



Ms Elizabeth Johnstone  
Chair, ASX Corporate Governance Council  
C/- ASX, 20 Bridge Street  
Sydney NSW 2000

2 May 2024

Dear Elizabeth

**Deakin Integrated Reporting Centre Submission to ASX Corporate Governance Council on Proposed 5<sup>th</sup> Edition of ASX Corporate Governance Principles & Recommendations**

Thank you for the opportunity for us as leaders of the Deakin University Integrated Reporting Centre to make a submission from the Centre on this important consultation.

The Deakin University Integrated Reporting Centre (DIRC) is an independent centre with deep connections in academia, accounting and assurance standard-setting, and the business world. It provides leadership across three pillars of excellence in better business reporting and in particular integrated reporting: thought leadership and engagement, education and training, and research, both pure and applied.

It also provides the Secretariat for the Australian Business Reporting Leaders Forum (BRLF). The BRLF is a discussion forum. It is the IFRS Foundation's designated Integrated Reporting Community for Australia and is a reporting stakeholder to the Financial Reporting Council (FRC). Accordingly, it has direct international connectivity and a strong local voice.

Its mission is to drive better business reporting in Australia as well as contributing to the global discussion, with a focus on integrated reporting and integrated reporting assurance, and producing research, thought leadership and education in better business reporting including integrated reporting and integrated reporting assurance.

**Key Points of Our Submission**

The ASX Corporate Governance Principles and Recommendations play a key role in driving best practice in corporate governance in advance of legislation, regulation and standards, although arguably they are a form of quasi-regulation through the links between the ASX and ASIC in section 792 of the Corporations Act. They create the opportunity to go beyond the proposed 'climate-only' Sustainability Report and Australian Sustainability Reporting Standards to the 'climate first' approach contained in Government policy and which will be required to achieve international alignment with IFRS Sustainability Disclosure Standards and satisfy international investors. We believe that integrated reporting is the ideal mechanism for bridging the gap. This theme permeates our submission.

Our key points are:

1. **Supportive of overall direction of proposed 5<sup>th</sup> Edition.** We are supportive of the overall direction of the 5<sup>th</sup> Edition. It:

- Embraces a broader concept of sustainability, which relates to the long term viability and resilience of an organisation’s business. It also recognises that an organisation has multiple stakeholders including its investors.
- Has a more connected ‘package’ of corporate reporting recommendations (Recommendations 4.1, 4.2 and 7.4) than earlier editions.
- Strengthens the Board of Directors’ accountability for the integrity of corporate reports (Recommendation 4.1) and underlying reporting process (Recommendation 4.2).
- It is strongly aligned to integrated reporting. In particular, Recommendation 4.1 is strongly aligned to paragraph 1.20 of the International Integrated Reporting Framework, and Recommendation 4.2 is strongly aligned to paragraph 1.24 of the Framework. However, the alignment needs to be strengthened.

2. **Need to strengthen system for monitoring and enforcing adherence to Recommendations in context of intention of CG Council.** The system for monitoring and enforcing in-substance adherence to ASX Corporate Governance Recommendations according to the intention of the ASX Corporate Governance Council needs to be strengthened, particularly in relation to Recommendation 4.2 disclosures.

Deakin University research continues to find a need for significant improvement in what will now be Recommendation 4.2 (formerly Recommendation 4.3) disclosures made by ASX 300 entities in relation to the process used to ensure the integrity of corporate reports not subject to audit or review. In its summary of the consultation questions the Council noted research from KPMG commissioned by it which contained similar findings. The Deakin University research was an in-depth study into the quality of Recommendation 4.3 disclosures, in contrast to the KPMG approach of looking at disclosures under the whole 4<sup>th</sup> Edition rather than going into depth in particular areas.

We recommend that the 5<sup>th</sup> Edition require a formal statement from the Board of Directors about whether and to what extent their responsibilities under the ASX Corporate Governance Recommendations, particularly Recommendations 4.1, 4.2 and 7.4, have been discharged, and if not, why not.

The Deakin University Integrated Reporting Centre will re-iterate its offer to the ASX and ASIC to outsource monitoring of the quality of Recommendation 4.2 disclosures for a period while the ASX and ASIC build their capacity in relation to the Australian equivalents of IFRS Sustainability Disclosure Standards and the Integrated Reporting Framework, areas where the DIRC has significant expertise.

Part of the solution lies in reviewing the system as set out in our response to Question 19, and part lies in strengthening the wording of Recommendations 4.2 and 7.4.

3. **Much positive change has occurred in relation to integrated reporting around the world since the 4<sup>th</sup> Edition was released in 2019 – level of adoption and adoption drivers.** Much has changed in relation to integrated reporting, its adoption around the world and integrated reporting assurance since the 4<sup>th</sup> Edition of the ASX Corporate Governance Principles and Recommendations were published in 2019.

Significantly more adoption of integrated reporting is being achieved outside Australia, with leading adoption jurisdictions including Japan, France, India, Brazil, Turkey, Malaysia and South Africa.

Corporate governance codes are often a key driver of adoption. Japan as today's leading adoption jurisdiction is less reliant on its corporate governance code to drive integrated reporting adoption than Australia. Adoption in Japan is driven by investor demand, market practice and government policy. On the other hand, the pioneer of integrated reporting, South Africa, needed its corporate governance code (the King Code) to drive adoption as the 'first mover' in 2010.

Many successful integrated reporters have reported that in addition to improving their corporate reporting, integrated reporting improves their businesses given the integrated thinking foundation of integrated reporting.

However, integrated reporting adoption has stalled in Australia. Australia needs to catch up as a matter of best practice in corporate reporting, corporate governance and business practice via the recommendations attached to Principle 4, which will contribute to the system achieving the core objects set out in section 224 of the ASIC Act – a lower cost of capital and international competitiveness of Australian companies (integrated thinking), and a lower cost of capital, competitiveness in international capital markets and confidence in capital markets (integrated reporting).

The DIRC offers to build on the above analysis of jurisdictional drivers of integrated reporting adoption through further research commissioned by the ASX Corporate Governance Council.

4. **Final 5<sup>th</sup> Edition needs to be further aligned to IR Framework to enable more effective monitoring by ASX.** The final 5<sup>th</sup> Edition needs to be further aligned to integrated reporting:

- Recommendation 4.2 needs to be tightened in relation to integrated reporting. We recommend incorporating specific aspects of the International Integrated Reporting Framework in the Commentary to Recommendations 4.1, 4.2 and 7.4 to strengthen the Commentary and enhance the ability of the ASX to monitor and enforce in-substance adherence to these recommendations according to the intention of the ASX Corporate Governance Council.
- We would have preferred a recommendation attached to Principle 4 that requires the preparation of an integrated report on an 'if not, why not?' basis. However we recognise that this will probably not be possible during the lifecycle of the 5<sup>th</sup> Edition given that Sustainability Reports will be required from 2025 under the proposed Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act. On this basis we recommend that the Commentary to Recommendations 4.1 and 4.2 encourage the voluntary inclusion of integrated reports within the Sustainability Report.
- An integrated report will provide strong evidence for Boards of Directors to reference and rely upon in support of Recommendation 4.2 disclosures, particularly under the modified liability approach for the first three years under the proposed Act.

- The International Integrated Reporting Framework is now the intellectual property of the IFRS Foundation, the world’s peak corporate reporting body, and not that of the International Integrated Reporting Council (IIRC). Footnote 57 should refer to the IFRS Foundation. The IFRS Foundation has refreshed its commitment to the bright and long-term future of the Integrated Reporting Framework within the IFRS Foundation and its recommendation for continued adoption around the world.

5. **Recommendations attached to Principle 5 need a Recommendation 4.2-like ‘integrity net’.** “New and substantive investor and analyst presentations” are referred to in Recommendation 5.3. These presentations are not included in the definition of ‘periodic corporate reports’, notwithstanding that entities regard them as primary vehicles for communicating on governance, strategy, business models and risk management with investors.

Recommendation 5.1 is limited to releasing the presentation materials to the ASX and Recommendation 5.3 is limited to having and disclosing a continuous disclosure policy. Disclosure of the operation of the *process* to ensure the integrity of investor and analyst presentations, needs to be caught by Recommendation 4.2 (an ‘integrity net’) or an equivalent recommendation attached to Principle 5. This will go beyond Recommendations 5.1 and 5.3. Recommendation 4.2 requires disclosures about reporting *processes*. Integrated reporting strengthens this further by communicating to investors on the operation of reporting processes used to ensure the integrity of periodic corporate reports.

This change would be consistent with the role of the ASX Corporate Governance Principles and Recommendations in driving best corporate governance practices in advance of legislation, regulation and standards. An integrated reporting-like framework would strengthen these presentations and enhance their comparability and consistency.

The Deakin University Integrated Reporting Centre offers to be contracted by the ASX to conduct research in relation to how entities perceive and investors use these presentations, particularly in relation to disclosures on governance, strategy, risk management and business models, and where they rank in the priority of information sources for investor decision making.

6. **Australian Sustainability Reporting Standards 1 and 2 need to be prominent and elevated from the footnotes in the proposed consultation draft.** These standards are new and core to the system. They need to be prominent and properly integrated in the 5<sup>th</sup> Edition as many entities will not be required to adopt them when the standards become effective (eg non-Group One entities, entities subject to the Charities and Not for Profits Commission Act and entities emulating listed entities by adopting ASX Corporate Governance Principles and Recommendation). The 5<sup>th</sup> Edition can encourage early adoption, a practice followed by CPA Australia in its 2023 integrated report which was issued in April 2024. In addition, the 5<sup>th</sup> Edition may need to drive international alignment with IFRS Sustainability Disclosure Standards S1 and S2 if this is not achieved by the final ASRS 1 and 2 (refer our responses to Questions 11 and 13).

