

# DETAILED FINDINGS FROM THE ASX200 BENCHMARKING REVIEW

October 2021

# Detailed findings from the ASX200 Benchmarking Review

We set out below the detailed findings from the benchmarking of ASX200 FY21 reporting by KPMG Australia and Deakin Integrated Reporting Centre (DIRC) as published in the KPMG report '*Corporate Reporting – COVID-19, climate change and other ESG matters are driving organisations to make changes in business models, governance and decision making, whilst driving enhanced transparency – A review of corporate reporting trends in the year to 30 June 2021 across the ASX200*'. The approach adopted is summarised in Appendix 1.

The detailed findings examine the progress made by ASX200 companies in disclosing information required by the eight key content elements of the <IR>Framework, as well as the fundamental concepts of the six capitals and value creation. In assessing the quality of disclosures, we also considered the guiding principles which underpin the preparation of an integrated report.

## GENERAL QUESTIONS

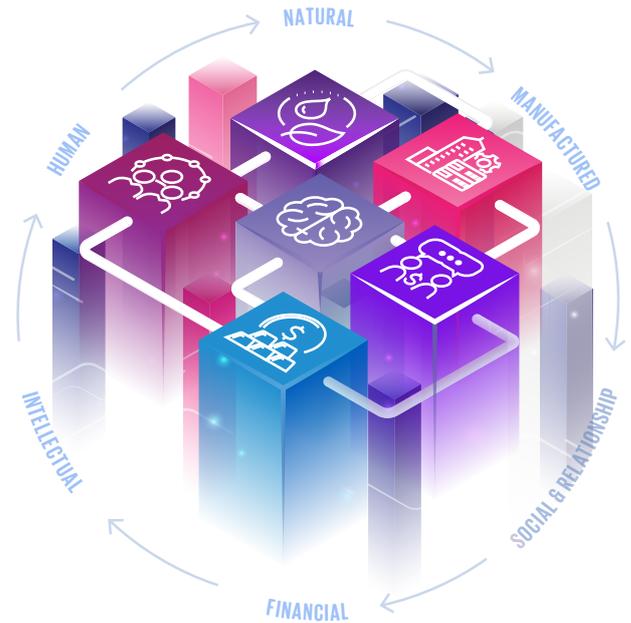
The benchmarking analysis starts with a number of general questions to determine the primary report for shareholders of each company and then captures certain attributes of that reporting, before the various content elements of the <IR> Framework are addressed.

QUESTION	2021 ASX50	2020 ASX50	2021 ASX200	2020 ASX200
Primary report is the Annual Report	98%	96%	99%	98%
Primary report references the <IR> Framework	6	9	18	13
Report focused on long term value creation rather than just historic financials	87%	94%	70%	79%
Pages in primary report	171	160	142	136
Pages of 'integrated discussion' (often OFR)	60	55	50	46
Inclusion of a value creation diagram	16%	35%	13%	16%
Is the Corporate Governance statement in the primary report	15%	12%	17%	11%
Include details of key stakeholders and why important to value creation (new)	63%		47%	
Include material ESG reporting in primary report (new)	59%	-	47%	
Include in the primary report progress in implementing the TCFD Recommendations	48%	-	35%	

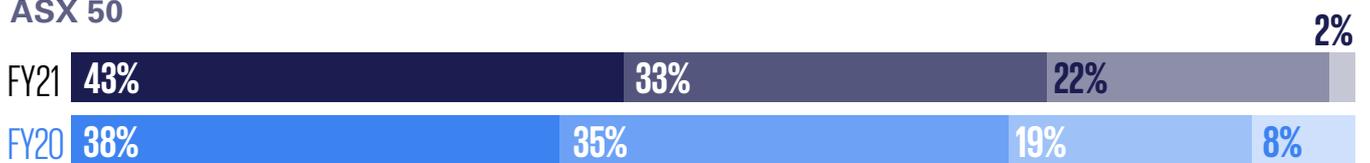
# The capitals (resources and relationships)

Integrated reporting aims to provide insight on how resources and relationships (the capitals) have been used and affected by an organisation in its creation of value.

The <IR> Framework identifies six capitals that should be considered but requires organisations to only focus on those capitals that are important to their own value creation process now and into the future.



