

21 June 2016

**CIMA RESPONSE TO FEE COGITO SERIES - THE FUTURE OF
CORPORATE REPORTING – CREATING THE DYNAMIC FOR CHANGE**

CIMA welcomes the FEE report entitled ‘The Future of Corporate Reporting – creating the dynamic for change’ and the initiative to take forward thought leadership in this area on behalf of the profession. CIMA has shown long standing support for the standardization at international and European level of annual reporting for large companies. CIMA believes that this contributes to greater transparency and that this leads to efficient allocation of capital across the world economy.

CIMA, however, has concerns about the development of a conceptual framework which may compete with others that already exist. Specifically, the concept of integrated reporting and that of strategic reporting are already embedded at both UK and international level. The integrated reporting concept particularly is underpinned by a strong and well founded set of principles and is increasingly understood by investors and other stakeholders. These principles include accountability and transparency and involve setting out where the organisation has been and setting out the direction it is taking. They have been developed with widespread support and engagement across the globe. CIMA therefore cautions that the proliferation of different concepts, while interesting in itself should not lead to an increased burden on companies or confusion amongst investors across Europe.

In terms of the Core & More report CIMA agrees that there is a greater audience for reports than there used to be. However, it is clear that investors are still the primary readership and there is widespread evidence that investors value a report as a control mechanism which confirms officially what may already be known. CIMA believes that the consistency of non-financial information is the key to ensuring that investors are available to compare across geography and sector. We feel that this information should be provided at the discretion of the company although in line with existing frameworks.

CIMA therefore believes that the Core & More concept should be much more firmly bound to the integrated reporting concept which already has significant international support. The core of any report in our view must be integrated information and should relate to the needs of the organisation which is reporting. In short the concept of core should be akin to the concept of an integrated report.

Chartered Institute of Management Accountants

The Helicon One South Place London EC2M 2RB United Kingdom
T +44 (0)20 7663 5441 F +44 (0)20 7663 5442
www.cimaglobal.com

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Any additional information, such as that required by wider public policy stakeholders, could easily be provided outside of the annual, ideally integrated report. CIMA believes that a wider assessment of those needs would help to define this further. Furthermore, CIMA has some concerns that the Core & More concept may lead to an increasing disparity between the management information collected inside the business and the externally produced information. CIMA is also concerned that Governments are increasingly tending to use the annual report as a policy tool and that this is obscuring the real value of this. An example of this is that the information from subsidiaries has recently been mandated in the UK.

CIMA believes that single issue stakeholders may be better served through accessing information in other ways than the annual report. While we acknowledge the proliferation of such stakeholders we believe that the annual report should focus most tightly on key financial and narrative information around how value is added by the business model. We would also suggest that, for example, the section on stakeholder needs should be based more firmly on the needs of the investor. More specifically, we would challenge the detail outlined on page 59 of the paper. In our view much of the information labelled as more would be better provided through other sources such as the use of company web sites. Similarly the core information should also include non- financial information relevant to the company's long term value creation.

In terms of the concentration on information technology solutions placed in the report, CIMA feels that while of interest technology should be used in response to a change of demand. At present the investor community is content with the provision of a PDF document. A market for alternative solutions to this will develop as soon as investors reveal a preference for these. We are therefore not convinced that the underlying theme of technology within reporting merits the emphasis placed on it within this report.

We look forward to hearing from you regarding the response received from other stakeholders.

Yours sincerely,

D.J.Hackett

David J Hackett
Policy & Technical Manager

Chartered Institute of Management Accountants

The Helicon One South Place London EC2M 2RB United Kingdom
T +44 (0)20 7663 5441 F +44 (0)20 7663 5442
www.cimaglobal.com


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