Arrangement of Attached Submission

In the attached submission, the above six points are highlighted as Key Points 1-6. We have taken this approach so that the detail attached to our key points is set out in our responses to the individual questions asked. We first provide the detail in relation to Key Point One as this point provides further detail on why we are supportive of the overall direction of the proposed 5<sup>th</sup> Edition.

Key Point Two provides the basis of our response to Question 19, which is the first question addressed in our submission as it relates to systemic matters which are to some extent outside the control of the ASX Corporate Governance Council. However in the short term the ASX Corporate Governance Principles and Recommendations can play a critical role in better connecting the components of the system that need to work in integrated fashion to enable more effective monitoring and enforcement by the ASX and on some occasions ASIC, of adherence to the substance and intention of the Recommendations.

Key points 3 to 6 provide the basis of our response to Question 11. Following our response to Question 11 (mainly in relation to Recommendation 4.2) is our response to Question 13 (mainly in relation to Recommendation 7.4). After that our responses to the other questions are arranged in numerical order.

Deakin Offer of Support to ASX Corporate Governance Council

We have made some specific offers of support to the ASX Corporate Governance Council above. The DIRC has a track record in research in relation to corporate reporting and its assurance. We can undertake on behalf of the Council any required evidence collection and research.

We make this submission on behalf of the DIRC and offer any required assistance to the AASB.

Yours faithfully



John Stanhope AM  
Chancellor,  
Deakin University  
  
Chair, Deakin  
University Integrated  
Reporting Centre  
Advisory Board

Michael Bray  
Professor of Practice (Integrated  
Reporting), Deakin University  
  
Director of Thought Leadership  
and Industry Engagement,  
Deakin University Integrated  
Reporting Centre  
  
Special adviser – Connectivity  
and Integrated Reporting, IFRS  
Foundation

Professor Roger Simnett AO  
Director of Research, Deakin  
University Integrated Reporting  
Centre  
  
Professorial Research Fellow,  
Deakin Integrated Reporting  
Centre, Deakin University  
Emeritus Professor, UNSW  
Sydney

Professor Peter Carey  
Executive Director, Deakin  
University Integrated Reporting  
Centre

**Submission by Deakin Integrated Reporting Centre to the ASX Corporate Governance Council**

DIRC Submission Key Point One

We are supportive of the overall direction of the 5<sup>th</sup> Edition. It is commendable that it:

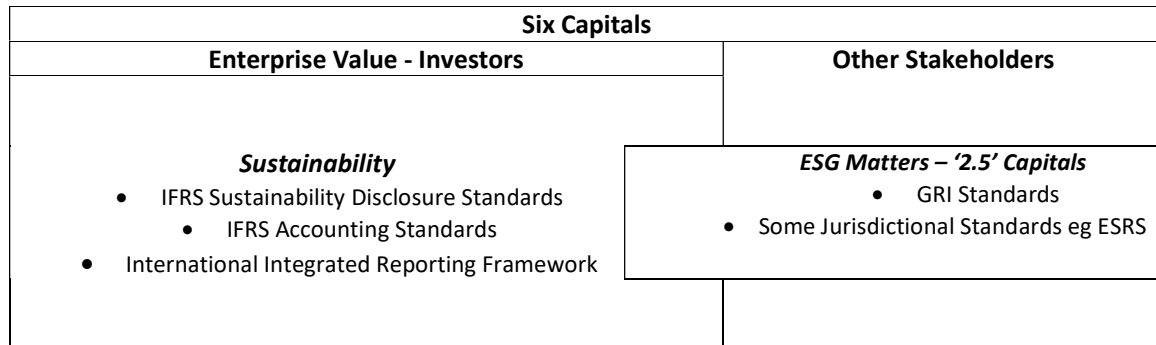
- *Embraces broader concept of sustainability.*

The concept of ‘sustainability’ has been expanded to a broad business concept in line with the way in which the IFRS Foundation describes the concept of ‘sustainability’ and defines ‘sustainability-related financial’ for the purposes of IFRS Sustainability Disclosure Standards.

That term is defined in terms of the fundamental concepts of the International Integrated Reporting Framework – in particular the (six) capitals as a proxy for enterprise value, or the net present value of future cash flows. On this basis sustainability is broader than ESG and the narrower ‘traditional’ notion of ‘sustainability’, recognizing that ESG extends beyond matters that are not presently material for investors and thus currently captured in enterprise value.

A multi-stakeholder focus is emerging in the ASX Corporate Governance Principles and Recommendations.

This broadening is summarised in the following diagram:



- *More connected ‘package’ of corporate reporting recommendations.*

Principle 4 (integrity of corporate reporting) makes it clear that the responsibility for corporate reports lies with the Board of Directors rather than ‘the entity’ (‘the entity’ was the term referred to in the 4<sup>th</sup> Edition).

The package of three ‘corporate reporting recommendations’ is consistent in relation to the responsibility of the Board of Directors, for the:

- 4.1 - integrity of all corporate reports, explicitly including integrated and sustainability reports. Recommendation 4.1 in the 4<sup>th</sup> Edition was limited to financial statements.
- 4.2 - process put in place to ensure the integrity of all corporate reports. Recommendation 4.2 has more commentary about report content as well as the reporting process than the previous Recommendation 4.3 in the 4<sup>th</sup> Edition.

However, the requirement for financial statements to be independently audited is well accepted and long implemented. To avoid adding clutter to Recommendation 4.2 disclosures, it should be made clear in Recommendation 4.2 that the only additional requirement in relation to financial statements is this paragraph of the Commentary: “For financial reports in respect of a period, management should also provide an opinion that the reports are based on a sound system of risk management and internal control which is operating effectively; and

- 7.4 - the management of (all) material risks and making disclosures about this. Recommendation 7.4 in the 4<sup>th</sup> Edition was limited to environmental and social risks.

All three recommendations are an improvement on the 4<sup>th</sup> Edition.

- *Strengthened Board of Directors accountability for integrity of corporate reports and underlying reporting process.*

It is clear that the Board of Directors is responsible for the integrity of the reporting process and all corporate report content, in a manner that is aligned with the Integrated Reporting Framework.

- *Strong alignment to integrated reporting.*

However, this alignment needs to be strengthened further beyond the concept of sustainability and general thrust of the fundamental concepts of the Integrated Reporting Framework, as set out in key points set out below and elaborated upon into our responses to individual questions, particularly Questions 11 and 13.

## **Question 19**

### DIRC Submission Key Point Two

***The system for monitoring and enforcing in-substance adherence to ASX Corporate Governance Recommendations according to the intention of the ASX Corporate Governance Council needs to be strengthened, particularly in relation to Recommendation 4.2 disclosures.***

***Deakin University research continues to find a need for significant improvement in what will now be Recommendation 4.2 (formerly Recommendation 4.3) disclosures made by ASX 300 entities in relation to the process used to ensure the integrity of corporate reports not subject to audit or review. In its summary of the consultation questions the Council noted research from KPMG commissioned by it which contained similar findings. The Deakin University research was an in-depth study into the quality of Recommendation 4.3 disclosures, in contrast to the KPMG approach of looking at disclosures under the whole 4<sup>th</sup> Edition rather than going into depth in particular areas.***

***We recommend that the 5<sup>th</sup> Edition require a formal statement from the Board of Directors about whether and to what extent their responsibilities under the ASX Corporate Governance Recommendations, particularly Recommendations 4.1, 4.2 and 7.4, have been discharged, and if not, why not.***

***The Deakin University Integrated Reporting Centre will re-iterate its offer to the ASX and ASIC to outsource monitoring of the quality of Recommendation 4.2 disclosures for a period while the ASX and ASIC build their capacity in relation to the Australian equivalents of IFRS Sustainability Disclosure Standards and the Integrated Reporting Framework, areas where the DIRC has significant expertise.***

***Part of the solution lies in reviewing the system as set out in our response to Question 19, and part lies in strengthening the wording of Recommendations 4.2 and 7.4.***

Deakin published a white paper, 'A comparative review of the first two years of ASX Corporate Governance Recommendation 4.3 disclosures by Australian large listed entities: Mechanisms to enhance the integrity of corporate reporting' in June 2023<sup>1</sup>. The white paper shows that the system for monitoring and enforcing disclosures under Recommendation 4.2 (Recommendation 4.3 in the 4<sup>th</sup> Edition - process for ensuring integrity of corporate reports) is not working effectively as there is still significant room for improvement in Recommendation 4.2 disclosures:

- Substance over form guidance in the preliminary discussion on page 7 in the proposed 5<sup>th</sup> Edition is not repeated in Recommendation 4.2. Hence it does not have the status of a Recommendation.
- Monitoring and enforcement of the abovementioned extract from page 7 of the 5<sup>th</sup> Edition is the responsibility of the ASX and ASIC and needs to be improved. This is critical to the effective working of the broader system in which the ASX Corporate Governance Principles and Recommendations operates.

The overall finding reported in the white paper is that there is significant room for improvement in terms of the disclosures themselves and the rigour of integrity-enhancing processes implemented to support informed investor decision-making. There was no change in this finding from 2021 to 2022. Our preliminary analysis in relation to 2023 disclosures suggest no change again.

In relation to the:

- effectiveness of communication, only 27% (26% in 2021) of ASX 300 entities were found to have made comprehensive entity-specific disclosure. 35% (32% in 2021) provided no entity-specific disclosures and 38% (42% in 2021) provided limited entity-specific disclosures. This goes against the intent and substance of the ASX Corporate Governance Principles and Recommendations.
- disclosure of integrity-enhancing mechanisms, 15% (26% in 2021) of entities provided no information about the specific mechanisms adopted – either there was no identifiable disclosure, or it was not possible to identify the mechanism from what were boilerplate statements. A further 25% (22% in 2021) noted that they used internal controls (eg management reviews) and made no disclosure about either board reviews or external assurance.

