



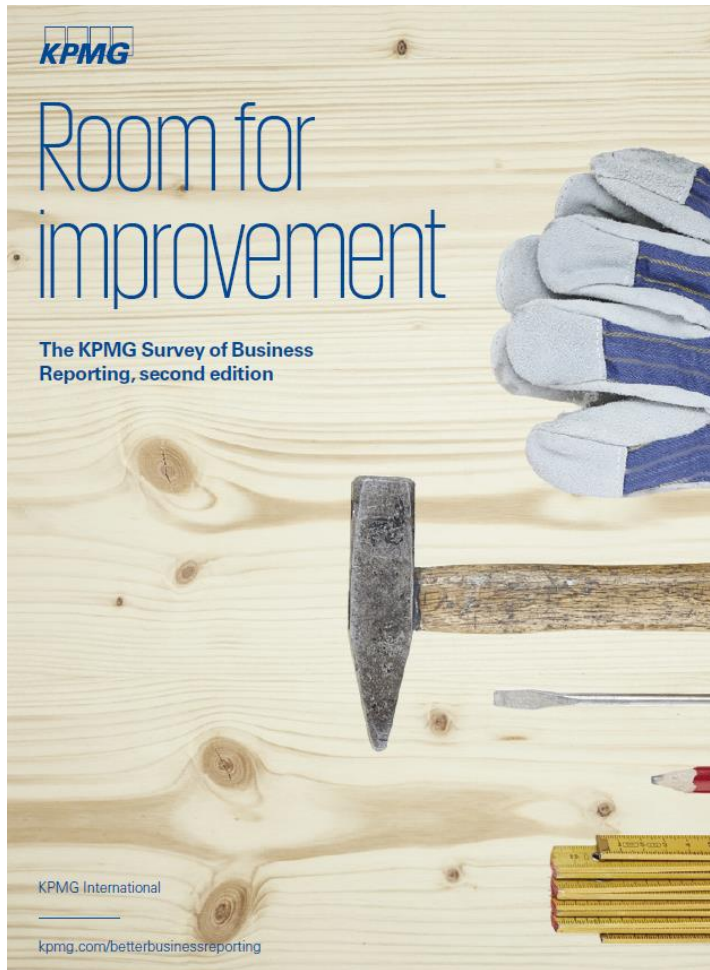
The future of corporate reporting and integrated thinking

What are the main challenges for the external auditor activities and how can they support this evolution?

Trieste, 24 November 2017



The information gap: the 'must dos' for improvement



1

Give investors the information they need

2

Keep the report content clear and relevant

3

Provide a longer-term view using operational KPIs

4

Provide practical KPIs that align with strategy

5

Provide deeper analysis of strategy

6

Focus risk analysis on what's important for the future

Initiatives to close the gap: <IR>



Initiatives to close the gap: The CSR

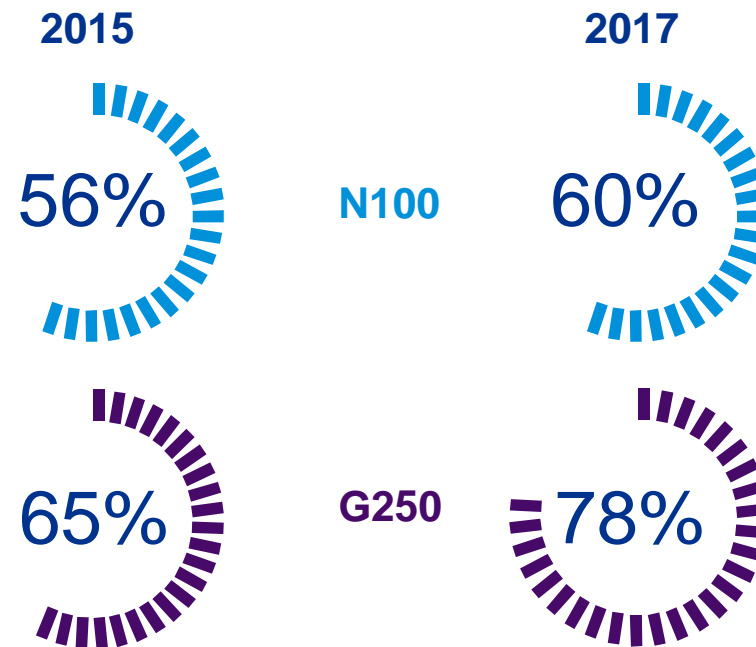


Corporate Social Responsibility Survey 2017

The CSR on a voluntary basis

Companies that include CR information in annual financial reports

More than $\frac{3}{4}$ of the world's biggest companies now integrate financial and non-financial data in their annual financial reports, suggesting they believe CR information is relevant for investors

