

Corporate reporting is no longer working - What needs to be done to make it fit for purpose in the future?

A Call for Evidence

The financial crises of the last decade have demonstrated serious shortcomings in the understanding of corporate business models, the alignment of incentives, and the management of risk. The current corporate reporting model has not highlighted where these shortcomings exist. This failing is exacerbated by the pace of change of business today, with a plethora of new challenges impacting long-term success, including a shift in the global balance of power, resource constraints and climate change. This landscape provides a compelling reason to review what the major barriers to effective reporting are and how these might be overcome.



The Chartered Institute of Management Accountants, PricewaterhouseCoopers and Tomorrow's Company are setting up a global study to explore what changes are needed to make corporate reporting fit for purpose for the future. By corporate reporting we mean all the mechanisms by which companies communicate their performance and activity to their stakeholders, with a particular emphasis on the flow of information into the investment community.

We want to understand

What aspects of the system are preventing or supporting the effective development of corporate reporting? And what changes are needed to make the system fit for purpose for the future?

We are asking the following questions

1. *What are the weaknesses and strengths in the current system?*
2. *What are the barriers obstructing the evolution of corporate reporting?*
3. *What solutions would you propose to rectify these weaknesses?*

We are focusing on the following key areas

Common goals

To what extent is there a shared understanding about the purpose of corporate reporting and the overriding objective of reporting standards?

Incentive structures

To what degree are investors, accountants, standard setters and management incentivised to engage in any dialogue about changing the reporting model?

Competence of key stakeholders

Is the level of technical knowledge and understanding of financial and non-financial information and metrics a barrier?

Ability to deal with complexity and change

Are the transactional, regulatory, technological and other changes as a result of globalisation creating too much complexity and change for the system to deal with?

Ability to influence

Who is best placed to change the system and what is needed to help them do this?

We would welcome responses on all or any of the above.

Contact evidence@tomorrowscompany.com

Deadline for submissions: 17 September 2010

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The signatories to The Principles for Responsible Investment have been invited to participate through the PRI Engagement Clearinghouse.