The white paper includes our findings and recommendations for enhancing the effectiveness of communication in these disclosures, and of the quality of disclosure of integrity-enhancing mechanisms.

---

<sup>1</sup> [https://www.deakin.edu.au/data/assets/pdf\\_file/0004/2629381/Recommendation-4.3-White-Paper.pdf](https://www.deakin.edu.au/data/assets/pdf_file/0004/2629381/Recommendation-4.3-White-Paper.pdf)



The white paper had a Foreword from the Chair of the Group of 100, Martyn Roberts, supporting the recommendations in the paper.

Mr Roberts said, “We believe the ASX should more closely monitor the quality of Recommendation 4.3 statements via the application of its supervisory powers under the Corporations Act. The ASX might also consider adopting this report as guidance to support entities in adopting better practices to ensure the integrity of their periodic corporate reports.”

He concluded, “The Australian Government, The Treasury and its authorities including the Financial Reporting Council under sections 224 and 225 of the ASIC Act, the Australian Accounting Standards Board, and the Australian Auditing and Assurance Standards Board should carefully review the matters raised in this report. Potentially, the FRC and ASX Corporate Governance Council could work together more closely to drive improved corporate reporting.”

The key recommendations contained in the white paper to the ASX Corporate Governance Council were made in relation to a then future 5<sup>th</sup> Edition of the ASX Corporate Governance Principles and Recommendations. Our recommendations are set out in the table below, along with our comments on the extent to which these recommendations have been acted upon in the proposed 5<sup>th</sup> Edition:

Recommendation	Draft 5 <sup>th</sup> Edition
1. Provide greater direction on the disclosure of integrity-enhancing mechanisms, encompassing: <ul style="list-style-type: none"> <li>a) Identification of all corporate reports subject to Reco 4.3</li> <li>b) Comprehensive entity-specific disclosure</li> <li>c) Encourage the use of internal auditors in the review process</li> <li>d) Formal acknowledgement of board involvement in the review process, and conformation of the board’s responsibility for the integrity of disclosures</li> <li>e) Identify external assurance as the highest form of integrity-enhancing mechanisms</li> </ul>	Not acted upon  Captured in page 7 narrative but not in Recommendation 4.2, therefore no disclosure accountability  Not acted upon  Not acted upon  Implicit
2. Recommend entities describe integrity-enhancing processes applied in both their corporate governance disclosures and within each specific periodic corporate report.	Recommendation for report-specific disclosure not acted upon
3. Specify the location of Recommendation 4.3 disclosures in Appendix 4G	Not acted upon
4. Disclose when entities obtain independent assurance in relation to individual periodic corporate reports within Recommendation 4.3 disclosures, as part of an overall package of integrity-enhancing mechanisms	Not acted upon

Effective monitoring and enforcement of the ASX Corporate Governance Principles and Recommendations other than in relation to audited financial statements requires specialist knowledge, skills and experience, and funding of those resources, that are currently not evident in either the ASX or ASIC.

The Deakin University Integrated Reporting Centre is prepared to re-iterate its offer<sup>2</sup> to the ASX and ASIC to outsource monitoring of the quality of Recommendation 4.2 disclosures for a period while the ASX and ASIC build their capacity in relation to the Australian equivalents of IFRS Sustainability Disclosure Standards and the Integrated Reporting Framework, areas where the DIRC has significant expertise.

For this reason, we ask that our recommendations not acted upon in the draft 5<sup>th</sup> Edition be incorporated in Recommendation 4.2 and its associated commentary in the final 5<sup>th</sup> Edition:

- Recommendation 4.2 needs to provide greater direction on the disclosure of:
  - integrity-enhancing mechanisms (for example, of the *specific* reports which are covered by the Recommendation 4.2 disclosure);
  - integrity-enhancing processes applied in both corporate governance disclosures in *each* specific periodic corporate report (for example, board review, independent external assurance); and
- whether and to what extent *each* periodic corporate report has been subject to independent external assurance).

If there is no compliance requirement and there is no effective monitoring of adherence to the substance of the recommendations, entities are tempted to and do provide boilerplate disclosures, as demonstrated by the Deakin research referred to above. The consequence is that these disclosures collectively lack adherence to the Council's intention for disclosures under the ASX Corporate Governance Recommendations. Many companies pay lip service to the recommendations because they know no one is watching.

The ASX Corporate Governance Council should consider requesting the Government to formally remind the ASX and ASIC of their supervisory and enforcement powers and obligations under the Corporations Act and to provide the necessary resources to support them in doing so.

## **The Solution**

### ***Short Term – 5<sup>th</sup> Edition***

All components of the broader corporate reporting system need to work in integrated fashion. There needs to be an effective bridge between the Australian Financial Reporting System and the corporate reporting recommendations (4.1, 4.2 and 7.4) within the ASX Corporate Governance Principles and Recommendations. It is critical that effective surveillance and enforcement mechanisms are in place in relation to the substance of and the intention of the ASX Corporate Governance Council in relation to all recommendations.

---

<sup>2</sup> The offer was made in 2020 in a letter to the ASX and ASIC and copied to the Chair of the ASX Corporate Governance Council. The letter offered to outsource monitoring of the quality of Recommendation 4.2 disclosures for a period while the ASX and ASIC built their capacity in relation to sustainability reporting and the Integrated Reporting Framework, areas where the DIRC had built expertise. This letter was prior to the ISSB being formed and the IFRS Foundation acquiring the International Integrated Reporting Framework. In the context of the significant room for improvement persisting in relation to disclosures in 2021, 2022 and 2023, change is needed in relation to the way the monitoring is done. Accordingly, we will re-iterate our recommendation to the ASX and would welcome the ASX Corporate Governance Council encouraging the ASX to take up this offer.

In the short term, more effective supervision and enforcement of adherence to the intention and substance of ASX Corporate Governance Council Recommendations does not require legislative change. It needs the quasi-regulatory stimulus of a stand alone best practice corporate governance recommendation.

The extracts from page 7 of the 5<sup>th</sup> Edition included in the table below should be captured in a separate Recommendation at least a recommendation in relation to Principle 4, possibly incorporated within Recommendation 4.2, and be supported by the existing paragraph 5 of the Commentary to Recommendation 4.2. The extracts in the table below from the Integrated Reporting Framework should be blended within that Commentary.

ASX CG Principles and Recommendations	Integrated Reporting Framework
<p>As to the intention and substance of the ASX Corporate Governance Principles and Recommendations, page 7 of the draft 5<sup>th</sup> Edition explains how the ASX Corporate Governance Council expects and intends entities to approach corporate governance disclosures:</p> <p>“The Council encourages listed entities to give an informative explanation of their corporate governance arrangements and not to take a pedantic or legalistic approach to their disclosures under Listing Rule 4.10.3, such as simply listing the Recommendations followed and those not followed and why.</p> <p>In this regard, listed entities should view their corporate governance statement not as a compliance document but rather as an opportunity to demonstrate that their board and management are alive to the importance of having proper and effective corporate governance arrangements and to communicate to security holders and the broader community the robustness of their particular approach to corporate governance.</p> <p>This includes not only outlining the governance arrangements it has in place but also explaining how they are being implemented in practice. For example, where a Recommendation calls for a particular policy to be in place, it will aid transparency and promote investor confidence for the entity to disclose, where appropriate, action taken to promote compliance and whether there have been material breaches of the policy during the reporting period and how they have been dealt with. Similarly, where a Recommendation calls for a matter to be reviewed or evaluated<sup>12</sup>, investors will find it helpful for the entity to disclose, where appropriate, any material insights it has gained from the review or evaluation and any changes it has made to governance arrangements as a result.”</p> <p><sup>12</sup> As is the case for example in Recommendation 1.5 (board performance and reviews) and Recommendation 7.2 (annual risk review).</p> <p>Paragraph 5 of the Commentary to Recommendation 4.2 re-enforces this intention:</p> <p>“The processes should also be disclosed more generally in the entity’s governance disclosures in its annual report or on its website. The disclosure should, for example, discuss guiding principles and internal procedures. <b>It should provide more information to investors than, for example, sign-offs being obtained from management, the existence of an audit committee</b> or the fact an unqualified audit opinion has been issued for the relevant financial statements.” [our emphasis]</p>	<p>1.20: An integrated report should include a statement from those charged with governance that includes:</p> <ul style="list-style-type: none"> <li>• An acknowledgement of their responsibility to ensure the integrity of the integrated report.</li> <li>• Their opinion or conclusion about whether, or the extent to which, the integrated report is presented in accordance with the &lt;IR&gt; Framework.</li> </ul> <p>1.24: Process disclosures are encouraged as a supplement to a statement of responsibility from those charged with governance as this information indicates measures taken to ensure the integrity of the integrated report.</p> <p>The Guiding Principles in the Integrated reporting Framework are:</p> <ul style="list-style-type: none"> <li>• Strategic focus and future orientation;</li> <li>• Connectivity of information</li> <li>• Stakeholder relationships;</li> <li>• Materiality; Conciseness</li> <li>• Reliability and completeness</li> <li>• Consistency and comparability</li> </ul>

Together, these extracts from the introductory part of the proposed 5<sup>th</sup> Edition are effectively statements of expectation from the ASX Corporate Governance Council of full transparency, insightful entity-specific disclosures and substance over form, matters focused upon in the Deakin Recommendation 4.3 research. Disclosures must be directed to improved investor understanding and decision-making and confidence in our capital markets. Unfortunately, this expectation is not built into the corporate governance recommendations themselves, meaning that Boards of Directors have no explicit responsibility to disclose whether this expectation has been met.

