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Extended External Reporting (NZASB Surveys)

Cover Note

Objective

- 1 To discuss EFRAG TEG's and EFRAG CFSS's views on the surveys published by the New Zealand External Reporting Board on Extended External Reporting (EER).

Background

- 2 Published in two separate surveys by New Zealand External Reporting Board (XRB), in collaboration with the McGuinness Institute, the research studies the attitudes of company CFOs (Preparers' Survey) and interested parties (Users' Survey) towards EER in New Zealand. Respondents were asked about the challenges and opportunities for them as either Preparers or Users of EER.
- 3 For the purpose of the survey EER is meant to include all information above and beyond what an entity is required to provide under the New Zealand the Companies Act 1993 and the Financial Reporting Act 2013 and can include information on a company's outcomes, governance, business model, risks, prospects, strategies and its economic, environmental, social and cultural impacts.
- 4 Although this research is intended to help the XRB evaluate the quality of current guidance on best-practice EER to determine the best direction for its future work, it is also meant to assist the XRB in liaising with national and international organisations and in particular for the IASB's project on Management Commentary Practice Statement.
- 5 The two surveys and their responses can be read in full [here](#).

Main findings

- 6 Overall, findings highlight (and confirm) the challenges that lie ahead in balancing User needs with Preparer concerns. 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.
- 7 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.
- 8 The key takeaways are as follows:

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- (a) Both Preparers and Users welcome mandatory filing of annual reports as it is a simple way to improve access to EER information disclosed in annual reports.
- (b) Preparers and Users have different views, however, over whether the audience should remain the shareholders or be extended to stakeholders. Wider engagement ensures all stakeholders can obtain relevant EER information.
- (c) Both Preparers and Users welcome reporting on goals, strategies and targets, but Users want more information than Preparers provide. Users do not think this information is reported on well.
- (d) Industry statistics are increasingly seen as a key requirement. They enable comparability between companies/industries and contribute to a deeper understanding of risks and trends over time.
- (e) Forward looking information is an emerging key requirement. It delivers better decision making for existing and potential investors, government and other stakeholders.
- (f) Preparers are not generally aware of the range of EER frameworks available. Only 23% of surveyed CFOs results suggested that they used an external reporting framework when preparing EER. Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC), were the most common frameworks used by Preparers.
- (g) Preparers and Users have different views over whether EER should remain voluntary or move towards a more mandatory approach. In an increasingly complex world, Users want to make decisions based on timely, reliable, relevant and comparable EER information; and
- (h) Independent assurance is an emerging key requirement for EER information. It inspires trust which enables companies to build good relationships with stakeholders, including suppliers, consumers and the wider public.

Questions for EFRAG TEG/CFSS/User Panel/Board

- 9 Does EFRAG TEG-CFSS members have comments on the findings from the two surveys?
- 10 Are you aware of similar studies or surveys in your own jurisdictions and do you consider that the findings from the New Zealand survey may also be relevant in the European context?

Agenda Papers

- 11 In addition to this cover note, agenda paper 09-02 - ASAF 03 *Extended External Reporting - NZASB Presentation* – has been provided for the session.