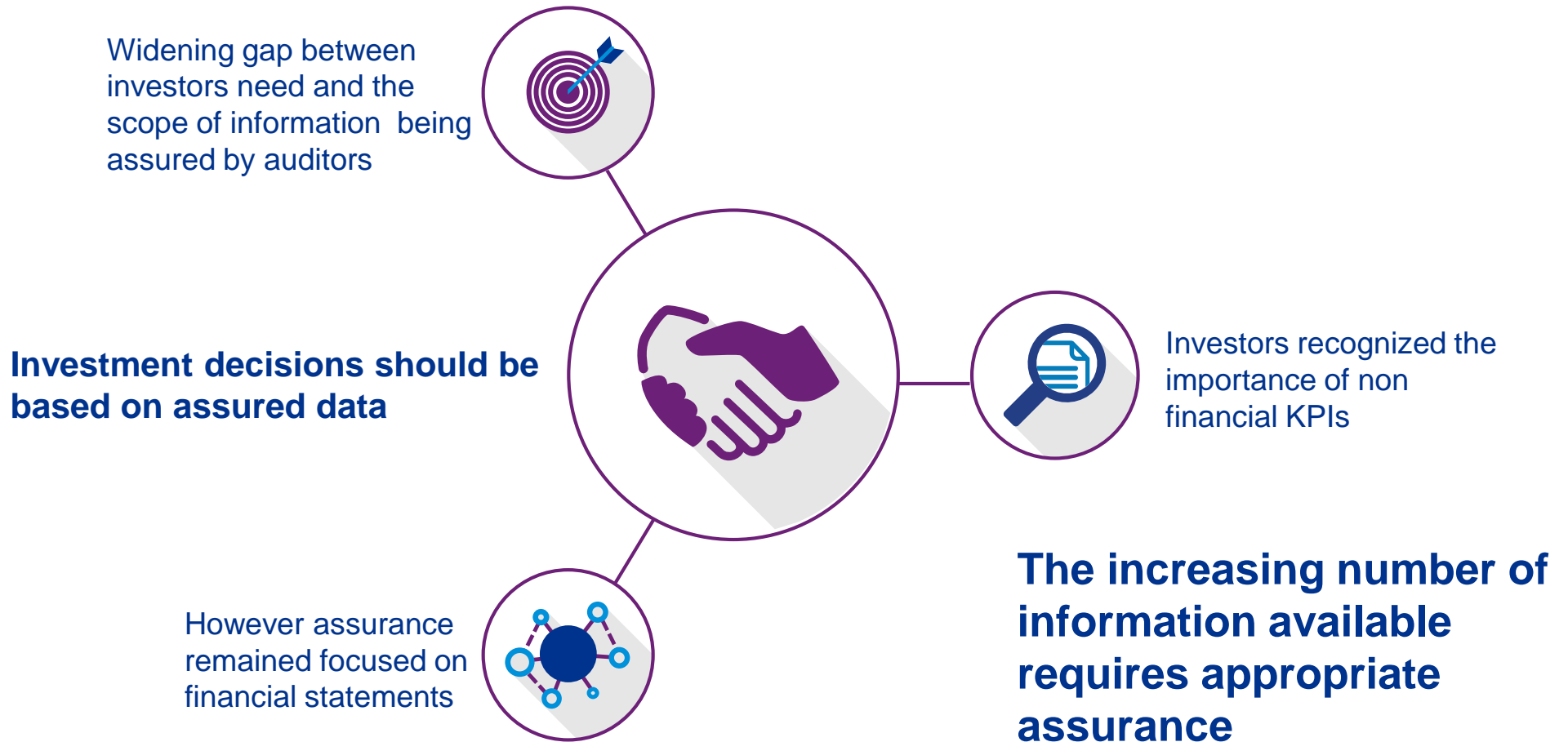


Base: 4,900 N100 companies and 250 G250 companies

Note: The underlying trend of 60 percent applies when looking at the same sample of countries in 2015 and 2017. The overall N100 rate in 2017 is 57 percent due to the inclusion of 5 new countries with relatively low reporting rates in the 2017 research.

Source: KPMG Survey of Corporate Responsibility Reporting 2017

Increasing need for assurance



To narrow the gap and improve transparency



European Commission > Business, Economy, Euro > Company reporting and auditing > Company reporting >

Non-financial reporting

EU rules require large companies to publish regular reports on the social and environmental impacts of their activities.


Overview

EU law requires large companies to disclose certain information on the way they operate and manage social and environmental challenges. This helps investors, consumers, policy makers and other stakeholders to evaluate the non-financial performance of large companies and encourages these companies to develop a responsible approach to business.

