

INTEGRATED REPORTING <IR>

Integrated Reporting

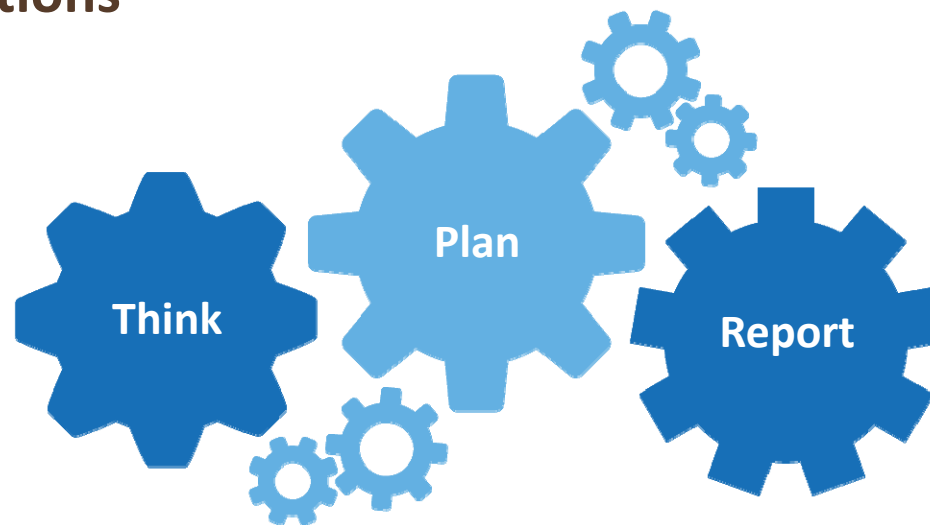
Michael Nugent



International
Federation
of Accountants®



Integrated Reporting is enhancing the way organizations



the story of their business





Overview

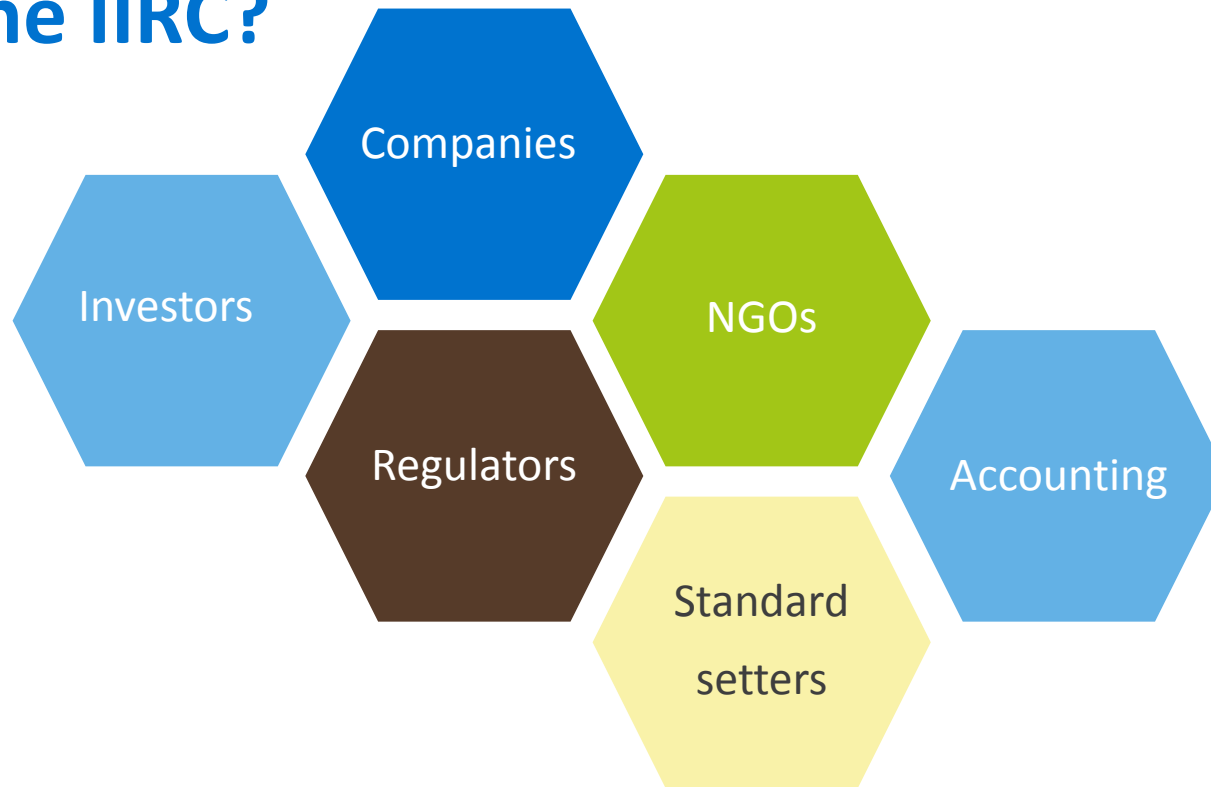
- **The International Integrated Reporting Council**
- **A new corporate reporting model**
- **The International <IR> Framework**
- **Take up of <IR>**
- **The future**



The International Integrated Reporting Council



Who is the IIRC?





IIRC Vision

The IIRC's vision is to align:

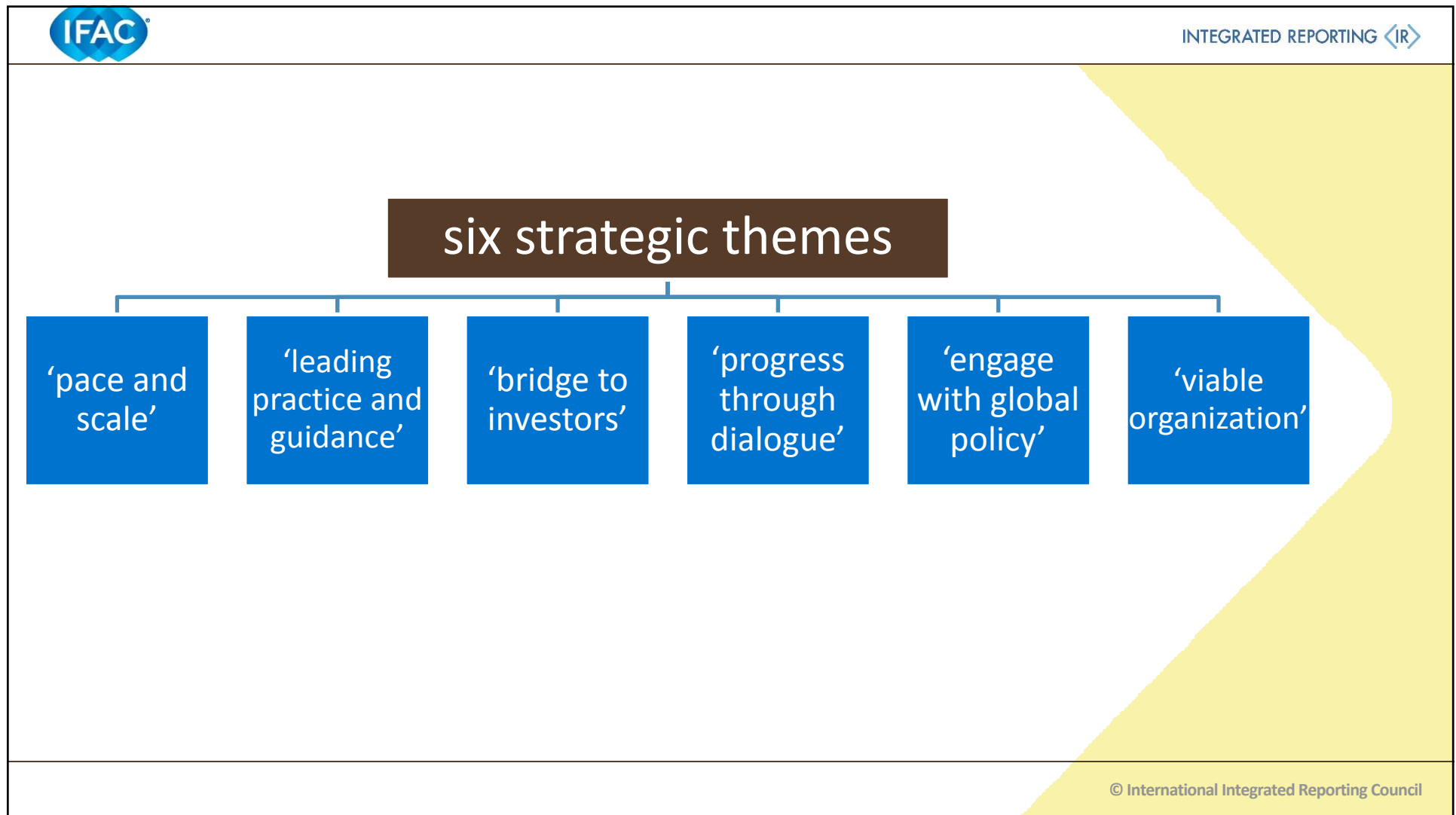
- capital allocation, and
- corporate behaviour

to wider goals of:

- financial stability, and
- sustainable development

through the cycle of:

- integrated reporting, and
- integrated thinking.

