



Panel IV Discussion — The Future of Business Reporting: What do investors and other users really want and need?

The panelists acknowledge that the conversation on global standards is well underway, but much additional discussion and work lie ahead. Not the least of the challenges will engage issues that center on future business reporting expectations. Yuji Kage, Managing Director-Pension Investment, Pension Fund Association (Japan), noting that global equities are becoming a larger part of pension fund investing, pointed to the need for reliable benchmarks. “When we make global equity investment, we need a common basis of comparison,” he said.

Jon Symonds, Managing Director of Goldman Sachs, suggested taking a more holistic view of business reporting in determining what investors need to know. “Regardless of the type of investor, information needs and levels of granularity are different,” he said, “so we have to listen as well as speak—the investors will have insights we may not get on the ‘inside.’ Interpreting business performance will require a constant dialogue with our customers.” It is an iterative process, he concluded.

James Turley, Chairman and Chief Executive Officers, Ernst & Young, noted that the current accounting framework was built for a different time and what investors want and need to know now is different than it was then. Christian Strenger, Director, DWS Investment, agreed, but said part of the responsibility for communicating this need lies with the investors themselves. It is their duty, he said, to “articulate” as best they can what they need.

Strenger also suggested that the time is coming for global standards in the non-financial realm as well: areas such as environmental issues, social responsibility, compensation and independence matters, for example. “We could encourage wider reporting on these types of matters, but not have them fall under standards and regulations,” he suggested. Turley expressed concern about auditor judgment being exercised in areas with unclear standards. “Reporting against imprecise standards,” he said could lead to problems. However, he agreed it’s an emerging issue that needs embracing by constituencies such as those taking part in GPPS IV.

Turley believes that it will become increasingly important for auditors to be able to give an opinion on the “information supply process.” Having accountants and regulators understand where key information is coming from will provide some comfort to stakeholders. He noted there was a lot of pushback from company management about the cost involved with implementing SOX, but now that the benefits are being realized, investors, who are the ones actually “footing the bill,” are taking comfort in having that information available.

Moderator Humphrys injected that the reporting model is now deemed imperfect, but can anyone see what now needs to be done? Symonds conjectured that the model will always be imperfect, but the important thing



is that it doesn't become static. He cited improvements that have been made after every major financial crisis of the past 10 years—"the business reporting model is a living thing and it continues to evolve."

Turley, on the other hand, suggested that the business reporting model is imperfect because it hasn't been as robustly addressed as the accounting and financial reporting model. The moderator asked if this is because the latter is easier to analyze? Turley hesitated to characterize it as easier, rather that it may come down to there being entities who are in the business of focusing on the financial reporting model, while the broader reporting of information beyond IFRS has no one assigned with a "to-do" list.

Pierre Delsaux, Director of Free Movement of Capital, Company Law and Corporate Unit, European Commission, disagreed that nothing is being done, but believes "there is a limit to what can be imposed on companies in the way of information they should provide." This is not a fixed limit, he declared, it could change, but care has to be taken with what is imposed in the way of regulated and legislated demands for information.

Kage said he supports the movement toward a principles-based system. "Profitability of corporations is more and more outside of country borders," he observed, which changes how stakeholders, such as pension funds, look at allocations and results. He sees the trend in global investing shifting from a geography focus to an industry focus.

The most important next step in advancing improvements, according to Turley, is to get to a set of international standards everyone can use. "We've spent a lot of time talking about convergence. Now, we need a catalytic event, like a deadline," he said, to get the process to its destination.

About the author: Pam Middleton is a freelance communications consultant and writer covering the Global Public Policy Symposium IV.