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Keynote Speech

Competitive frameworks and reporting

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Back to 2008 when IFAC said that financial reporting, although critical, is no longer sufficient. As chairman of the GRI at the time I said sustainability reporting has become critical but without the numbers is meaningless. The discussion grew to a logical conclusion: that to report in two silos was divorced from reality and so integrated thinking and integrated reporting was born with the establishment of the International Integrated Reporting Council in 2010 and its Framework in December 2013.

We have essentially two frameworks of financial reporting today, IFRS and FASB. In the sustainability reporting world there are many frameworks. The Corporate Reporting Dialogue was established in order to have these public interest groups which had established frameworks to discuss the concern of preparers that there was clutter, overlapping and confusion. Some of the sustainability reporting institutions have different purposes than others. The Climate Financial Disclosure Reporting has a different purpose to SASB, and the Carbon Disclosure Project has another public good purpose.

Prof Harari in his book “Sapiens” poses the question how did homo-sapiens as we know it today evolve, from an unexceptional Savanna dwelling primate to become the dominant force on the planet, emerging as the lone survivor out of six distinct competing hominid species. How has humankind managed to build large populations when other primate groups top out at a few thousand individuals? It was, concludes Prof Harari, collaboration that helped to build societies and the imagined realities of humankind, such as money and religion.

In the Sustainable Development Goals of 2015, number 17 talks of collaboration without which the other 16 outcomes based goals will not be achieved.

There is a massive amount of information coming into companies today because of the net. Boards have to apply their minds to ensure that knowledge is not lost in this mass of information. This mass of information is greater in the sustainability issues than in financial matters. The Sustainability Accounting Standards Board has issued Sustainability Accounting Standards covering financially material issues in 77 industries. The standards aim at providing investors with in depth information about the impact of a company's actions on society and the environment. Likewise, the Global Reporting Initiative has since the days of its inception in 1997 expanded its remit into areas that were never contemplated. The board has to decide what is material to include in a sustainability report.

There are now many frameworks for reporting on these matters of public interest. This has resulted in the tragedy of the competition of the frameworks. Each one has a purpose which is a public good. There should not be competition on public interest issues. The urgency for the sustainability of the planet should sweep away egos, selfishness and this tragedy of competitiveness. It is a time for collaboration. That is what we did 70 thousand years ago to grow, now we have to do it to sustain humankind. Not to collaborate and to continue to see members of the Alphabet soup see other members in the same public good cluster such as in climate change as competition on matters of public interest cannot be acceptable to society.

The board has to spend more time reading and understanding the financial and sustainability reports and taking out the material matter defined as that which is having an affect on value creation and report it not in IFRS speak or GRI speak but in clear, concise and understandable language, so that the trustee of your pension fund can make an informed assessment about whether or no the company is creating value in a sustainable manner.



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To be accountable is an obligation of an individual or organisation to account for its activities, accept responsibility for them and to report the results in a transparent manner. The critical question in the context of the future of reporting is who is the most appropriate entity in the corporate architecture to discharge the duty of accountability in the corporate world. After all, the purpose of reporting is to discharge the duty of accountability.

So I pose the question, who is the best body of people to inform stakeholders about the true state of play in a company and its outlook? The answer, unequivocally, must be the board. The board, by definition, has throughout the fiscal period been informed from time to time of what is happening in the company, the relationship with stakeholders, the inputs to outcomes, IT governance and cybersecurity, and how the company is going to eradicate or ameliorate the negative impacts of how the company makes its money on the three critical dimensions for sustainable development, the economy, society and the environment. The board has to spend more time understanding that which is material and put it in clear, concise and understandable language in its report. It is not sufficient and will never be sufficient to do a financial report and a sustainability report in incomprehensible language to the average user and leave it to uninformed stakeholders to decide for themselves what is or what is not material. This cannot be the level of transparent reporting required to be accountable.

Or put another way. Could an informed board be discharging its duty of accountability by doing two siloed reports, financial and sustainability and then leave it to uninformed stakeholders to decide what challenges and uncertainties is the company likely to encounter in pursuing its business model and what are the potential implications for its business model and future performance? I believe the question answers itself.

There is a beauty in the room today. That beauty is an identity of interest that the corporate toolbox of functions, operational and strategic issues being in silos is yesterday's thinking. For example, CSR today is embedded into the strategy of the company such as the conservation of water by the brewer of beer is part of the business strategy of the company. This is the revolutionary immensity of integrated thinking that is sweeping the world.

Integrated thinking is aligned with the concept of inclusive capitalism. Financial capitalism as we knew it, increasing the wealth of shareholders in the hope that the wealth would trickle down to the impoverished at the bottom failed. The trickle became treacle. It did not work. It in fact exploded in 2008. Inclusive capitalism notes how the company makes its money and whether in doing so it is having or striving to have a positive impact on the three critical dimensions for sustainable development. No longer, Prof Friedman, is the drive to increase shareholder wealth at any cost as long as there is no deception. No longer is the thought that the purpose and the business of the board is to act in the best interests of shareholders. No longer do stakeholders think that a board should not act in the long term best interests of the health of a company, to quote Prof Lynn Paine of Harvard Business School. No longer do stakeholders believe that if long term corporate health is achieved, that it is not in the long term better interests of all the company's stakeholders including its shareholders. No longer is society blaming innocent companies for corporate wrongs but are starting to blame the heart, mind and soul of the incapacitated company its corporate leaders.

Integrated thinking is at the heart of conscious corporate leadership which focuses on the long term health of the company which is in the best interests of discharging that moral duty which is on all of us to endeavour to ensure that those who come after us have a sustainable planet.

The limited liability company is the chosen medium through which business is conducted today. It is its corporate leaders with an integrated mindset that have to steer the business of the company to the junction of the three critical dimensions for sustainable development. That is the step to achieve value creation in a sustainable manner.

It was collaboration 70,000 years ago that made humankind the superior and most populous creature on planet earth. We need that collaboration or integration today between a company's business model, its strategy, its outputs and its outcomes.

We need the collaboration of framework providers in a cluster so that in a less cluttered manner the informed board can report to uninformed stakeholders about the prevailing state of play in a company and its outlook in clear language. The outcome of collaboration in each cluster of framework providers will be the ability of stakeholders to make a more informed and comparable assessment of the company as to its present state and its outlook.

That has to be the rally call on a collaborative basis for the future of reporting from us all, by us all, for us all.