To be effective, the key elements of page 7 and paragraph 5 quoted above need to be built into the Recommendations so that they are more specific and authoritative, are more easily monitored by the ASX and are more readily enforced by the ASX and ASIC:

- Content disclosures under paragraph 1.20 of the International Integrated Reporting Framework and process disclosures under paragraph 1.24 of the Framework will assist in delivering the required accountability for meeting the substance and intention of the 5<sup>th</sup> Edition.
- In terms of guiding principles as referred to in paragraph 5 of the Commentary to Recommendation 4.2, the Guiding Principles within the International Integrated Reporting Framework are ideally suited to contributing to delivering on the substance and intention of the ASX Corporate Governance Principles and Recommendations.

We recommend that the 5<sup>th</sup> Edition require a formal statement from the Board of Directors about whether and to what extent their responsibilities under the ASX Corporate Governance Recommendations, particularly Recommendations 4.1, 4.2 and 7.4, have been discharged, and if not, why not. An integrated report will contain such a responsibility statement from the Board of Directors for report content and often the reporting process as such statements are required by the Integrated Reporting Framework, and so can be an important aspect of the Board's Recommendation 4.2 disclosure.

In the interests of the cost of capital, international competitiveness and confidence in Australian capital markets, the ASX Corporate Governance Council cannot accept a 'tick the box' approach. The changes recommended as to an overall director responsibility statement and under Key Point 4 below to strengthen the alignment of the 5<sup>th</sup> Edition with the Integrated Reporting Framework will enhance the ability of the ASX to monitor adherence to the substance and intention of the Recommendations.

### ***Longer Term***

The ASX Corporate Governance Council through its Corporate Governance Principles and Recommendations is a core component of the broader Australian corporate reporting system, along with those in the formal Australian Financial Reporting System as defined by Part 12 of the ASIC Act: Treasury, the Financial Reporting Council, ASIC, the Australian Accounting Standards Board and Australian Auditing and Assurance Standards Board. The ASX Corporate Governance Council is not at this stage part of the Australian Financial Reporting System as defined by the ASIC Act.

In the longer term, the solution requires systemic change. The Council needs to be recognised as a core component of the system. Longer term, the system defined by the ASIC Act needs to be revisited to have regard to current and future developments and be broadened to accommodate broader corporate

reporting. It may be appropriate to recognise the role of the ASX Corporate Governance Council and ASX Corporate Governance Principles and Recommendations as a core component of the system in Part 12 of the ASIC Act.

#### **Question 11**

We support the proposed disclosure of processes for verification of all periodic corporate reports, including the extent to which a report has been the subject of assurance by an external assurance practitioner. We understand the inclusion of financial statements in the definition of periodic corporate reports for completeness. However, we believe it would be preferable to focus on the newer area of sustainability reporting.

Our key points 3-6 relate to Questions 11 and 13 and elaborate on the previous two paragraphs:

#### DIRC Submission Key Point 3

***Much has changed in relation to integrated reporting, its adoption around the world and integrated reporting assurance since the 4<sup>th</sup> Edition of the ASX Corporate Governance Principles and Recommendations were published in 2019. Significantly more adoption of integrated reporting is being achieved outside Australia, with leading adoption jurisdictions including Japan, France, India, Brazil, Turkey, Malaysia and South Africa.***

***Corporate governance codes are often a key driver of adoption. Japan as today's leading adoption jurisdiction is less reliant on its corporate governance code to drive integrated reporting adoption than Australia. Adoption in Japan is driven by investor demand, market practice and government policy. On the other hand, the pioneer of integrated reporting, South Africa, needed its corporate governance code (the King Code) to drive adoption as the 'first mover' in 2010.***

***Many successful integrated reporters have reported that in addition to improving their corporate reporting, integrated reporting improves their businesses given the integrated thinking foundation of integrated reporting.***

***However, integrated reporting adoption has stalled in Australia. Australia needs to catch up as a matter of best practice in corporate reporting, corporate governance and business practice via the recommendations attached to Principle 4, which will contribute to the system achieving the core objects set out in section 224 of the ASIC Act – a lower cost of capital and international competitiveness of Australian companies (integrated thinking), and a lower cost of capital, competitiveness in international capital markets and confidence in capital markets (integrated reporting).***

***The DIRC offers to build on the above analysis of jurisdictional drivers of integrated reporting adoption through further research commissioned by the ASX Corporate Governance Council.***

## **Integrated reporting is tried and proven from a decade of adoption**

The International Integrated Reporting Framework was published in 2013. Its adoption around the world has grown significantly since the 4<sup>th</sup> Edition was published in 2019. It was developed through a comprehensive global due process. It has twice been reviewed through global stakeholder consultation and found to be in need of no significant change. It is tried and tested and is a stable platform.

## **The Integrated Reporting Framework has a bright and long-term future within the IFRS Foundation**

The International Integrated Reporting Framework, as well as the Integrated Thinking Principles, are now the intellectual property of the IFRS Foundation, the world's peak corporate reporting body. This is a significant change to when the 4<sup>th</sup> Edition was introduced in 2019, when the Framework and Principles were intellectual property of the International Integrated Reporting Council (IIRC).

The IFRS Foundation acquired the Value Reporting Foundation (VRF) in 2022 and the first IFRS Sustainability Disclosure Standards were issued soon after. Shortly before the IFRS Foundation / VRF transaction, the Chairs of the IASB and ISSB announced their continued commitment to the International Integrated Reporting Framework:

“We are convinced that the Integrated Reporting Framework drives high-quality corporate reporting and connectivity between financial statements and sustainability-related financial disclosures which improves the quality of information provided to investors. Therefore, we strongly encourage continued use of the Integrated Reporting Framework and the Integrated Thinking Principles underpinning it.”

This commitment has recently been re-enforced.

The inaugural joint IASB-ISSB Board meeting on 25 January 2024 confirmed how the Boards continue to support market adoption of the Framework. A mapping tool has been created to show the fit between the content elements in the Framework and the disclosure requirements of IFRS S1 and S2. A key priority for the IFRS Foundation in 2024 and 2025 is driving adoption of S1 and S2 disclosures in integrated reports by companies that use the International Integrated Reporting Framework.

The IFRS Foundation, IASB and ISSB's continued commitment to the future of the Integrated Reporting Framework and integrated reporting is evidenced by:

- The Integrated Reporting Framework and TCFD Recommendations being key building blocks of S1 and S2 and will be in other IFRS Sustainability Disclosure Standards. The Framework was itself a key building block of the TCFD Recommendations. The major differences between the Framework and TCFD Recommendations are that the Integrated Reporting Framework covers the Board's governance contribution to enterprise value creation, the business model and is founded on integrated thinking, the TCFD Recommendations are not. In Australia, the OFR covers the business model but the proposed Sustainability Report will not.
- The podcast issued by the Vice-Chairs of the ISSB and IASB immediately after the inaugural joint meeting of the IASB and ISSB Boards on 25 January 2024 could not have been clearer about both

Boards' commitment to integrated reporting, their recognition of the Integrated Reporting Community that created the Framework and has driven its adoption in individual jurisdictions, the Integrated Thinking Principles<sup>3</sup>.

- The Integrated Reporting and Connectivity Council (IRCC) remains an advisory body on integrated reporting matters to the IFRS Foundation, IASB and ISSB. It most recently met on 30 January 2024 and points raised at that meeting have been reported to the Trustees, IASB and ISSB.
- The Vice-Chairs of the IASB and ISSB reported to the 30 January 2024 IRCC meeting on the recent inaugural joint meeting of the IASB and ISSB Boards. Among other things, they noted that there is widespread support for the International Integrated Reporting Framework and Integrated Thinking principles as valued resources of the IFRS Foundation.
- The IFRS Foundation's Integrated Reporting Communities Program remains active. There are 30 such communities around the world, including the Australian Business Reporting Leaders Forum (BRLF) here in Australia. The most recent Communities event was on 6 February 2024. Events in 2023 and 2024 have / will focus on the recommended continued use of the International Integrated Reporting Framework in the manner set out in DIRC submissions to recent consultations which focus on the need for an 'if not, why not?' requirement for an integrated report.

In addition to being the IFRS Foundation's designated Australian integrated reporting community, the BRLF is a designated reporting stakeholder for the FRC.

Emmanuel Faber, Chair of the International Sustainability Standards Board, made the following remark in a podcast at the conclusion of the ISSB Board meeting in Frankfurt on 23 April 2024: "... we will continue to support the use of the Integrated Reporting Framework." A more detailed feedback statement will be considered at the Board's May meeting in Montreal.

Jonathan Labrey, Chief Connectivity and Integrated Reporting Officer at the IFRS Foundation, made the following remarks about the bright long-term future of the Integrated Reporting Framework at the IFRS Foundation at the Deakin University Integrated Reporting Centre / Deakin Law School's *Embracing Integrated Thinking Forum* on 22 April 2024:

"When I talk about adoption of the Framework, some people, because a lot of attention over the last year has been on getting S1 and S2 through the door, somehow adoption of integrated reporting has stalled. What we heard in Japan last week was testament to thinking through how to adopt S1 and S2 and the Framework in combination. This can have a big effect. In Japan over 1,000 companies are adopting the Integrated Reporting Framework.

So we are a team that started at 14 people in the IIRC, that today is part of a team of 400. Integrated reporting and integrated thinking are strategic assets of the IFRS Foundation. If we really see this vision

---

<sup>3</sup> [IFRS - IFRS Foundation publishes special IASB-ISSB podcast episode](#)

of a fully integrated global reporting system as being in the public interest it is impossible to see it without integrated reporting and integrated thinking.

So the message cannot be clearer – the Integrated Reporting Framework is here to stay. It is fit-for-purpose. The Integrated Reporting Framework and Integrated Thinking Principles should continue to be adopted. And they have been harnesses and already used in the ISSB Standards. The Integrated Reporting Team, as well as integrated reporting and integrated thinking, have a bright future within the IFRS Foundation. So if you are thinking about starting to adopt the Integrated Reporting Framework, please do so. If you are already adopting, keep doing so. If you are planning to stop, please don't.

