

NZICA – Fit for the Future?

In a recent article in the *Sunday Star Times*, 'Accounting attitude doesn't add up', Rod Oram noted with disbelief that the New Zealand Institute of Chartered Accountants (NZICA) was supposedly redesigning itself as Fit for the Future, yet had decided to disband the Sustainable Development Reporting Committee (SDRC). Wendy McGuinness, the previous Chair of the NZICA's SDRC, and a member of the '2002 Taskforce on Sustainable Development Reporting' which originally developed the rationale for the SDRC, is 'shocked and dismayed by the decision to disband this important committee.' McGuinness says 'this implies New Zealand accountants are pulling out of this emerging area of study and business practice.'

Internationally, there is a great deal happening, as Oram indicates. Following the establishment of the International Integrated Reporting Committee (IIRC) earlier this year, the *Developing an Action Plan for Integrated Reporting* conference is to be held in mid-October at the Harvard Business School. The purpose of the conference is to develop a set of recommendations for the rapid and broad adoption of integrated reporting on a global basis. It is to be chaired by Robert G. Eccles, Harvard Business School's Professor of Management Practice. Professor Eccles is also co-author of a book titled *One Report: Integrated Reporting for a Sustainable Strategy*. McGuinness interviewed Eccles in Boston two months ago, and this video is now available on the Sustainable Future Institute website.

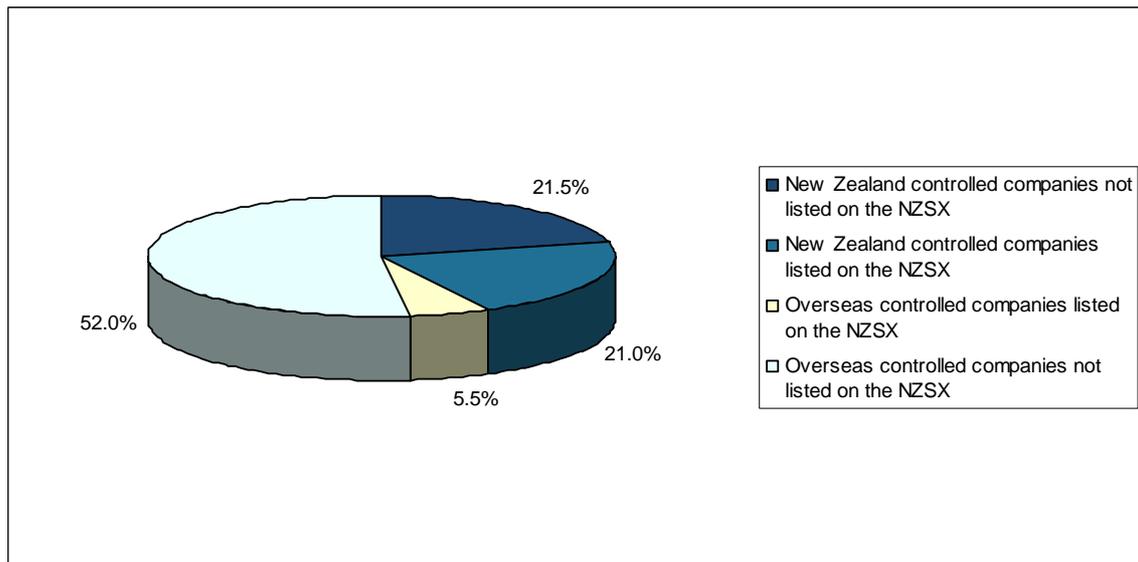
McGuinness is hoping to attend the Harvard conference, as she believes 'integrated reporting is one of the emerging mechanisms to improve trust in the community. It offers companies an opportunity to communicate not only financial results, but also social and environmental impacts, to investors and other stakeholders.'

Further, she notes 'while many companies have adopted integrated reporting on a voluntary basis, only a few countries such as Denmark, France and Sweden, require sustainability reporting. South Africa has taken the lead, being the first country to implement a mandatory integrated reporting framework for all listed companies.'

McGuinness believes New Zealand should consider adopting a voluntary filing approach for the country's Top 200 companies by revenue, noting, '52% of our Top 200 companies are overseas controlled and not listed on the NZSX'. With such a large percentage of these companies being technically invisible to the general public, the Sustainable Future Institute has suggested to the Ministry of Economic Development that the proposed Financial Markets Authority (FMA) implement a voluntary filing regime. The Sustainable Future Institute is undertaking a survey of the Top 200 companies to find out what they think, with the results to be published in November 2010. All companies that undertake the survey will be able to benchmark their results against those of their peers.

Figure 1: Percentage of Top 200 companies by NZSX and by overseas control

Source: *Management* magazine, December 2009: 70–83.



McGuinness considers New Zealand is missing a strategic opportunity to show leadership that aligns with our national brand. 'No longer is it acceptable to consider and regulate the financial markets and the environment in isolation from each other, and from society as a whole. We need to find ways for institutions to work together to develop trust not simply in the investor markets, but with those who cannot afford or choose not to actively invest but are affected by the way these entities operate'.

'It is therefore disappointing that the NZICA is falling behind in an area of significant importance to New Zealand, running the risk of having standards developed internationally without having the opportunity to shape these standards. Investing in this initiative would improve both public good and private sector outcomes, making accountants' part of the solution.'

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Background

Definition of One Integrated Report

Integrated reporting begins with a single document, combining an organisation's financial and non-financial (environmental, social and governance) performance and illuminating the relationship between the two. But it also extends beyond a paper document, utilising the internet to facilitate the integration of performance reporting as well as providing detailed information of particular interest to different stakeholders. The authors of *One Report*, Robert G. Eccles and Michael P. Krzus, consider it is about listening as much as talking – a conversation with all stakeholders about their expectations of a company's commitments and the performance metrics that ensure sustainability in economic, environmental, social and governance terms.

Relevant Links

Article: *Accounting attitude doesn't add up* by Rod Oram

www.stuff.co.nz/business/4142978/Accounting-attitude-doesn-t-add-up

Conference: *Developing an Action Plan for Integrated Reporting*

www.hbs.edu/units/ob/conferences/2010/integratedreporting/index.html

About the Sustainable Future Institute

The Sustainable Future Institute is an independent think tank specialising in research and policy analysis. Our purpose is to produce timely, complete and well-researched information relevant to New Zealand's long-term future. The Institute's submission to the Review of Securities Law is available on our website:

www.sustainablefuture.info/Site/Publications/Submissions.aspx