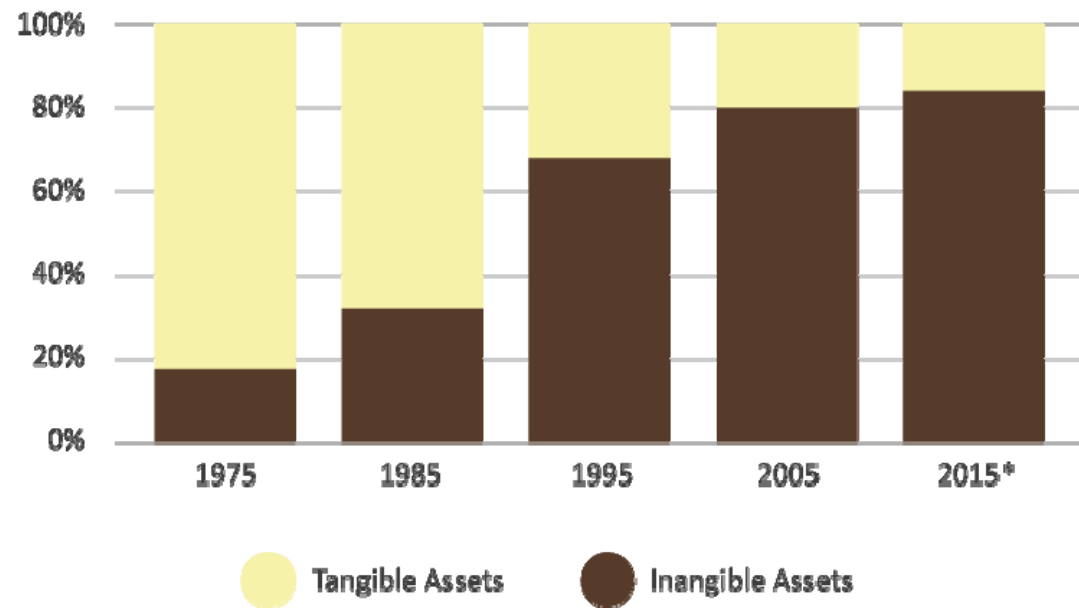




A new corporate reporting model



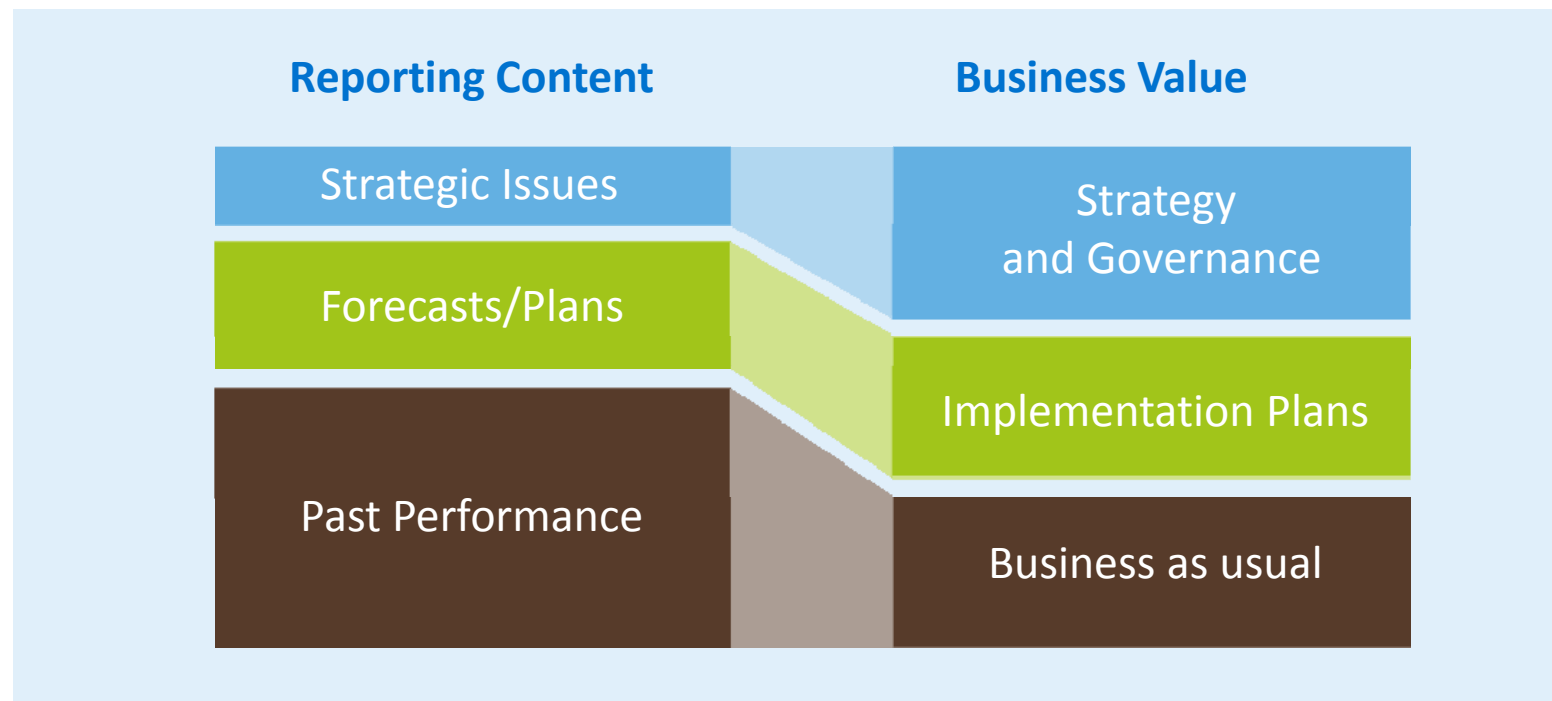
Value is more than financial



Source: OCEAN TOMO LLC
January, 1, 2015

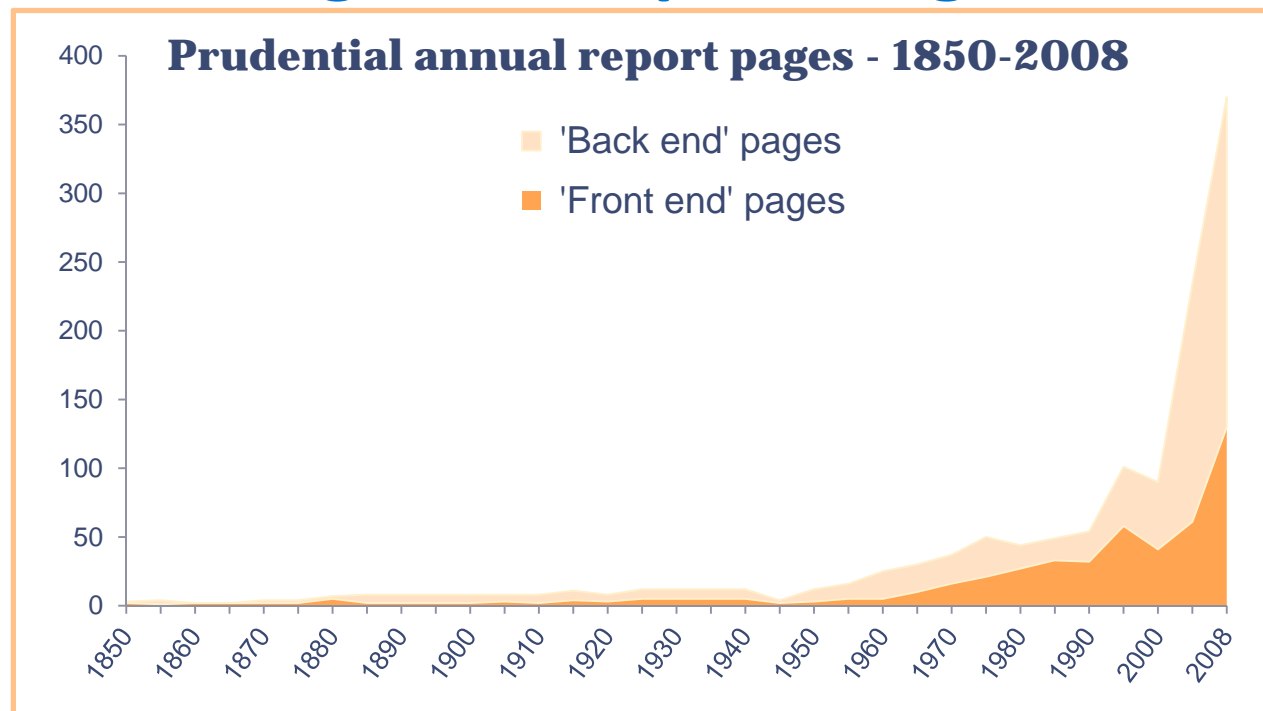


The reporting mismatch





It is not enough to keep adding more



Source: Investis research

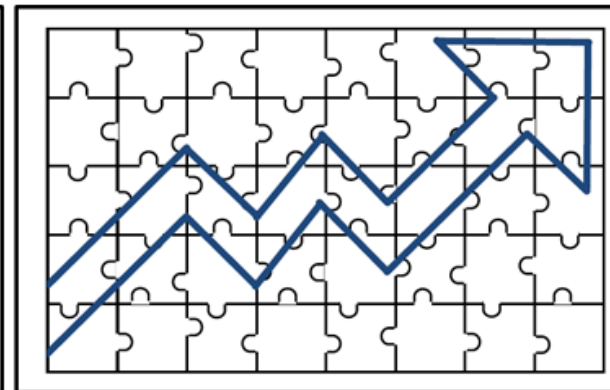
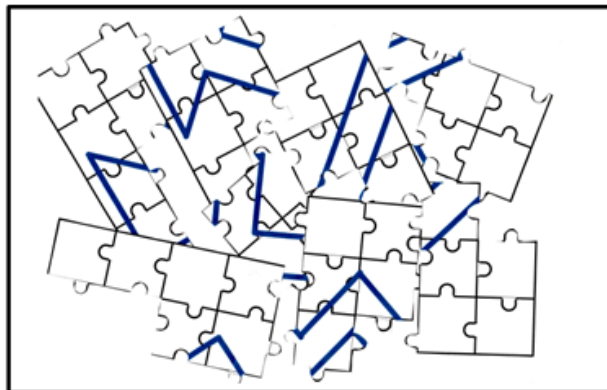
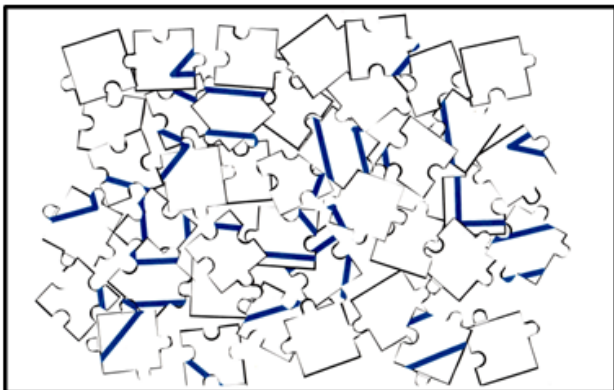