We will be releasing a Getting Started Guide very soon. This will help companies adopt integrated reporting and be cognizant of ISSB Standards for the first time. This guide will be the first integrated reporting materials released by the IFRS Foundation since it acquired the Value Reporting Foundation in 2022, and with that the Integrated Reporting Framework, Integrated Thinking Principles and integrated reporting team.

We will conduct an advocacy campaign on integrated reporting and integrated thinking later this year. This will involve public statements as to that continued commitment.

Integrated reporting has been institutionalised in different ways around the world. There is no one-size-fits-all model. This is far from a barrier to progress. On the contrary, it helps. It provides options – corporate governance codes, stock exchange listing rules, academic advocacy, market initiatives and investor demand.”

### **Options for driving adoption**

The Framework is adopted in 70 jurisdictions around the world, including jurisdictions such as Japan, France, Italy, India, Brazil, Malaysia, Turkey and South Africa.

#### *Japan*

Japan is at this stage the world's leading integrated reporting adoption jurisdictions.

KPMG Japan has just published its report on integrated reporting adoption in Japan in 2023<sup>4</sup>. The report highlights that over 1,000 Japanese companies adopt integrated reporting. KPMG reported on the significant improvement achieved in disclosures about materiality determination processes in integrated reports in 2023 (up 30% on 2022). Japanese companies are rapidly recognising that companies' materiality assessments under the International Integrated Reporting Framework are fundamental to reporting on

---

<sup>4</sup> [日本の企業報告に関する調査2023 \(kpmg.com\)](https://www.kpmg.com/japan). The English translation of this study will be published during May 2024.



sustainability matters under IFRS Sustainability Disclosure Standards S1 and S2 and European Sustainability Reporting Standards.

A key driver of adoption in Japan is Japan Global Pension Investment Fund's (GPIF) strong advocacy for integrated reporting. GPIF holds one of the world's largest investment pools, around the equivalent of A\$3 trillion. GPIF released a report in March 2024 summarising work done on integrated reports in 2023 on behalf of GPIF by its outsourced external asset managers, which include BlackRock, Fidelity, Goldman Sachs, Allianz, Prudential, State Street, AXA, ING, JP Morgan and Morgan Stanley.

GPIF has a significant holding of Australian equities (around A\$20 billion at March 2023<sup>5</sup>, which is comparable with a mid-sized industry superannuation fund such as CARE Super or Vision Super). GPIF's largest holding is in BHP (A\$1.3 billion). Australia was in the Top 15 investment destinations for GPIF at March 2023. These factors mean that GPIF has a significant voice in Australia, as do its external asset managers. We will suggest to GPIF that they ask their asset managers who operate in Australia to publicly advocate for integrated reporting, including BHP and other companies in which GPIF invests<sup>6</sup>.

On 21 February 2024, GPIF published a paper, 'Excellent Integrated Reports and Most-improved Integrated Reports Selected by GPIF's Asset Managers Entrusted with Domestic Equity Investment'. GPIF stresses that the ratings of excellence and improvement are determined by its external assets managers and not itself. It requested its 13 external asset managers to nominate 'excellent integrated reports' and 'most-improved integrated reports.'

Previous versions of this study reported that the external asset managers rate integrated reports as a significant source of value creation information. No asset manager responded that the significance of integrated reports in this regard had decreased in 2023. A number of insightful remarks about the integrated reports rated as excellent or most improved were reported. It is clear that the asset managers view integrated reports highly and indicative of the quality of an organisation's integrated thinking.

One asset manager made the following observation: "The ... disclosure required in an integrated report [should] tells "story" of improving corporate value based on the uniqueness of the company's business model, which cannot be captured in regulatory disclosures, and we recognize that this has become more important than ever."

Others said:

---

<sup>5</sup> <https://www.gpif.go.jp/en/performance/last-years-results.html>

<sup>6</sup> The leading advocate for integrated reporting among investors in Australia is Cbus. Cbus also lead by example on integrated reporting – it prepares its own integrated report and has it independently assured. Then CEO, David Atkin, stated at a KPMG conference in 2019 that Cbus embarked on its integrated reporting journey so that it was doing what it asked the companies in which Cbus invests – providing more integrated information. In doing so, it found that adopting integrated reporting improved the Cbus business.

- “The Top Message is an opportunity for top management to share a review of their company's initiatives in their own words every year, and is valuable disclosure information for investors. In integrated reports, companies should be conscious of communicating their unique and differentiated business models and value creation process in a persuasive manner.”
- “Detailed explanations of E, S and G should be provided in a securities report, while for an integrated report, we look forward to a persuasive story that improves corporate value from two perspectives: social value created through the realization of the long-term vision, and economic value created therefrom.”

The importance of integrated reports is becoming greater than ever to GPIF and its external asset managers in relation to their investment decision-making. It seems clear that the Japanese experience, including benefits for investors, can be replicated in Australia. However, it will first most likely take the stimulus of an ASX Corporate Governance Recommendation to achieve this result.

#### *South Africa*

The 4<sup>th</sup> Edition (2016) of the King Code of Corporate Governance (King IV)<sup>7</sup> contains a lengthy explanation of the concepts of integrated reporting and integrated thinking. King IV includes Principle 5: “The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation’s performance, and its short, medium and long-term prospects.”

Recommendation 12 states, “The governing body should oversee that the organisation issues an integrated report at least annually, which is either: (a) a stand alone report which connects the more detailed information in other reports and addresses, at a high level and in a complete, concise way, the matters that could significantly affect the organisation’s ability to create value; or (b) a distinguishable, prominent and accessible part of another report which also includes the annual financial statements and other reports that must be issued in compliance with legal provisions.”

King IV also extensively quotes the International Integrated Reporting Framework in support of its detailed ‘comply or explain’ recommendations which draw directly on The Framework and reflect the content elements and guiding principles of the International Integrated Reporting Framework.

#### *Brazil*

Integrated reporting and integrated reporting assurance were mandated by the Brazilian securities regulator for the largest 700 companies on an ‘opt in’ basis with first effect in 2022. Early adoption was encouraged for 2021.

---

<sup>7</sup> [Publications-King IV - The Institute of Directors in South Africa NPC \(iodsa.co.za\)](https://www.iodsa.co.za/publications-king-iv)

There was a significant uptake in the early adoption year (2021). The trend in the second year (2022) was a shift to financial statement auditors as the providers of integrated reporting assurance. It will be possible to look at 2023 adoption in the months to come.

### *Malaysia*

The 2021 Malaysian Corporate Governance Code signposts integrated reporting under Principle C, 'Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders'. The Practice statement in relation to Principle C states:

“Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.”

Guidance attached to the Practice Note states in paragraph G12.2:

“An integrated report is the main report from which all other detailed information flows, such as annual financial statements, governance and sustainability reports. It is a concise communication about how a company’s strategy, performance, governance and prospects lead to value creation. An integrated report improves the quality of information available to investors and promotes greater transparency and accountability on the part of the company.

The preparation of this report requires integrated thinking and the relationship between its various operating and functional units, thus breaking down internal silos and reducing duplication.”

### *India*

India’s securities regulator, the Securities and Exchange Board of India (SEBI), recommended that large listed companies produce integrated reports [from 2017<sup>8</sup>]. The result has been that there has been significant adoption.

India is also one of the jurisdiction with instances of integrated reporting assurance, with leading examples being Tata Chemicals and Cipla.

### *The UK*

The UK Companies Act requires defined large companies to produce ‘strategic reports’ which are substantively equivalent to integrated reports, except that strategic reports do not have content about the Board’s governance role in enterprise value creation, nor do they have the foundation of integrated thinking.

Like Japan, the UK has not needed its corporate governance code to drive adoption of the concepts of integrated reporting in sustainability reports as the UK chose a legislative driver.

---

<sup>8</sup> The SEBI Directive advised the top 500 listed companies in India to voluntarily adopt Integrated Reporting, in addition to the existing Business Responsibility Reports mandate.

The UK FRC<sup>9</sup>. The guidance states, “In developing the Guidance, the FRC was mindful of developments in Integrated Reporting. In contrast to an integrated report, the strategic report is required as part of the annual report in the UK, with its purpose and content largely determined by legislation. This fact notwithstanding, the International Integrated Reporting Framework and the Guidance on the Strategic Report encourage similar qualitative characteristics and content.”

The Japanese, South African, Brazilian, Malaysian, Indian and UK approaches illustrate Jonathan Labrey’s point about there being no one-size-fits-all model for driving integrated reporting within a particular jurisdiction.

### *Integrated Reporting Assurance*

Much has also changed in relation to integrated reporting assurance since 2019 when there was only one known instance of integrated reporting assurance<sup>10</sup> – delivered by EY on ABN Amro’s integrated report and obtained by ABN Amro on a voluntary basis. The body of this submission contains details of Deakin’s estimate of the 20,000 plus companies around the world obtaining whole or partial integrated reporting assurance.

### *Australia*

While integrated reporting adoption outside Australia has accelerated significantly since the 4<sup>th</sup> Edition was published in 2019, adoption has stalled in Australia.

On the basis of the IFRS Foundation’s commitment to its future, the level of adoption around the world, the integrated thinking benefits derived by successful adopters, the existence of the IRCC and Integrated Reporting Communities, and investor need for consistency and comparability in descriptions of the business and a location for sustainability disclosures, the International Integrated Reporting Framework represents a stable platform on which Australia can and should build, now.

