

BUSINESS LEADERS: WHAT YOU NEED TO KNOW

INTEGRATED REPORTING





Businesses and investors are coming together to help develop a new corporate reporting model for the future. This is your invitation to shape the future by contributing to the Consultation Draft of the International Integrated Reporting (<IR>) Framework. This market-led initiative will have a profound and beneficial impact for businesses, investors, capital markets and the economy. It is time to make your views count.

KEY FACTS

214 organizations
from over

20 countries
responded to 2011 IIRC
Discussion Paper

Over
80 global businesses
in

23 countries
involved in the IIRC Pilot
Programme Business Network

Over
50 institutional investors
directly involved in the IIRC's
work, including

30
in the IIRC Pilot Programme
Investor Network

"Integrated Reporting is far more than just the process of publishing better annual reports. Besides being a powerful communication tool, Integrated Reporting can be used as an effective governance tool for performance-oriented management."

– THOMAS KUSTERER,
Chief Financial Officer,
EnBW Energie Baden-Württemberg AG

DO INVESTORS UNDERSTAND YOUR STRATEGY AND BUSINESS MODEL?

Creating value from the range of inputs or 'capitals' available to an organization is fundamental to successful business; communicating that process to providers of financial capital is one of the key elements of corporate reporting.

Globalization, societal expectations and regulatory interventions have added layers of complexity to corporate reports. This complexity is making it more difficult for providers of financial capital to gain a clear understanding of the business model and how value is being created.

Whilst demands for transparency and accountability from companies have led to a welcome change in the type and volume of information now provided in corporate reports, a new reporting model is needed to help businesses make those communications as effective as possible and to support decisions that secure financial stability and sustainable business practice.

THE TIME HAS COME FOR A NEW REPORTING MODEL

The International Integrated Reporting Council (IIRC) is a global, market-led coalition that is responding to and catalyzing further shifts in thinking and behaviour designed to reshape corporate reporting for the 21st Century.

<IR> is a new corporate reporting model, designed to support a more resilient business environment and better decision-making by providers of financial capital. It results in a communication by an organization, most visibly a periodic integrated report, about the organization's ability to create value over the short, medium and long term.

The release of the Consultation Draft of the International <IR> Framework marks an

important milestone in the IIRC's progress to a new global reporting model.

HOW ARE YOU GETTING READY FOR <IR>?

Your involvement is a vital part of encouraging and embedding a more integrated business culture. Where <IR> has been piloted, it has been the involvement of the leadership team that has unlocked the significant business benefits of <IR> across the organization.

The Consultation Draft is an important step towards an internationally accepted framework for <IR> and the IIRC encourages your engagement in a number of ways. It is vital that businesses respond to the consultation to ensure that the IIRC's work continues to be based on a market-led agenda.

The IIRC therefore asks you, as a steward of business, to participate in this consultation by:

- Setting up internal discussions on the content of the Consultation Draft of the International <IR> Framework.
- Conducting an assessment of the benefits of introducing <IR> to your organization and testing components of the Consultation Draft.
- Participating in events convened by the IIRC and other stakeholders to ensure that a broad range of business views are heard.
- Engaging with providers of financial capital to discuss their information needs and to gain an insight into their perceptions and understanding of <IR>.
- Making a formal response to the Consultation Draft, which is the most significant way of contributing to the development of the International <IR> Framework.

NEW REPORTING FRAMEWORK: DESIGNED BY BUSINESS FOR BUSINESS

“Capitalism needs financial stability and sustainability to succeed. Integrated Reporting will underpin them both, leading to a more resilient global economy.”

– JANE DIPLOCK AO

*Director, Singapore Exchange Limited, former
Chairman of the Executive Committee,
International Organization of Securities
Commissions and Board Member,
International Integrated Reporting Council (IIRC)*

A growing number of international businesses – such as Prudential Financial, China Light & Power, Unilever and Tata Steel – are part of an innovative global movement to inspire new reporting practices that put businesses in control of explaining how they create value, boosting the potential for hidden value to be revealed and improving the conditions for a more financially stable and sustainable business environment.

The business case for <IR> is compelling. The IIRC has established a Pilot Programme, including a Business Network of over 80 businesses from more than 20 countries, which have been testing the prototype of the Framework and applying principles of <IR> to their own reporting strategies, processes and cycles. They have found that <IR> provides substantial benefits to their organizations, including:

- Establishing the basis for more meaningful engagement with investors, better enabling the organization to fulfil its stewardship role.
- Placing the organization’s strategy and business model at the centre of communications with providers of financial capital, better articulating the investment case.

- Leading to the breakdown of silos within the organization, revealing more about the value chain and principal risks faced by the business. This greater transparency helps to reduce the cost of capital by providing more insight into the leadership team’s future outlook and how value will be created over time.

At the heart of <IR> is the concept of ‘capitals’. A business draws on stocks of capital – financial, manufactured, intellectual, human, social and relationship and natural – and enhances and diminishes them as it pursues the objective of creating value over time. By encouraging businesses to consider and report on how different forms of capital collectively contribute to their ability to create value, <IR> has the potential to promote new ways for businesses and investors to assess value for the benefit of the long term sustainability of the economy and society.

OVER 50 INSTITUTIONAL INVESTORS INVOLVED IN DRIVING CHANGE

<IR> is supported by a growing number of providers of financial capital who see it as a way of increasing the relevance and value of corporate reporting, helping them to gain greater insights into the business model and future orientation, which encourages longer term investment decision-making. It is being developed, shaped and tested by the direct involvement of over 50 institutional investors, who are helping to ensure that the Framework addresses the needs of providers of financial capital.

To be effective as a tool for investor decision-making, reporting needs to be clear, concise and relevant. Businesses invest a great deal of time and resources in communicating with the capital markets. If the information that a business publishes is not produced and presented in a way

that informs its intended audience clearly and concisely, then that business will find it difficult to:

- Have its strategy for creating value understood.
- Communicate how it has managed key risks.
- Keep its cost of capital low.
- Attract long term investment.
- Retain the high quality human and intellectual resources – as well as customers – that are critical to financial success.

The increasing demand from providers of financial capital for more concise, value-relevant information underlies the momentum created by the IIRC in support of the concept of <IR>.

The IIRC’s vision is that over the coming years <IR> will emerge as the corporate reporting norm for most businesses.

HOW SHOULD YOU RESPOND?

Further information, including a full copy of the Consultation Draft, can be found at: www.theiirc.org/consultationdraft2013. Here you can find the consultation questions and a step-by-step guide for how to respond, along with other resources and details of events that are being held during the consultation period.

“Investors alongside other stakeholders will benefit from <IR> as embedded in its framework is a culture of transparency and stability.”

– SANDRA GUERRA
*Chairman, Instituto Brasileiro
de Governança Corporativa*

FOR MORE INFORMATION, PLEASE VISIT
WWW.THEIIRC.ORG

INTERNATIONAL INTEGRATED REPORTING COUNCIL



“<IR> is the essential next step in the corporate reporting journey. It anchors the reporting process in a more meaningful expression of how value is created which is helpful in attracting investment. It also focuses businesses and investors on the short, medium and long term factors that are vital to achieving the macro aims of financial stability and sustainability.”

PAUL DRUCKMAN
CEO, IIRC