- New reports to meet new information needs
- Piecemeal addition of “bits” of information
 - Explosion of disconnected information
 - Reporting overload
 - Compliance mindset
 - Material information lost in the detail



Towards a solution

- Value creation
- Strategic focus
- Concise
- Short, medium and long
- Future orientation
- Connected

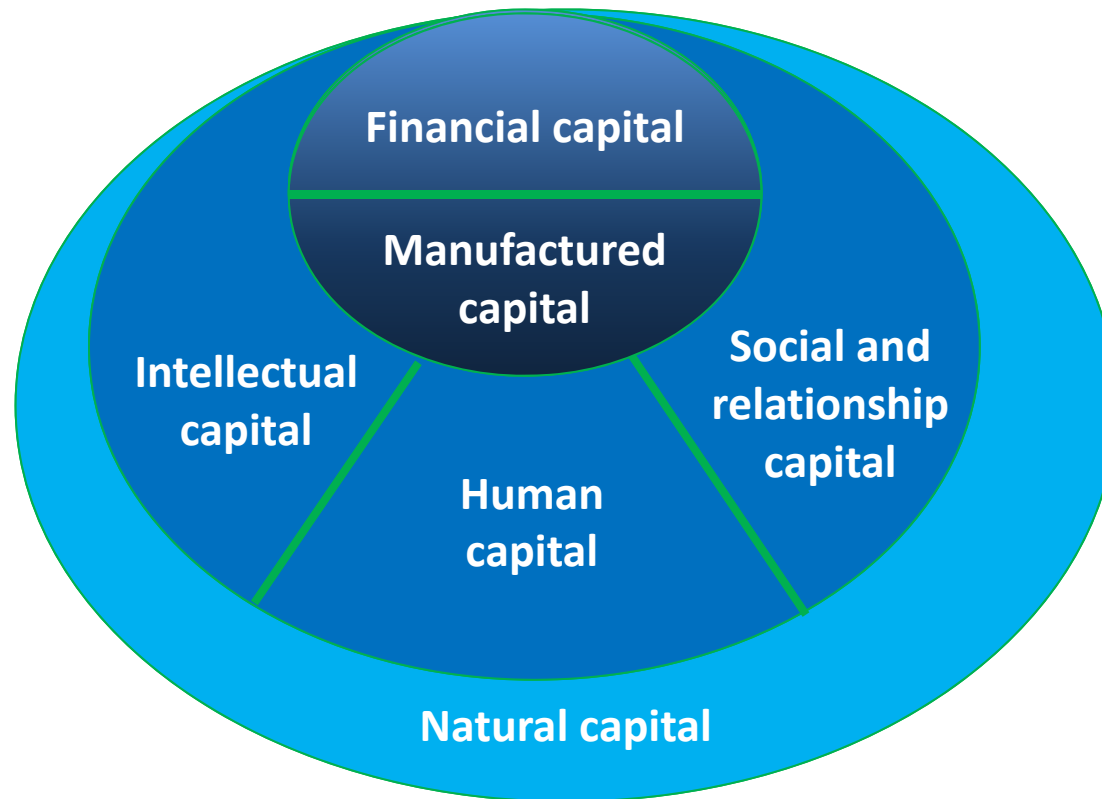


Tell an organization's holistic, value creation story



The International <IR> Framework

The capitals

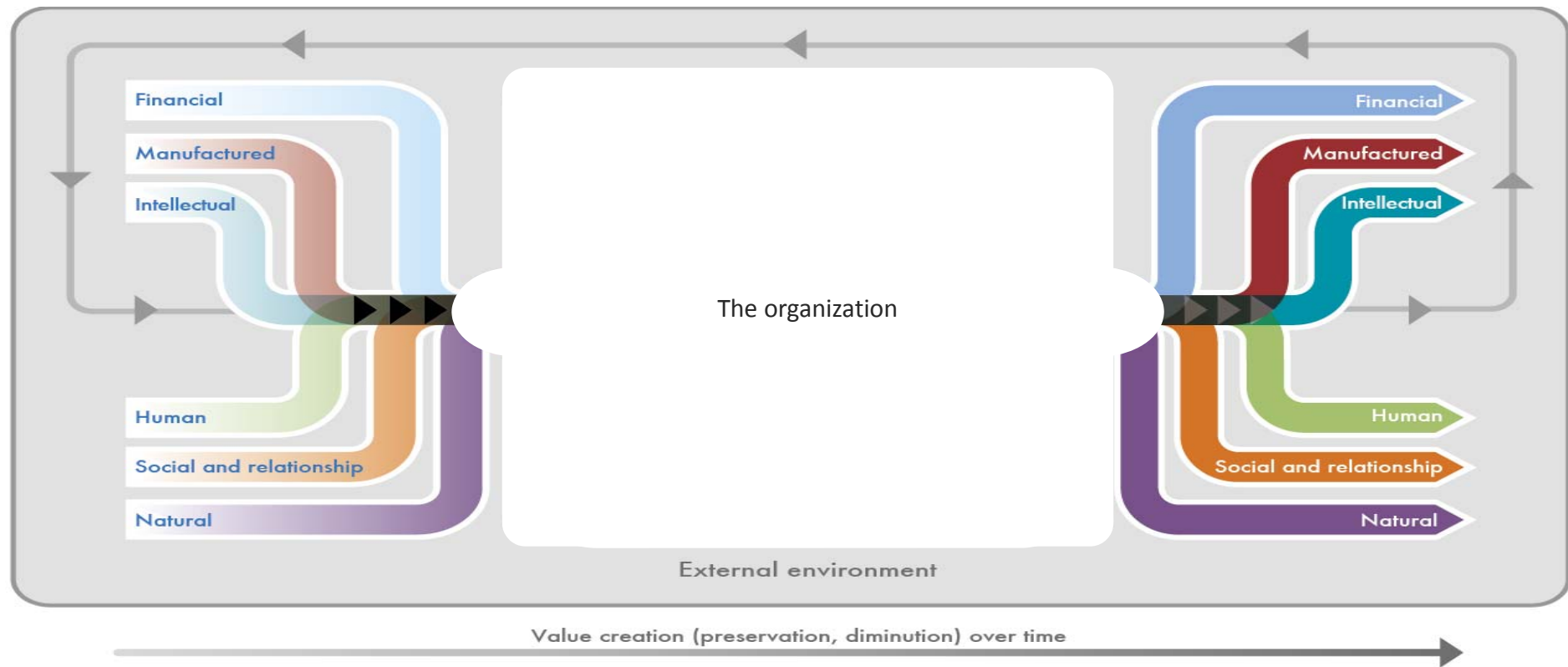


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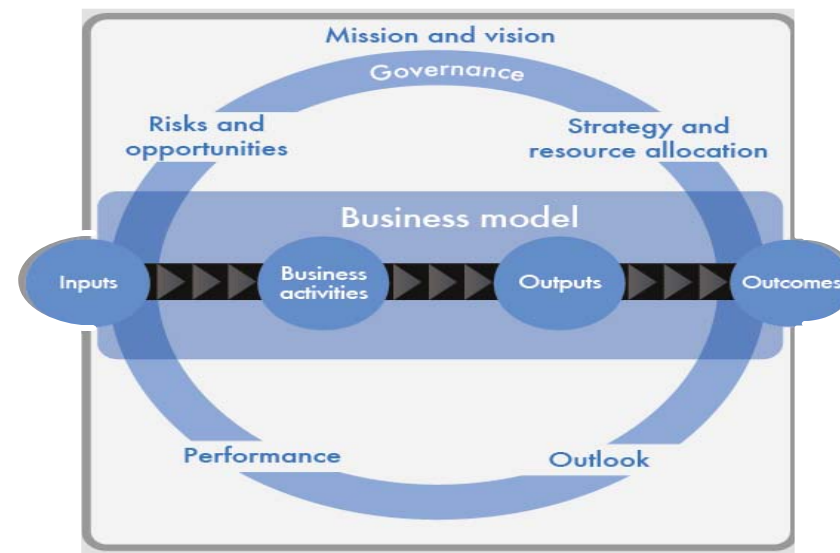
The capitals and value creation

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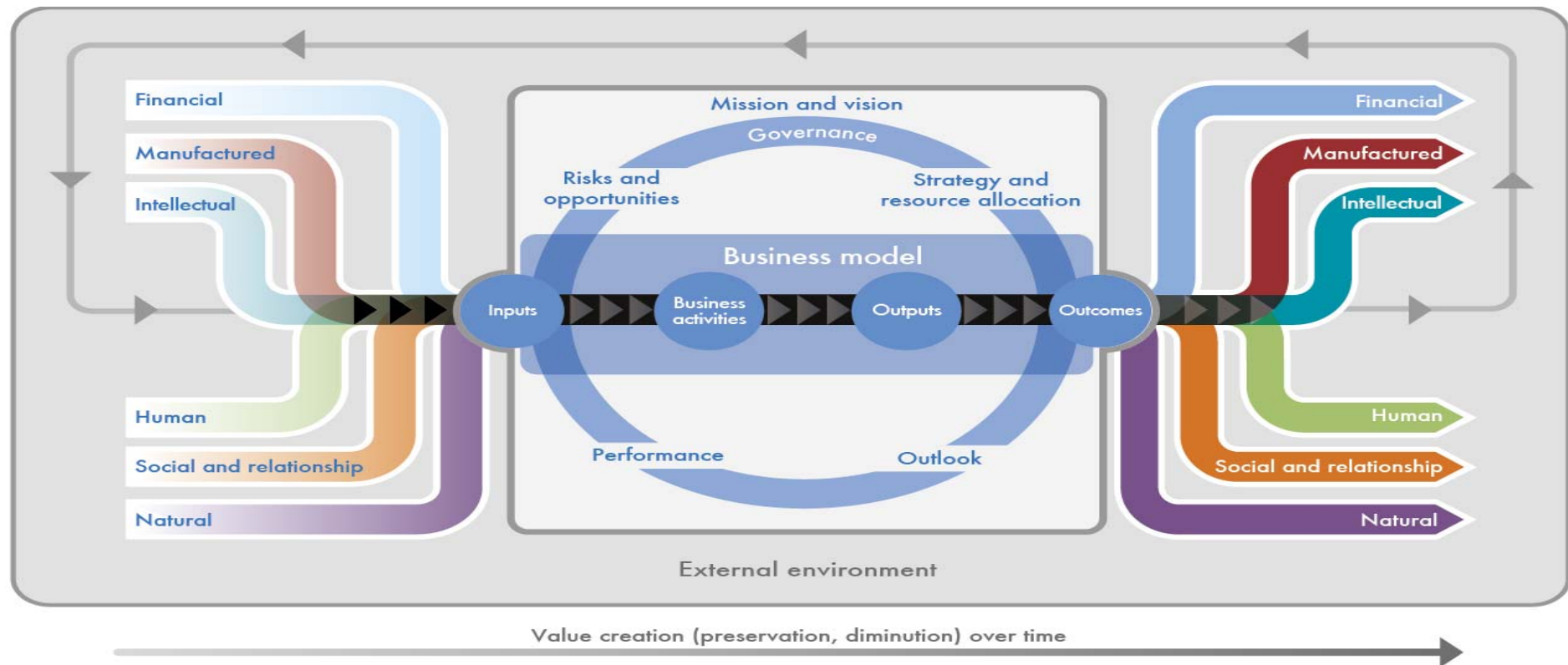
Inside the organization

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The complete picture

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GUIDING PRINCIPLES