[Directive 2014/95/EU](#) lays down the rules on disclosure of non-financial and diversity information by large companies. This directive amends the accounting directive 2013/34/EU. Companies are required to include non-financial statements in their annual reports from 2018 onwards.

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Key Audit Matters

Auditor's report snapshot 31 August 2016

This auditor's report snapshot provides an overview of the current state of play¹ of enhanced auditor reporting in Australia. From 15 December 2016⁴ all listed entities auditor's reports will be required to provide information about Key Audit Matters (KAMs)². Ahead of the effective date some enhanced auditor's reports have been released. Here we share our insight and observations to date.

Total enhanced auditors' reports

16

KAMs by type

Category	Count
Revenue	6
Goodwill	7
Other assets	16
Provisions	6
Other liabilities	4
Others ³	9

The auditors' perspective



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[...] there is some contention about whether current standards are entirely appropriate, and whether/when IT specific assurance standards should be developed. The IAASB has established an Integrated reporting group [...]

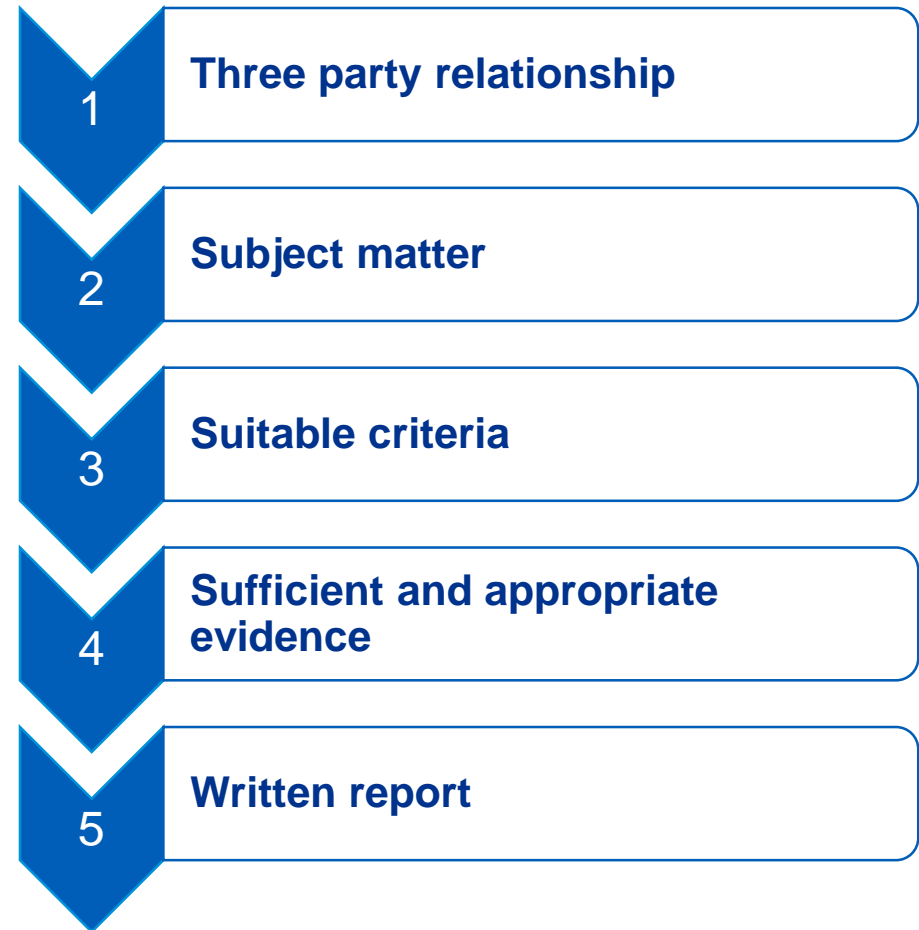
ASSIREVI

*The IR Framework is principle-based and does not aim to prescribe specific items of information for inclusion in the report on a basis of calculation for that information. It applies an approach which is fundamentally dependant on management's assessment of the key drivers of business value and aims to avoid the adoption of a compliance approach [...]. **Only by combining the details of the business model with the requirements of the IT Framework management can identify suitable criteria which allow performing an assurance engagement on IR.***

ISAE 3000 and its requirements

ISAE 3000 applies to a wide variety of engagements where assurance is provided on any subject matter other than engagements to perform audits of historical financial information.

- compliance with regulatory requirements
- compliance with contractual agreements
- design, implementation and operating effectiveness of internal controls
- compliance with a process or a methodology
- pro-forma financial information
- sustainability reporting and non-financial performance measures



The suitable criteria according to ISAE3000

Criteria availability

Criteria should be available to the intended users to allow them to understand how the subject matter has been evaluated or measured.