## ASX 50



## ASX 200



- The capitals are not clearly identified or defined
- The capitals (or value drivers) are clearly identified within the report
- The capitals are clearly identified and there is basic connectivity between the capitals and selected sections of the report (e.g. strategy, risk, performance or outlook)
- The capitals are clearly identified and there is good connectivity between the capitals and all key sections of the report, including the value creation process, business model, performance, outlook and outcomes

# Value creation

Clear articulation of how the organisation creates value, its value creation process, is critical in helping the reader understand how the organisation’s resources and relationships are used through its business model and governance framework to execute strategy, manage risks and opportunities to deliver its products and services (outputs) while at the same time maintaining or enhancing required resources and relationships (outcomes) for future value creation.

A Value Creation Model diagram is often used in an integrated report to help explain the value creation process and to align the board, executive, staff and key stakeholders on how the organisation creates value.

## ASX50

17%

of organisations included a Value Creation Model diagram in the flagship report (2020:24%)

## ASX200

13%

of organisations included a Value Creation Model diagram in the flagship report (2020: 16%)

### ASX 50



### ASX 200



- Limited or no discussion of how value has been created
- Individual elements of the value creation process are described but with no connectivity
- An overview of the end-to-end value creation process is included, showing the capitals as the inputs but no connectivity with the rest of the report

# Organisational overview and external environment

This section is critical to ensuring what the organisation does and the context in which it operates is fully understood by the reader.

This section should include scene setting information such as the organisational culture, ethics and values, ownership structure, operating structure, and key activities, as well as consideration of any significant factors affecting the external environment (e.g. markets, competition, regulation and/or megatrends) and the organisation’s response.

## ASX50

78%

of companies benchmarked outline their corporate purpose (and/or mission and vision) (2020:78%)

## ASX200

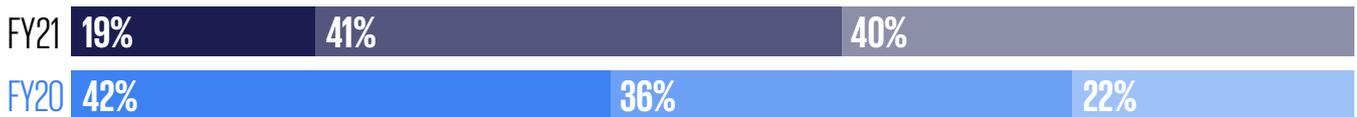
60%

of companies benchmarked outline their corporate purpose (and/or mission and vision) (2020:60%)

### ASX 50



### ASX 200

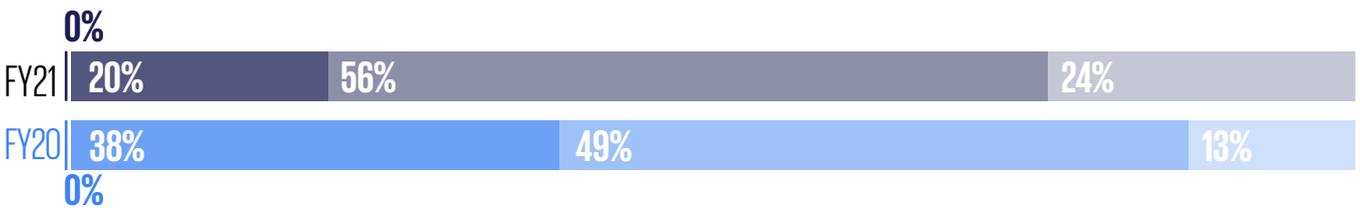


- Limited or no discussion of the organisation or external environment
- Detailed discussion on one of the organisation or external environment
- Detailed discussion on both the organisation and the external environment

# Strategic focus and key performance indicators

When describing an organisation’s strategy, the disclosure should give the reader enough information to understand what the organisation wants to achieve and how it will measure progress and success.

## ASX 50



## ASX 200



- Limited or no discussion of strategy
- The high-level discussion of strategy gives you an idea of where the organisation is heading in the short and/or medium term
- Discussion includes specific strategic objectives which underpin the strategy
- Discussion includes specific strategic objectives, as well as information on how the successful implementation of each strategic objective will be measured (KPIs)

# Risks and opportunities

Risk and opportunity disclosures need to be tailored to the specific financial and non-financial risks and opportunities that affect the organisation’s ability to create value over time and how the organisation is managing them.