- *Strategic focus and future orientation*
- *Connectivity of information*
- *Stakeholder relationships*
- *Materiality*
- *Conciseness*
- *Reliability and completeness*
- *Consistency and comparability*

CONTENT ELEMENTS

- *Organizational overview and external environment*
- *Governance*
- *Business model*
- *Risk and opportunities*
- *Strategy and resource allocation*
- *Performance*
- *Outlook*
- *Basis for preparation and presentation*



Take up of <IR>



Over **1,500**
organizations do <IR>

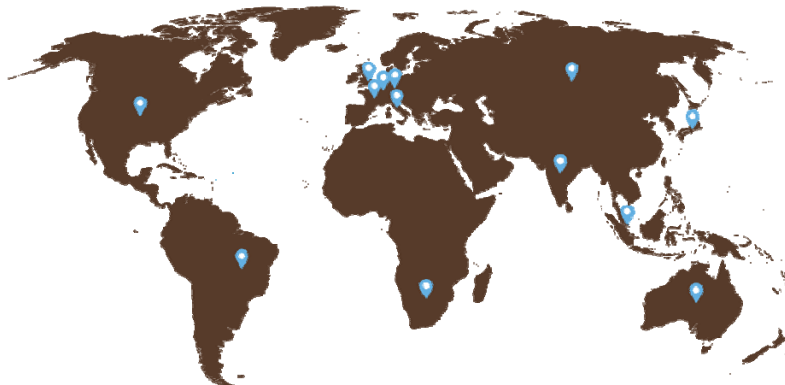


Over **50%** of CEOs, CFOs and COOs
are moving towards <IR>



And over **35%** say they will

2,000 participating in <IR> Networks worldwide

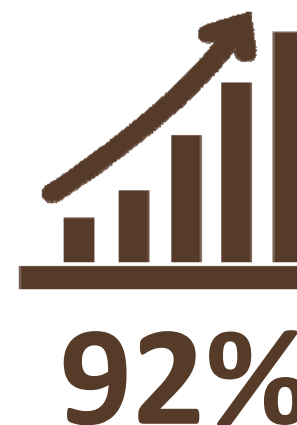


400 predicted to adopt
<IR> in Japan for 2017





Of SA Non-Executive Directors believe **integrated thinking increases the quality of organisations' dialogue with shareholders** other stakeholders