Criteria can be made available to the intended users:

- publicly
- through inclusion in a clear manner in the presentation of the subject matter information
- through inclusion in a clear manner in the assurance report
- by general understanding (e.g. the criterion for measuring time in hours and minutes)

Public criteria

Criteria published by established standard setters, or by recognised institutions or organisations. For example:

- legislation
- regulations
- industry standards
- external organisation defined criteria.

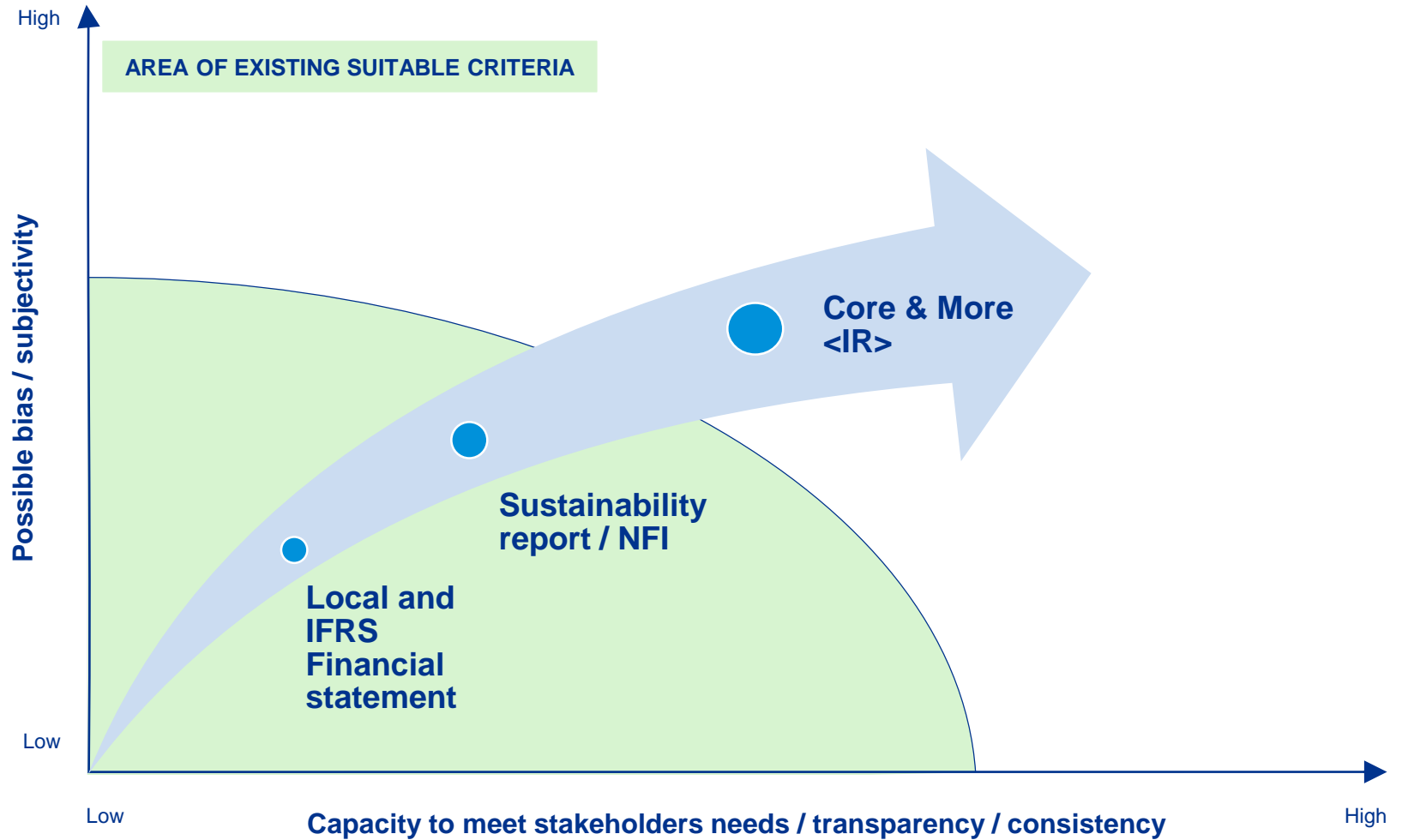
Client-specific criteria

Criteria developed internally by management for the purposes of preparing the subject matter information.

Examples of private criteria are:

- internal control framework
- an agreed level of performance.

The suitable criteria according to ISAE3000



Challenges for external auditor and possible support



Identify suitable criteria

Involve appropriate skills



- Participate in the discussions with standard setters in order to define the minimum content of the "holistic Corporate reporting"**
- Train resources**
- Engage new talents**
- Enhance existing technology**



Thank you

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