## ASX 50



## ASX 200

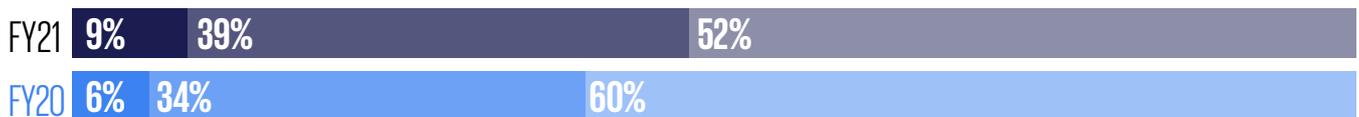


- Limited or no discussion of material business risks
- Identification and description of material business risks
- Includes information on how the material business risks are being managed or mitigated by the organisation
- Includes information on how the material business risks are being managed or mitigated, and how they are connected to other discussions in the report (e.g. strategy, performance and prospects)

# Business model

The <IR> Framework defines the business model as the organisation’s system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the organisation’s strategic purposes and create value over the short, medium, and long term. The business model is a key component of the organisation’s value creation process.

## ASX 50



## ASX 200



■ Limited or no discussion of the business model

■ High level discussion of the business model focused on business activities

■ Discussion includes the identification of key inputs, activities, and outputs

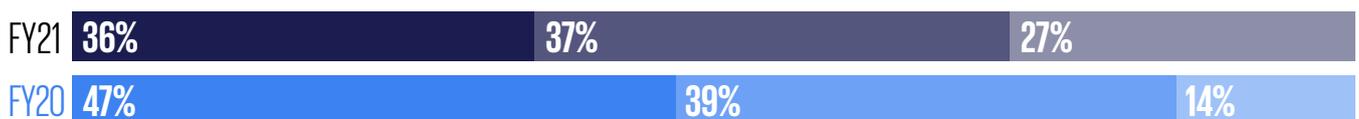
# Governance

Governance disclosures should help the reader understand how the board supports the organisation’s ability to create value. This year we see a continued increase in the number of organisations not only including a governance summary, but an active governance summary which highlights the key areas of focus of the board during the year.

## ASX 50



## ASX 200

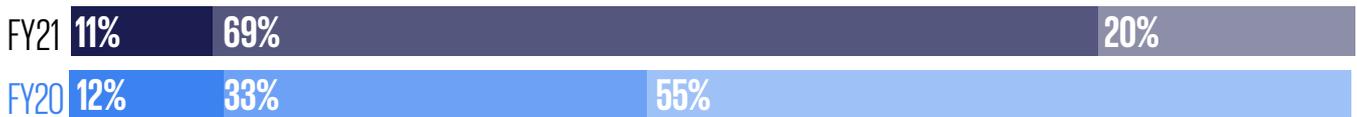


- No Corporate Governance Statement or governance summary
- Includes the Corporate Governance Statement or a governance summary, but mainly focuses on standing data rather than 'active governance'
- Includes an 'active governance' summary, highlighting the key areas of focus of the board

# Performance

Leading organisations have moved on from only talking about financial position and performance and are now including narrative on performance in other areas (i.e. customers).

## ASX 50



## ASX 200



- Discussion is focused mainly on financial performance and position of the organisation
- Includes narrative about how the organisation has performed in achieving its strategic objectives
- Includes performance against targets, budgets or other measurable KPIs

# Outlook

The <IR> Framework does not require the reporting of financial forecasts and projections.

The focus is on explaining the health of the business through leading performance indicators (e.g. customer and staff net promoter scores, innovation and new products, environmental performance) and discussion on how the organisation is responding to changes in its external environment, including COVID-19 and global megatrends such as technological innovation and climate change.

Reporting in this way will enable more effective communication to investors and all other key stakeholders about how executive remuneration is linked to their performance in strategy execution and delivery of longer-term value to shareholders and other important stakeholders.

## ASX 50



## ASX 200



■ Limited discussion and/or financial outlook only for one year or less

■ Financial and strategic outlook for one or more years

■ Outlook in the short, medium, and longer term, including information about changes in the external environment

# Basis of preparation and presentation

There should be a summary in the report which explains who the primary audience of the report is, how the organisation has determined what matters to include in the report, and how these matters have been quantified or evaluated.

This is typically done through providing a brief explanation of how the organisation engages with key stakeholders to understand their needs and interests, followed by a summary of the areas of most interest or concern to key stakeholders (material issues) and how they have been prioritised for reporting. This type of information is commonly included in sustainability reports however, it remains a key area for improvement with respect to preparation of an annual integrated report.