Of participants see increased understanding of value creation

87%

<IR> participants believe investors better understood their strategy



80%

Of investors believe quality of reporting affect professional perception of management quality



Australia:

- The <IR> Pension Fund Network is based in Australia where leading funds are adopting Integrated Reporting.
- Business Reporting Leaders Forum active towards Integrated Reporting



Brazil:

- Brazilian Stock Exchange BM&FBOVESPA encourages listed companies to produce integrated reports on a 'report or explain' principle.
- The <IR> network in Brazil has over 500 participants with over 100 organizations producing integrated reports.



China:

- The Ministry of Finance in China has joined the IIRC Council and included Integrated Reporting in its five year plan.
- CNG Limited – China's largest nuclear power company is a vocal advocate for Integrated Reporting





Europe:

- European Commission describes <IR> as “a step-ahead” of its directive on non-financial reporting
- <IR> Networks are active in countries including France, Germany, Italy, Netherlands, Turkey, Switzerland and the UK





France:

- Many of the top listed companies (CAC 40) now adopting <IR> including BNP Paribas, AXA, Crédit Agricole, Danone, L'Oréal, Sanofi, Vivendi and Engie





India:

- The Securities and Exchange Board of India has written to the top 500 Indian companies encouraging the adoption of Integrated Reporting
- The Indian <IR> Lab is led by the Confederation of Indian Industries and includes leading companies such as Tata, Mahindra & Mahindra and YES Bank



"Whether integrated reporting will happen is no longer a question. We should look at how to implement it in a manner that is not disruptive"



U.K Sinha, Securities and Exchange Board of India



Japan:

- 400 companies adopting Integrated Reporting
- Japan's Ministry of Economy, Trade and Industry has endorsed <IR> as a means of communicating the long-term value creation proposition of companies.



Malaysia:

- Malaysian government and securities commission have spoken of Integrated Reporting as a tool to enhance the quality of information available to the market.
- Corporate governance code encourages adoption of <IR>
- Over 20 of Malaysia's largest businesses have made a public commitment to adopting <IR>



The Netherlands:

- More than a third of Dutch listed companies are working towards <IR>
- Eumedion, which represents institutional investors' interests, has called on Dutch companies to take concrete steps towards <IR>



Singapore:

- Singapore Stock Exchange guidance refers to Integrated Reporting
- Leading businesses such as DBS Bank, City Developments Limited and the Maritime & Port Authority are paving the way towards <IR> adoption.



South Africa:

- Companies listed on the Johannesburg Stock Exchange have been producing integrated reports since 2010
- <IR> is at the core of corporate governance and reporting through the King code on corporate governance which is explicitly aligned to the <IR> Framework.



United Kingdom:

- Close alignment to the UK strategic reporting requirements means that UK companies are firmly on the journey to <IR>
- The UK regulator the FRC has said that companies preparing high-quality strategic reports should be aligned to <IR>
- UK Treasury has called on public sector organizations to adopt <IR>



“We use different words in the UK. Strategic Report, not Integrated Report, but we are on the same journey with the same purpose. The principles in a UK strategic report are consistent with an integrated report. And we look forward to continuing to work closely with the IIRC as it pursues its mission in the years ahead.”



Stephen Haddrill, CEO, Financial Reporting Council, UK



United States:

- Businesses adopting <IR> include PepsiCo, the World Bank, GE and Prudential Financial
- Larry Fink, CEO, Black Rock called for CEO's to communicate their strategic framework for long-term value creation
- The largest US public pension fund CalPERS has called on boards to provide an integrated report



Global:

- IIRC playing a key role in Task Force on Climate-related Financial Disclosures
- IFAC advocating for <IR> as future of corporate reporting
- <IR> firmly on the G20 agenda
- <IR> key for reaching Sustainable Development Goals and COP21



The future



"We are asking that every CEO lay out for shareholders each year a strategic framework for long-term value creation. Additionally, because boards have a critical role to play in strategic planning, we believe CEOs should explicitly affirm that their boards have reviewed those plans. BlackRock's corporate governance team, in their engagement with companies, will be looking for this framework and board review."

Larry Fink, CEO, BlackRock

"Efforts by the International Integrated Reporting Council to develop a framework for reporting value creation seem very much in-line with what Mr Fink is suggesting."

Sandra Peters, Head of Global Financial Reporting Policy, CFA Institute





“By improving reporting requirements for organisations <IR> will lead to better-informed and more sustainable long-term investment, for the benefit of society.”

