe that is not a problem, but it is something to think about.
3.5	<i>How should policy makers and standard setters address the trade-off between standardization versus innovation?</i>	That is the difficult question about the balance between principle based and rules based. I don't have a clear answer. Some things should be set in standards, some not and some things should be voluntary and some not. The main thing is, that there should be a mechanism that forces companies to report more relevant and less redundant information.
3.6	<i>What are the main challenges and the key benefits of a parallel experimentation in the area of corporate reporting?</i>	The challenges are - in my opinion - the costs of developing new corporate reporting, while at the same time these companies have to do also the mandatory reporting. There are companies in Europe that are already publishing first concepts of kinds of CORE & MORE (i.e. Port of Rotterdam). That means that there are companies that are more or less experienced already.
4.1	<i>Which obstacles, if any, should policy makers remove to allow for innovation in corporate reporting?</i>	I think that the main obstacles are already mentioned in the paper: existing and differing legislation, the costs of reporting (and assurance), lack of knowledge, experiences and proven techniques, lack of awareness (policy makers and company boards) and the need for evidence based arguments (not the general statement that our world is changing).
4.2	<i>Do liability concerns, arising from non-compliance with reporting requirements form a barrier to innovation?</i>	I think that this is true. There is a lot of mandatory reporting, and the massive administrative burden to be compliant with these rules might be a constraint to voluntarily participate in an innovative project.
4.3	<i>Is the current structure of dialogue between policy makers and corporate reporting constituents effective? If not, how should this be improved?</i>	I don't know the exact nature of this dialogue. I think that it would be a good thing to get high ranked representatives from policy makers on board. In the Netherlands, we have a platform for ESG reporting and Integrated Reporting and Assurance. Representatives from the Ministry of Economic Affairs and other governmental body are participating in this platform actively.

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4.4	<i>What other mechanisms are needed to ensure requirements can adapt over time to achieve better coordination and consistency between different pieces of legislation?</i>	I don't know. I think that the EU can play an important role.
4.5	<i>Do you have any examples of policies that enable innovation from your country? Should these examples be replicated at a European or an international level.</i>	In the Netherlands we have massive legislation regarding the performance and the content of reporting in the health care industry. Now local health care institutes started to make agreements with policy makers and they are allowed to be not-compliant to specific rules, without removing the rules.
4.6	<i>Do you agree with the proposal for a group to assist in identifying the main challenges and the key benefits from new innovative proposals for the corporate reporting of the future?</i>	Yes, I agree.
4.7	<i>Are there any other suggestions you have for policy makers as to how they can foster innovation in corporate reporting?</i>	Not at this moment.

Prof. dr. D.A. (Dick) de Waard RA MA
University of Groningen
[*d.a.de.waard@rug.nl*](mailto:d.a.de.waard@rug.nl)
+31 (0)50 3633768