## ASX 50



## ASX 200



■ Limited or no discussion of the stakeholder engagement and materiality process

■ Short description of the stakeholder engagement and materiality process including identification of what the material issues are

■ Detailed description of the stakeholder engagement and materiality process, including what the material issues are and how they have been prioritised

■ Detailed description of the stakeholder engagement and materiality process, including what the material issues are and how they have been prioritised, and linked to other parts of the report (e.g. risks and opportunities)

# Appendix 1

## Integrated reporting education and research methodology

### INTEGRATED REPORTING EDUCATION AUSTRALIA

KPMG in conjunction with the University of New South Wales (UNSW) and Deakin University established the Integrated Reporting Education Australia consortium in 2016. The members of this consortium offer integrated reporting education to their clients and students.

For organisations in Australia and New Zealand who want to understand more about integrated reporting, KPMG and the Deakin Integrated Reporting Centre offer introductory level corporate education on integrated reporting. KPMG also provides a two-day workshop to show integrated report preparers how to design and build their integrated reports.

### DEAKIN INTEGRATED REPORTING CENTRE (DIRC)

The DIRC manages Deakin's commitment to integrated reporting, through industry engagement and thought leadership, research into integrated reporting and integrated reporting education. The DIRC is supported and funded by the Association of Chartered Certified Accountants (ACCA), Chartered Accountants Australia and New Zealand (CA ANZ) and KPMG Australia, who all have executives on the DIRC Advisory Board. The Advisory Board is chaired by John Stanhope AM (Chancellor of Deakin University) and includes additional members with a corporate, investment or academic background. (See [deakin.edu.au/business](http://deakin.edu.au/business) for further details).

In 2021, the DIRC has continued supporting KPMG Australia by collecting data for the ASX200 benchmarking report (see Research Methodology). The DIRC continued hosting the Business Reporting Leaders Forum (BRLF) in 2021 ([brlf.net](http://brlf.net)).

### RESEARCH METHODOLOGY

The research in this report has been carried out by Better Business Reporting specialists at KPMG Australia in partnership with academic researchers from the Deakin Integrated Reporting Centre. The DIRC has enhanced the reporting quality assessment methodology and collected the data used in this report. An experienced research assistant assessed an initial batch of reports which were cross checked by academics from the DIRC and better business reporting specialists at KPMG. Data integrity was checked by the same experienced research assistant for each company, with sample testing being undertaken by academics from the DIRC and specialists from KPMG Australia.

Research sources include PDF copies of annual reports or annual reviews (whichever report was deemed to be the primary corporate report for the providers of financial capital) published by organisations listed as being within the ASX200 as at 30 June 2021. The time period considered for this research was financial years ended between 1 July 2020 and 30 June 2021. Reports available up to 30 September 2021 were reviewed, this has resulted in 169 of the ASX200 being included in our research. The benchmarking findings are based on analysis of publicly available information only, and no information was submitted directly by organisations to KPMG or Deakin University

# Appendix 2

## KPMG CLIMATE, ESG AND CORPORATE REPORTING PUBLICATIONS.



**Corporate Reporting –  
FY20 challenges, investors and other  
stakeholders drive the ASX200 to  
apply integrated reporting principles**

Review of corporate reporting trends in the year to 30 June 2020 across the ASX 200 and beyond.

*November 2020*



**Corporate Reporting –  
Good governance driving Australian  
organisations to  
adopt integrated reporting**

Review of corporate reporting trends in the year to 30 June 2019 across the ASX 200 and beyond.

*November 2019*



**Finance evolution – Insights from  
CFOs and finance leaders on  
the impact of Covid-19 and their new  
reality**

Provides insights into the role of the CFO and Finance in driving change, including ensuring the quality of ESG information.

*November 2020*



**Climate disclosures  
within the Annual Report  
– an Australian focus.**

Guidelines that govern the preparation of the Annual Report, with a focus on identifying where climate impact may need to be considered and disclosed – primarily in the directors' report but also in the financial statements.

*June 2020*

# Appendix 2

## KPMG CLIMATE, ESG AND CORPORATE REPORTING PUBLICATIONS.



**Towards net zero**

How the world’s largest companies report on climate risk and net zero transition

November 2020



**Towards net zero – Australian supplement**

How the top Australian companies report on climate risk and decarbonisation

November 2020



**How might climate-related risks impact the financial statements**

Practical questions that all audit committees should be asking of management.

June 2021



**The time has come**

11th edition of the KPMG Survey of Sustainability Reporting

November 2020



**The time has come – Australian supplement**

Global Sustainability Reporting Survey

November 2020

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OCTOBER 2021 [762084634AARC]