Mark Carney, Governor Bank of England,
Chairman, Financial Stability Board



**“We find that Integrated Reporting
is positively associated with both
stock liquidity ... and firm value ...”**

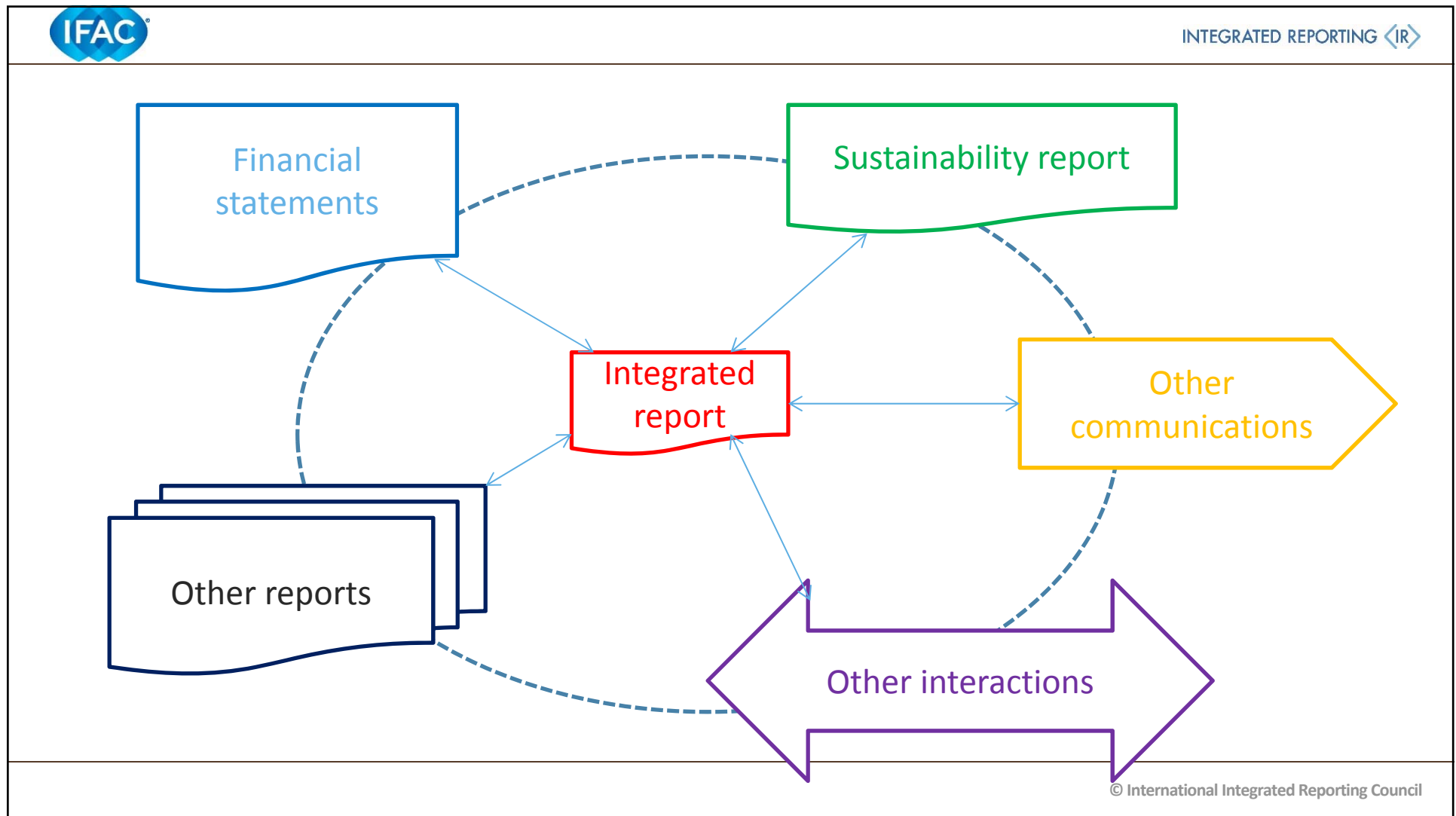
Mary E. Barth, Stanford University;
Steven F. Cahan & Li Chen, University of Auckland;
Elmar R. Venter, University of Pretoria