Deakin<sup>11</sup> and IFAC research<sup>12</sup> demonstrates that sustainability information in Australia and other places is increasingly being located in annual reports or separate integrated reports, with less being located in

---

<sup>9</sup> ‘Revised Guidance on the Strategic Report’, 2018. [01 Guidance 1..98 \(frc.org.uk\)](https://www.frc.org.uk/~/media/2018/09/01_Guidance_1..98.pdf)

<sup>10</sup> Where the assurance report expresses a conclusion on whether the integrated report is in accordance with the International Integrated Reporting Framework. Partial forms of integrated reporting assurance (a more integrated approach to assurance) exist where the assurance practitioner expresses a conclusion on whether a description of an organization’s business is in accordance with a reporting requirement (eg Article 19(a) of the European Sustainability Reporting Directive and Resolution 14 by the Brazilian securities regulator) or standards (eg S1 and S2).

<sup>11</sup> Simnett, R, Tan, Y, You, J and Zhou, S. (2024) “Australian listed companies’ preparedness for mandatory reporting and assurance of climate-related disclosures” Deakin University Working Paper.

<sup>12</sup> The IFAC State of Play report referenced in Footnote 1 stated, “In 2022, we saw significant changes in where companies reported on ESG. Only 30% of disclosures reviewed were in stand-alone sustainability reports – a decline from 57% in 2019. Most companies (40%) included sustainability information in the annual report, but ESG disclosures in integrated reports also increased.” In relation to Australia, IFAC noted that sustainability disclosure in separate sustainability reports declined to 8% in 2022, down from 64% in 2021. The inclusion of sustainability information in integrated reports increased from 12% in 2021 (global: 21%) to 20% in 2022 (global: 27%), emphasising the need for

standalone sustainability reports. Entities already reporting in such ways are likely, all other things being equal, to be relatively better prepared for reporting under the proposed climate-related financial disclosure legislation and Australian equivalents of S1 and S2 than those who are not. Preparedness is a significant topic for ASIC. Joe Longo, Chair of ASIC, spoke at the Deakin Integrated Reporting Centre / Deakin Law School international sustainability reporting forum on 22 April 2022, 'Start preparing now: Early ASIC guidance on the mandatory climate disclosure regime'<sup>13</sup>.

**The ASX Corporate Governance Council can be confident in incorporating integrated reporting more explicitly and extensively in the 5<sup>th</sup> Edition, before it becomes a legislative or standard-setting matter.**

Australia stands to benefit from widespread integrated reporting adoption in terms of the core objects of the Australian Financial Reporting System as set out in section 224 of the ASIC Act – reduced cost of capital, Australian entities being able to compete effectively overseas, and investor confidence in the Australian economy including its capital markets. However, Australia is lagging the other major jurisdictions mentioned above in adopting integrated reporting on the basis of the benefits available.

As a driver of best practice in corporate governance<sup>14</sup> in advance of legislation, regulation and standards, the 5<sup>th</sup> Edition should be more explicit in encouraging integrated reporting as a leading corporate reporting practice as is done in South Africa and Malaysia.

#### DIRC Submission Key Point 4

***The final 5<sup>th</sup> Edition needs to be further aligned to integrated reporting:***

- ***Recommendation 4.2 needs to be tightened in relation to integrated reporting. We recommend incorporating specific aspects of the International Integrated Reporting Framework in the Commentary to Recommendations 4.2 and 7.4 to strengthen the Commentary (refer to the table on pages 21-24 of the attached submission) and enhance the ability of the ASX to monitor and enforce in-substance adherence to these recommendations according to the intention of the ASX Corporate Governance Council.***

Set out below is a mapping of Recommendations 4.1, 4.2 and 7.4 to specific components of the Framework, demonstrating that the International Integrated Reporting Framework can add rigour to Recommendation 4.1, 4.2 and 7.4 disclosures and thereby contribute to providing a stronger basis for monitoring by the ASX. We would like to see the Framework references below blended into in the Commentary to Recommendation 4.2 and / or Recommendation 7.4:

---

the AUASB to provide the guidance suggested in this submission on practitioners evaluating descriptions of an organisation's business.

<sup>13</sup> Mr Longo's speech can be found on the ASIC website: [Start preparing now: Early ASIC guidance on the mandatory climate disclosure regime | ASIC](#).

<sup>14</sup> The ASX Corporate Governance Recommendations are also a form of 'quasi regulation' given that section 792 of the Corporations Act requires the ASX to monitor adherence to the Recommendations as compliance with the Recommendations is required by ASX Listing Rules. ASX is also required to refer serious breaches to ASIC for enforcement action under its powers.

ASX CG Principles and Recommendations	Integrated Reporting Framework
<p>Recommendation 4.1 Commentary includes the following:</p> <ul style="list-style-type: none"> <li>• “While ultimate responsibility for a listed entity’s financial statements rests with the full board, having a separate audit committee can be an efficient and effective mechanism to bring the transparency, focus and independent judgement needed to oversee the corporate reporting processes.”</li> <li>• “The role of the audit committee is usually to review and make recommendations to the board in relation to: <ul style="list-style-type: none"> <li>- the adequacy of the entity’s corporate reporting processes, and internal control framework;</li> <li>- the integrity of the entity’s financial reporting</li> <li>- (depending on the committee’s remit) the integrity of reporting for the entity’s other periodic corporate reports</li> </ul> </li> </ul> <p>Financial reporting is defined in a footnote to include finance-related narrative disclosures including sustainability reports. Presumably this includes other reports included in the definition of ‘periodic corporate reports’ with are directed to investors such as integrated reports.</p> <ul style="list-style-type: none"> <li>- The appropriateness of the accounting and reporting frameworks or choices exercised by management in preparing the entity’s financial reporting and (as applicable) other periodic corporate reports;</li> <li>- The entity’s audit and assurance policies and practices, including ...:approaches to internal and external audit and assurance in respect of periodic corporate reports.”</li> </ul>	<p>1.7: “The primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates, preserves or erodes value over time.”</p> <p>1.8:” An integrated report benefits all stakeholders interested in an organisation’s ability to create value, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.”</p> <p>1.12: “An integrated report should be a designated, identifiable communication.”</p> <p>4.42: “An integrated report describes its basis of preparation and preparation, including:</p> <ul style="list-style-type: none"> <li>• A summary of the organisation’s materiality determination process</li> <li>• A description of the reporting boundary and how it has been determined</li> <li>• A summary of the significant frameworks and methods used to quantify or evaluate material matters</li> </ul> <p>4.48: “An integrated report includes a summary of the significant frameworks and methods used to quantify or evaluate material matters included in the report (eg the applicable financial reporting standards used for compiling financial information, a company-defined formula for measuring customer satisfaction, or an industry-based framework for evaluating risks.”</p> <p>The ISSB had not been formed with the International Integrated Reporting Framework has last updated in 2021, and so there is no reference to IFRS Sustainability disclosure standards.</p>
<p>Recommendation 4.2: Commentary has content about ‘management’.</p>	<p>As set out above, the International Integrated Reporting Framework makes it clear that it is its board of directors (those charged with governance), and not management, that is responsibility for the integrity of integrated reports and the underlying reporting process.</p>
<p>Recommendation 4.2: Commentary makes reference to ‘financial reports’.</p>	<p>The international Integrated Reporting Framework clearly distinguishes between ‘reports’ (content) and ‘reporting’ (process). That reference to financial reports should be clarified.</p>

Accordingly, we recommend that these paragraphs of the Integrated Reporting Framework be incorporated into Recommendations 4.1 and 4.2 or explicitly referenced.

- ***We would have preferred a recommendation attached to Principle 4 that requires the preparation of an integrated report on an ‘if not, why not?’ basis. However we recognise that this will probably not be possible during the lifecycle of the 5<sup>th</sup> Edition given that Sustainability Reports will be required from 2025 under the proposed climate-related financial disclosure legislation. On this basis we recommend that the Commentary to Recommendation 4.2 encourage the voluntary inclusion of integrated reports within the Sustainability Report.***

Unfortunately the proposed Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act will add another new report to annual reports. This will add to the clutter of annual reports. It will miss a significant integration opportunity. Australia is out of step with successful IR adoption jurisdictions - Japan, France, India, Italy, Brazil, Turkey and the Netherlands, South Africa. Notwithstanding the significant benefits derived from integrated reporting adoption in other parts of the world, integrated reporting adoption has stalled in Australia with directors confused as to whether they should stop, start or continue with integrated reporting.

Australia needs to regain lost ground on integrated reporting in the interests of business productivity and the cost of capital (integrated thinking), confidence in Australian capital markets and the international competitiveness of Australian companies generally and in international capital markets (integrated reporting).

We believe that the ideal location of disclosures arising from applying S1 and S2 is an integrated report. This will put these disclosures into a business context. This will be in the interests of investors, particularly international investors, and other stakeholders.

This needs to be approached on a whole-of-system basis: material disclosures recommended by ASIC for OFRs, and material corporate governance disclosures required of listed entities under ASX Listing Rules, could be included in an integrated report if it were required instead of a Sustainability Report. Alternatively, an integrated report incorporating those disclosures could be included in the Sustainability Report in a separate section alongside the Climate Statement, or in a Sustainability Report prepared in accordance with the Integrated Reporting Framework. This would remove at least one report from annual reports while enhancing their relevance.

We believe that the Commentary to Recommendation 4.2 should recommend the voluntary inclusion of an integrated report within the Sustainability Report. This practice will be allowed under the proposed legislation.

#### *More integrated thinking*

Producing an integrated report will also be a driver of improved business practice through more integrated thinking. Successful integrated reporters around the world almost invariably report that pursuing the process of integrated reporting improves their businesses through its integrated thinking foundation. Evidence in relation to this point is provided by the work of Japan’s Global Pension

Investment Fund and the remarks of David Atkin (refer discussion under Key Point 4 on page 16 including Footnote 5) and various recent academic studies.<sup>15</sup>

*Useful and reliable report content*

As well as being the ideal location for disclosures under S1 and S2, an integrated report will also allow the inclusion of material metrics from applying IFRS Accounting Standards and other business-critical metrics (eg quality of governance and management, customer satisfaction, employee strategic alignment, innovation / intangibles) to be included, for the following reasons:

Such metrics will be:

- be provided in the context of the description of the business.  
The report will integrate all metrics into the context of the description of the business as well as connect metrics required by accounting and sustainability disclosure standards, and other self-determined metrics.
- consistent and comparable.

