

Companies need to respond to increasing user demand for non-financial information

Interested parties are increasingly expecting more relevant and reliable non-financial information from extended external reporting but companies are slow to meet the demand, new research finds.

The External Reporting Board (XRB) in collaboration with the McGuinness Institute published the *2017 Extended External Reporting Surveys* today.

Published in two separate surveys, the research studies the attitudes of company CFOs (*Preparers' Survey*) and interested parties (*Users' Survey*) towards Extended External Reporting (EER) in New Zealand.

The results from the two surveys are reported in key parts and compared in the documents, *Survey Insights* and *Survey Highlights*. These include what respondents think about 'content', 'frameworks' and 'assurance' of extended external reporting, and highlight conflicting attitudes in the supply and demand of non-financial information.

While both Preparers of external reporting and Users welcome the reporting of performance details and industry-specific statistics, Users generally want more information than Preparers currently provide. The study shows 63% of Preparers think it is important or very important to disclose information on strategies to achieve goals, compared to 95% of Users. Yet only 42% of Users consider this is well reported.

It is evident from the research that a significant number of Preparers are not aware of the range of global EER frameworks currently available.

Independent assurance is an emerging global requirement for EER information as it inspires trust, which enables companies to build good relationships with stakeholders. To this end, 56% of Preparers think EER should be independently assured, compared to 76% of Users.

External Reporting Board chief executive Warren Allen says: "The Users have spoken: Preparers need to rebalance their priorities to better serve the interest of multiple stakeholders (the Users). Focus on short-term financial returns to investors alone will sap growth and increase the cost of doing business."

McGuinness Institute chief executive Wendy McGuinness says: "Further reporting on industry statistics enables comparability between companies and industries, and contributes to a deeper understanding of trends and risks over time. At the crux, Users are highlighting a demand for more relevant and reliable information. The question for discussion is how we develop a system that meets the needs of Users without adding layers of bureaucracy."

For the McGuinness Institute, the Extended External Reporting research is part of a wider policy project: *Project ReportingNZ*.

ENDS

About the External Reporting Board (XRB)

The External Reporting Board (XRB) is an independent Crown Entity responsible for financial reporting strategy and for accounting, and auditing and assurance standard-setting in New Zealand. The XRB aims to engender trust and confidence in New Zealand organisations across the for-profit, public and not-for-profit sectors to compete internationally and to enhance their accountability to stakeholders.

About the McGuinness Institute

The McGuinness Institute is a non-partisan think tank working towards a sustainable future for New Zealand. Through applying hindsight, insight and foresight into research and analysis projects, the Institute aims to explore and contribute to the conversation around the long-term future of New Zealand.

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