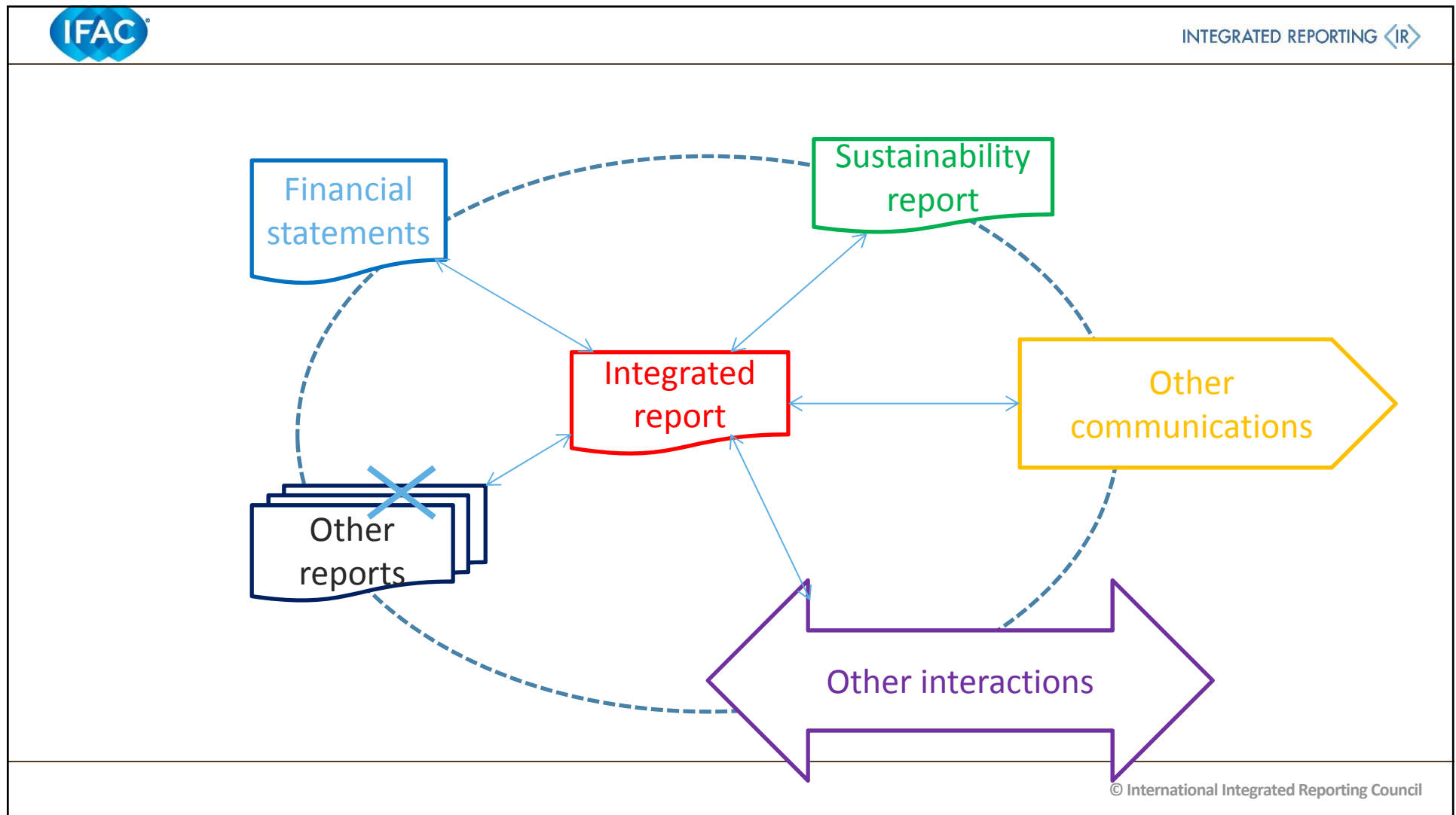


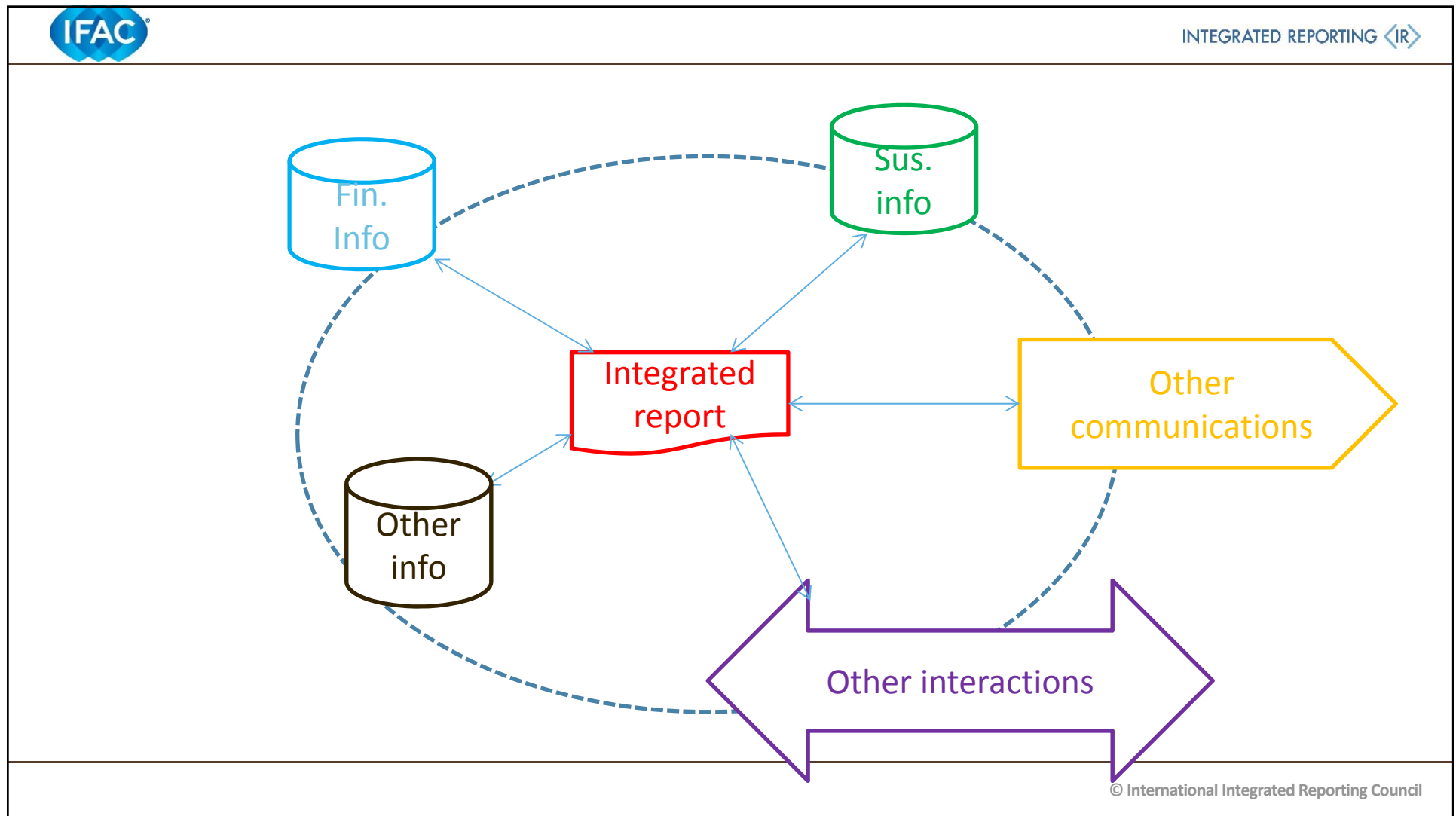
IFAC Policy Position: Enhancing Organizational Reporting

- Integrated Reporting is the key
- THE way to achieve more coherent corporate reporting
- An umbrella for a broad suite of reports











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IFAC Policy Position: Enhancing Organizational Reporting

- Integrated Reporting is the key
- THE way to achieve more coherent corporate reporting
- An umbrella for a broad suite of reports
- Promote global comparability and consistency





The Corporate Reporting Dialogue:



- Communicate about the direction, content and development
- Identify practical ways to be aligned and rationalized
- Express a common voice on areas of mutual interest

Landscape Map

- online tool
- snapshot of corporate reporting initiatives
- through the lens of <IR>

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CONTENT OF STANDARD OR FRAMEWORK THROUGH THE LENS OF <IR>						
	Organizational overview and external environment	Governance	Business model	Risks and opportunities	Strategy and resource allocation	Performance
International Financial Standards	Reporting					Outlook
IFRS AND ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT						
IAS 1	Presentation of Financial Statements, Description of the Business					
IFRS 8	Operating Segments					
IFRS 12	Disclosures of Interests in Other Entities					
IFRS AND BUSINESS MODEL						
IFRS 3	Business Combinations					
IFRS 9	Operating Segments					
IFRS 12	Classification of Financial Instruments					
IFRS AND RISKS AND OPPORTUNITIES						
IAS 1	Presentation of Financial Statements, Going Concern					
IAS 17	Provisions, Contingent Liabilities and Contingent Assets					
IFRS 7	Financial Instruments: Disclosures					
IFRS 12	Disclosures of Interests in Other Entities					
IFRS AND STRATEGY AND RESOURCE ALLOCATION						
IAS 38	Intangible Assets, Research and Development					
IFRS 8	Operating Segments					
IFRS AND PERFORMANCE						
IAS 1	Presentation of Financial Statements					
IAS 1	Presentation of Financial Statements, Other Comprehensive Income					
IAS 7	Statement of Cash Flows					
IAS 33	Earnings Per Share					

Statement of Common Principles of Materiality of the Corporate Reporting Dialogue

Background

- The Corporate Reporting Dialogue is designed to respond to market calls for greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements. The initiative aims to:
- Communicate about the direction, content and ongoing development of reporting frameworks, standards and related requirements
- Identify practical means by which respective frameworks, standards and related requirements can be aligned and rationalized
- Share information, and express a common voice on areas of mutual interest, where possible, to engage key reporters

The Corporate Reporting Dialogue involves the eight principal organizations charged with establishing standards and guidance for reporting to investors, creditors and other stakeholders. Regardless of their individual mission, each of these organizations shares a mutual interest in crafting reporting concepts based on market demand. The Statement of Common Principles of Materiality is one response to this demand.



Common Principles of Materiality

- compares materiality definitions and approaches
- common foundational principles
- commitment to align and rationalize

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IFAC Policy Position: Enhancing Organizational Reporting

- Integrated Reporting is the key
- THE way to achieve more coherent corporate reporting
- An umbrella for a broad suite of reports
- Promote global comparability and consistency
- Accountancy profession: significant contribution





<IR> Network for PAOs

- IFAC website and Gateway
- Exclusive
 - Webinars
 - Extranet resources
 - www.linkedin.com/groups/7031949
 - LauraLeka@ifac.org