Such reports will:

- be a repository such further information as entities need to provide to be able to claim full compliance with IFRS Sustainability Disclosure Standards S1 and S2 as well as ASRS 1 and 2, as well as a cross-reference to the climate-related financial disclosures included in the Climate Statement. It will enable entities to 'top up' requirements under IFRS Sustainability Disclosure Standards S1 and S2 additional to those under ASRS 1 and 2, such that they will be able to fairly assert that their sustainability report complies with both IFRS Sustainability Disclosure Standards and Australian sustainability reporting standards.
- be the basis of suitable criteria for assurance under the Australian equivalent of the IAASB's sustainability assurance standard ISSA 5000, which is expected to be published in the third quarter of this year.
- be useful for investors and other stakeholders.

---

<sup>15</sup> Relevant papers on this matter include Dimes, R and de Villiers, 'Hallmarks of Integrated Thinking', *The British Accounting Review*, 101281 (2023); Vitolla, A, Striopoulos, T, Alvino, F and Palladino, R, 'Integrated thinking and reporting – towards sustainable business models: a concise bibliometric analysis', *Meditari Accountancy Research*, 29(4), 671-719 (2021); Vitolla, F, Marrone, A and Raimo, N, 'Integrated reporting and integrated thinking: a case study analysis', *Corp Own*, 18, 281-291 (2020); Dimes, R, De Villiers, C and Chen, Li, 'Journal of Management Accounting Research', Vol 35, Issue 3, pages 75-90 (2023); Bridges, CM, Yeoman, M and Harrison, J, 'Integrated thinking or integrated reporting, which comes first?', *The Routledge Handbook of Integrated Reporting*, pages 241-20, Routledge (2020).



This approach will be appreciated by international investors as well as preparers and assurance practitioners who, if old enough, would remember the extra effort required between 2005 and 2009 to claim adoption of IFRS Accounting Standards and Australian Accounting Standards.

Such a report will provide a trusted window into the quality of the entity’s integrated thinking, which will be improved by the process of integrated reporting.

The CPA Australia integrated report, which has independent external assurance, released in April 2024, has already taken a step in this direction on a voluntary basis.

*Integrity of and responsibility for integrated reports*

As to the integrity of integrated reports, Recommendations 4.1 (paragraph 1.20 of the Integrated Reporting Framework) and 4.2 (paragraph 1.24 of the Integrated Reporting Framework) are complementary to paragraphs 1.20 and 1.24 of the International Integrated Reporting Framework.

The alignment between Recommendations 4.1, 4.2 and 7.4 with the International Integrated Reporting Framework is demonstrated in the following table:

ASX CG Principles and Recommendations	Integrated Reporting Framework
Principle 4: The board of a listed entity should oversee appropriate processes to verify the integrity of its period corporate reports	1.20: An integrated report should include a statement from those charged with governance that includes: <ul style="list-style-type: none"> <li>• An acknowledgement of their responsibility to ensure the integrity of the integrated report.</li> <li>• Their opinion or conclusion about whether, or the extent to which, the integrated report is presented in accordance with the &lt;IR&gt; Framework.</li> </ul>
Recommendation 4.1: Report Integrity Oversight – The board of a listed entity should ... have an audit committee ... and disclose ... the relevant qualifications and experience of the members of the committee [in relation to all corporate reports – Principle 4]	
Recommendation 4.2: Reporting Process Integrity - A listed entity should <b>disclose its process</b> to verify the integrity of any periodic corporate report it releases to the market, including the <b>extent to which it has been audited</b> , or otherwise the subject of assurance, by an external audit practitioner	1.24: Process disclosures are encouraged as a supplement to a statement of responsibility from those charged with governance as this information indicates measures taken to ensure the integrity of the integrated report.

Accordingly, we recommend that these paragraphs of the Integrated Reporting Framework be blended into Recommendations 4.1 and 4.2 or be explicitly referenced.

*Better connecting and integrating corporate reports, not adding to fragmentation*

The Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 is presently passing through Parliament. In addition to formally paving the way for Australian Sustainability Reporting Standards, the key development in the proposed legislation is the addition of another mandatory report to be included in ‘annual reports’, the Sustainability Report. Unfortunately, the addition of Sustainability Reports will only further fragment and risk more duplication in annual reports.

We are missing a major opportunity to achieve more integration in corporate reporting. Annual reports will now comprise the following mandatory reports, between which there will be duplication and inconsistency:

<b>Report</b>	<b>Required / To Be Required By</b>
Directors Report	Corporations Act
Remuneration Report	Corporations Act
Audited Financial Report	Corporations Act
Audited Sustainability Report	To be required by Corporations Act on inception of new Act Being based Australian Sustainability Reporting Standards 1 and 2, disclosures will be required in Sustainability Reports / Climate Statements on governance, strategy and risk management in relation to climate risks and opportunities.
Operating & Financial Reviews	ASIC’s recommended report location for business-related disclosures required by section 299 of the Corporations Act  OFR included as part of Directors’ Report under ASIC guidance. Given that OFRs are not required by the Corporations Act there is nothing to preclude locating these disclosures in another report – for example, in the Sustainability Report.
Corporate Governance Statements	ASX Listing Rules, which covers adherence to the ASX Corporate Governance Principles and Recommendations.  This includes Recommendation 4.2 disclosures on the integrity of periodic corporate reports.

For example, there will be significant duplication and potential inconsistency between OFRs, Sustainability Reports, Corporate Governance Statements and Directors Reports. OFRs are broader in terms of ‘the business’ than will be Sustainability Reports. ASIC’s RG 247 recommends disclosures about the business model, which will not be required by ASRS 1 and 2. On the other hand, governance disclosures are not made in OFRs as ‘they are made in another report’ – the Corporate Governance Statement.

There is a major connectivity and integration opportunity being wasted. In addition to the above fragmentation and duplication in statutory and regulatory reports, current TCFD reporting lacks insight, connectivity, consistency and comparability.

On the basis of the above, we believe that the 5<sup>th</sup> Edition can address the matter. It should encourage Group One entities to go further than climate-only Sustainability Reports as a matter of best practice in advance of legislation, regulation and standards requiring this. There is nothing to prevent Group One entities choosing to consolidate and integrate their own annual reports.

An integrated report within the annual report can be achieved through consolidation of the Review of Operations / Operating and Financial Review into the proposed Sustainability Report as a voluntary addition to Climate Statements in annual reports. The report could alternatively be named an 'Integrated Report' or a 'Sustainability, Operating and Financial Review' (SOFR) prepared in accordance with the International Integrated Reporting Framework.

- ***An integrated report will provide strong evidence for Boards of Directors to reference and rely upon in support of Recommendation 4.2 disclosures, particularly under the modified liability approach for the first three years under the proposed Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill / Act 2024.***

As noted above, the International Integrated Reporting Framework was developed and is maintained through a comprehensive global due process. It is achieving widespread adoption in jurisdictions such as Japan, France, Italy, India, Brazil, Malaysia, Turkey and South Africa, with most of that growth occurring since 2019 when the 4<sup>th</sup> Edition was published. Further growth in adoption is expected as the IFRS Foundation further clarifies the future place of the Framework following the ISSB's 2023 Request for Information agenda consolidation.

Integrated reports under the Framework with their Basis of Preparation and Presentation have proven to provide the basis of suitable criteria for assurance in numerous jurisdictions. In fact, independent assurance under the Framework has been mandated for large, listed companies in Brazil on an 'opt in' basis. Assurance is driving higher quality integrated reports in significant adoption jurisdictions.

Accordingly, we have made the recommendations in this submission about the 5<sup>th</sup> Edition being more explicitly aligned with the International Integrated Reporting Framework.

Having an integrated report will be an ideal communication for Boards to point to as to its due process in making disclosures under Recommendations 4.1, 4.2 and 7.4 of the ASX Corporate Governance Principles and Recommendations.

- ***The International Integrated Reporting Framework is now the intellectual property of the IFRS Foundation, the world's peak corporate reporting body, and not that of the International Integrated Reporting Council (IIRC). Accordingly, Footnote 57 should refer to the IFRS Foundation. The IFRS Foundation has refreshed its commitment to the long term future of the Integrated Reporting Framework within the IFRS Foundation and its recommendation for its continued adoption around the world.***

Recommendation 4.2 notes that 'integrated report' "has the meaning given in the International Integrated Reporting Framework." However that recommendation is out of date as it incorrectly ascribes ownership of the Framework to the International Integrated Reporting Council and not the IFRS Foundation. This is a significant change as the IFRS Foundation is the global peak body for corporate reporting.

## DIRC Submission Key Point 5

***“New and substantive investor and analyst presentations” are referred to in Recommendation 5.3. These presentations are not included in the definition of ‘periodic corporate reports’, notwithstanding that entities regard them as primary vehicles for communicating on governance, strategy, business models and risk management with investors.***

***Recommendation 5.1 is limited to releasing the presentation materials to the ASX and Recommendation 5.3 is limited to having and disclosing a continuous disclosure policy. Disclosure of the process to ensure the integrity of investor and analyst presentations, including the extent to which they have been assured, needs to also be caught by Recommendation 4.2 (an ‘integrity net’) or an equivalent recommendation attached to Principle 5. This will go beyond Recommendations 5.1 and 5.3. Recommendation 4.2 requires disclosures about reporting processes. Integrated reporting strengthens this further by communicating to investors on the operation of reporting processes used to ensure the integrity of periodic corporate reports.***

***This change would be consistent with the role of the ASX Corporate Governance Principles and Recommendations in driving best corporate governance practices in advance of legislation, regulation and standards. An integrated reporting-like framework would strengthen these presentations and enhance their comparability and consistency.***

These presentations are often regarded by entities and investors alike as the primary source of information about the entity’s governance, strategy, risk management, business model, performance and prospects. These are integrated reporting-like disclosures. Currently, these forms of communication lack consistency and comparability, an underlying reporting framework, and potentially, integrity. This is about more than having a policy. These disclosures need to be caught by an ‘integrity net’ like Recommendation 4.2 and integrated reporting will help.

Integrated reports are a concise, coherent, comprehensive, connected and assurable communication of information about an entity’s governance, strategy, risk management, business model, performance and prospects. An integrated report provides business context for the metrics in the report.

Investors need to know about the process used to ensure the integrity of investor and analyst presentations. Integrated reports should contain a description of the design ***and operation*** of the reporting process.

Integrated reports are the ideal reporting framework to underlie these forms of communication and would be an excellent platform for entities to anchor these communications in a manner that enhances consistency and comparability and therefore investor trust and confidence in the integrity of the communications referred to in Recommendations 5.1 and 5.3.

## DIRC Submission Key Point 6

***Australian Sustainability Reporting Standards 1 and 2 need to be elevated from the footnotes in the proposed consultation draft. These standards need to be prominent and properly integrated in the 5<sup>th</sup> Edition. In fact the 5<sup>th</sup> Edition may need to drive international alignment if this is not achieved by the final ASRS 1 and 2.***

Without duplicating them, the legislation and these standards need to be prominent and fully integrated in the final 5<sup>th</sup> Edition. They are core components of the corporate reporting system. The 5<sup>th</sup> Edition can extend their application when it is published to all listed entities, beyond the limited range of entities (Group One) for which they will be mandated in 2025.

At this stage the AASB is proposing sustainability reporting standards that are not aligned with IFRS Sustainability Disclosure Standards, with ASRS 1 drafted on a 'climate-only' basis.

Australian entities must be able to state that they comply with IFRS Sustainability Disclosure Standards by complying with Australian Sustainability Reporting Standards to satisfy the needs of their international investors.

If the climate-only approach in the exposure drafts of ASRS 1 and 2 is carried through into the final ASRS 1 and 2, then the 5<sup>th</sup> Edition should encourage Australian listed entities to provide additional information to comply with IFRS Sustainability Disclosure Standards S1 and S2 in the interests of their international investors and 'climate first' government policy in integrated reports.

We re-iterate for the attention of the ASX Corporate Governance Council the need to achieve full alignment with the global baseline of IFRS Sustainability Disclosure Standards in pursuit of the core objects of the Australian financial reporting system as set out in section 224 of the ASIC Act.

### **Question 13**

We support the proposal to refer to some contemporary risks in commentary associated with recommendations in the 5<sup>th</sup> Edition including Recommendation 7.4's Commentary; and the focus on frameworks, with commentary including discussion of matters such as crisis management and business continuity processes.

An integrated report in accordance with the International Integrated Reporting Framework will specifically address such matters under the content elements of the Framework on the business model, risks and opportunities and risk management:

- **Business Model.** The business model comprises key activities aiming to fulfil the organisation's strategic purposes. These activities are conveniently grouped into business processes. Crisis management and business continuity are likely to be key business processes which need to be described in the integrated report (refer Section 4C of the Framework).
- **Risks and Opportunities.** An integrated report will describe the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how the

organisation is dealing with them (refer section 4D of the Framework), including but not limited to material environmental and social risks.

ASX CG Principles and Recommendations	Integrated Reporting Framework
<p>Principle 7: The board of a listed entity should oversee a sound risk management framework and the periodic review of the effectiveness of that framework.</p> <p>Recommendation 7.4: A listed entity should disclose: (a) its material risks (including its material environmental, social and governance risks); and (b) how it manages or intends to manage those risks.</p>	<p>4.24: An integrated report should answer the question: What are the specific risks and opportunities that affect the organisation’s ability to create value over the short, medium and long term, and how is the organisation dealing with them?</p> <p>4.31: An integrated report should answer the question: To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?</p>
<p>Recommendation 7.4 Commentary:</p> <ul style="list-style-type: none"> <li>• Refers to ‘strategy’ and ‘business model’.</li> <li>• Risks and stakeholder relationships</li> <li>• Cross-referencing to achieve connectivity and integration.</li> </ul>	<p>The International Integrated Reporting Framework adopts a comprehensive, coherent and connected approach to these and other matters in Recommendation 7.4.</p> <p>The Framework defines:</p> <p>Strategy: “Strategic objectives together with the strategies to achieve them.”</p> <p>Business Model: “An organisation’s system of transforming inputs into outputs and outcomes that aims to fulfil the organisation’s strategic purposes and create value over the short, medium and long term.”</p> <p>The Framework has content elements and guiding principles in relation to risks and stakeholder relationships:</p> <p><i>Risks content element</i></p> <p>Paragraph 4.24: “An integrated report should answer the question: What are the specific risks and opportunities that affect the organisation’s ability to create value over the short, medium and long term, and how is the organisation dealing with them?”</p> <p>Paragraph 4.25: “An integrated report identifies the key risks and opportunities that are specific to the organisation, including those that relate to the organisation’s effects on, and the continued availability, quality and affordability of, relevant capitals in the short, medium and long term.”</p> <p><i>Stakeholder relationships guiding principle</i></p> <p>Paragraph 3.10: “An integrated report should provide insight into the nature and quality of the organisation’s relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interests.”</p>

Accordingly, we recommend that these paragraphs of the Integrated Reporting Framework be blended into Recommendations 7.4 or be explicitly referenced.

An integrated report in accordance with the International Integrated Reporting Framework will also improve practice for existing reporting on an entity’s prospects under the Outlook section of the

Framework, Section 4G. The Integrated Reporting Framework is a more holistic representation of the business, performance and prospects than an Operating and Financial Review under ASIC's RG 247 and the proposed Sustainability Report:

- It is founded on integrated thinking principles. Successful integrated reporters around the world normally report business improvement as a result of pursuing the process of integrated reporting.
- It is more comprehensive. For example, integrated reports report on the Board of Directors' governance process (its design and operation) as well as the accountability of the Board of Directors for the integrity of the integrated report and underlying reporting process.

We refer to these matters as 'active governance', where disclosure goes beyond outlining the governance arrangements in place (structures; committees; knowledge, skills and experience; policies) to the design and operation of the governance process employed by Boards of Directors: the objectives, inputs to, critical activities of, and outputs and outcomes from, the Board's governance process. In short, a proper application of the International Integrated Reporting Framework will see the integrated report on 'how things happen in the boardroom' – the Board's active governance.

- Through the Basis of Preparation and Presentation requirements, it provides the basis of suitable criteria for assurance.

Key Point 4 of our submission supports our response to Question 13.

While we would prefer that Recommendations 4.2 and 7.4 include specific wording from the Framework and reference the Framework as the authoritative source, the same substantive result can be achieved by building the wording in rather than specifically referencing paragraphs of the Framework. The Framework could be more generally referenced as a source of best practice. This is the approach taken in the King Code of Corporate Governance in South Africa.

## **Other Questions**

### **Question One**

We support this proposal on the basis that this provides clarity on the roles of the different parties.

### **Question Two**

No.

### **Question Three**

We support this proposed disclosure and note that disclosure about the entity's process for assessing that the relevant skills and experience held by its directors should be considered for 'active governance' disclosure – that is, how did the process operate in practice?

### **Question Four**

We support raising the S&P/ASX300 measurable objective to a gender balanced board.

**Question Five**

We support the proposed disclosure of any other relevant diversity characteristics (in addition to gender) which are being considered for a board's membership.

**Question Six**

We support the proposal to also recommend disclosure of the effectiveness of an entity's diversity and inclusion practices. Disclosure on material aspects of the effectiveness of an entity's diversity and inclusion practices.

**Question Seven**

We make no comment.

**Question Eight**

We support the proposed disclosure. Given that the question refers to material breaches, such a disclosure will be included in an integrated report under paragraph 4.31 of the International Integrated Reporting Framework, the 'Performance' content element, if it is financially material.

**Question Nine**

We support the proposed amendment and note that Principle 3 could be cross-referenced to Principle 4 if the alignment of the 5<sup>th</sup> Edition to the International integrated reporting Framework is strengthened as recommended.

An integrated report under the International Integrated Reporting Framework will provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interests (paragraph 3.10).

**Question 10**

This new Recommendation better balances the interests of security holders, other key stakeholders, and the listed entity. The balance will be further improved by strengthening the alignment with the International Integrated Reporting Framework given that the primary purpose of an integrated report is to explain to investors how an organisation creates and preserves value over time. An integrated report benefits all stakeholders interested in an organisation's ability to create value over time, including employees, suppliers, business partners, local communities, legislators, regulators and policy-makers (refer page 5 of the Framework).

**Question 12**

We support this proposal, which is backed by research<sup>16</sup>.

---

<sup>16</sup> Simnett and Trotman (2023). AUASB research report ,9 December 2022, 'Perceptions of audit quality by audit committee chairs in Australia'. [https://auasb.gov.au/media/4ujeedno/auasb\\_researchreport9\\_12-22.pdf](https://auasb.gov.au/media/4ujeedno/auasb_researchreport9_12-22.pdf) [More?]



**Question 14**

We make no comment.

**Question 15**

We make no comment.

**Question 16**

We make no comment.

**Question 17**

We make no comment.

**Question 18**

We support an effective date for the Fifth Edition of the first reporting period commencing on or after 1 July 2025.