

TOWARDS INTEGRATED REPORTING
Communicating Value in the 21st Century

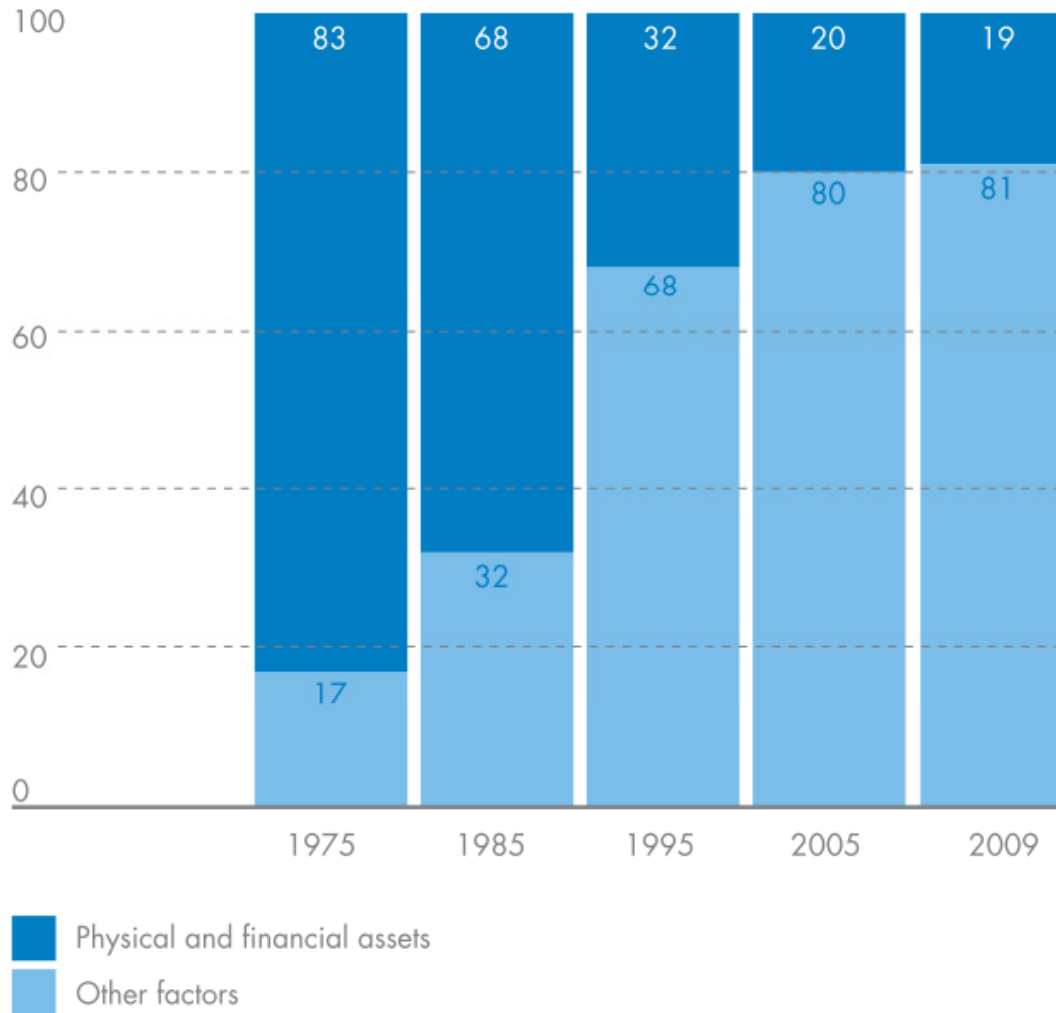


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What do we mean by Integrated Reporting?

- The integration of financial, non-financial and narrative information
- A model that illuminates an alignment between key elements of reported information:
 - Market dynamic, strategy and business model
 - Strategy and KPIs (financial and non financial)
 - Strategy and risk
 - Remuneration with strategic and KPIs
 - Strategy with resource usage and environmental impacts
- The integration of mainstream and sustainability reporting (ESG)
 - Illuminate resources consumed and external impacts

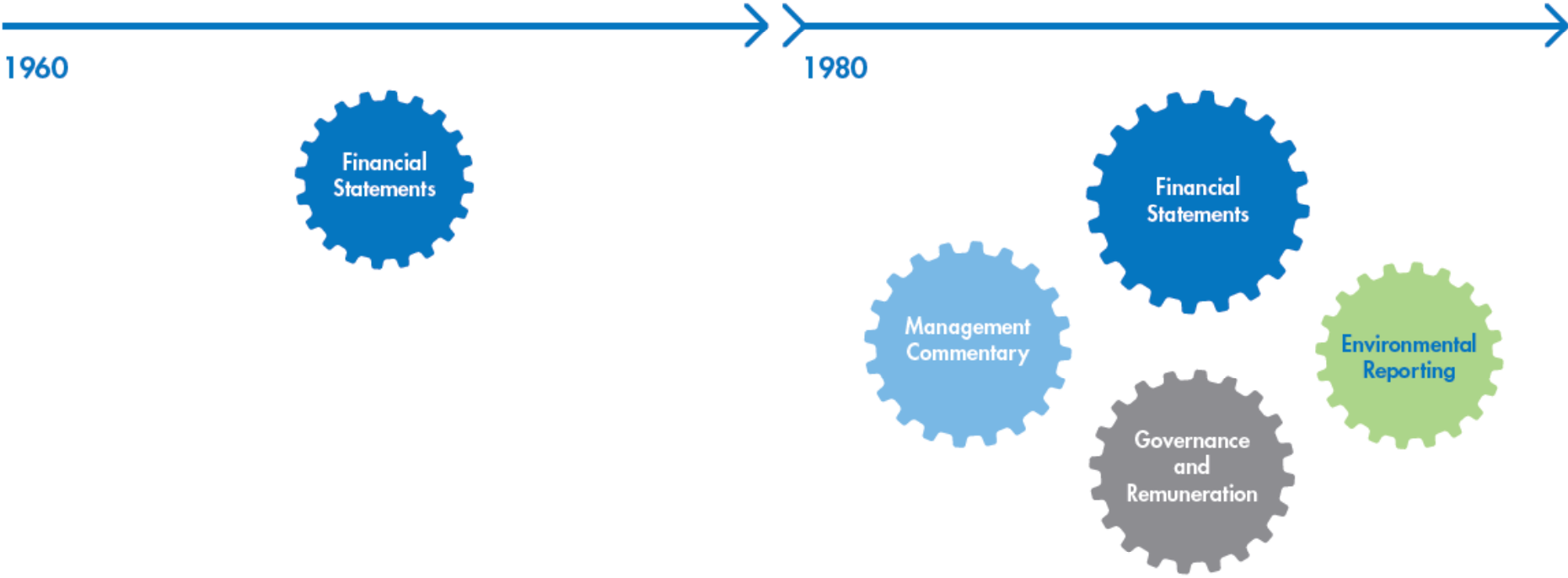
Components of S&P 500 market value



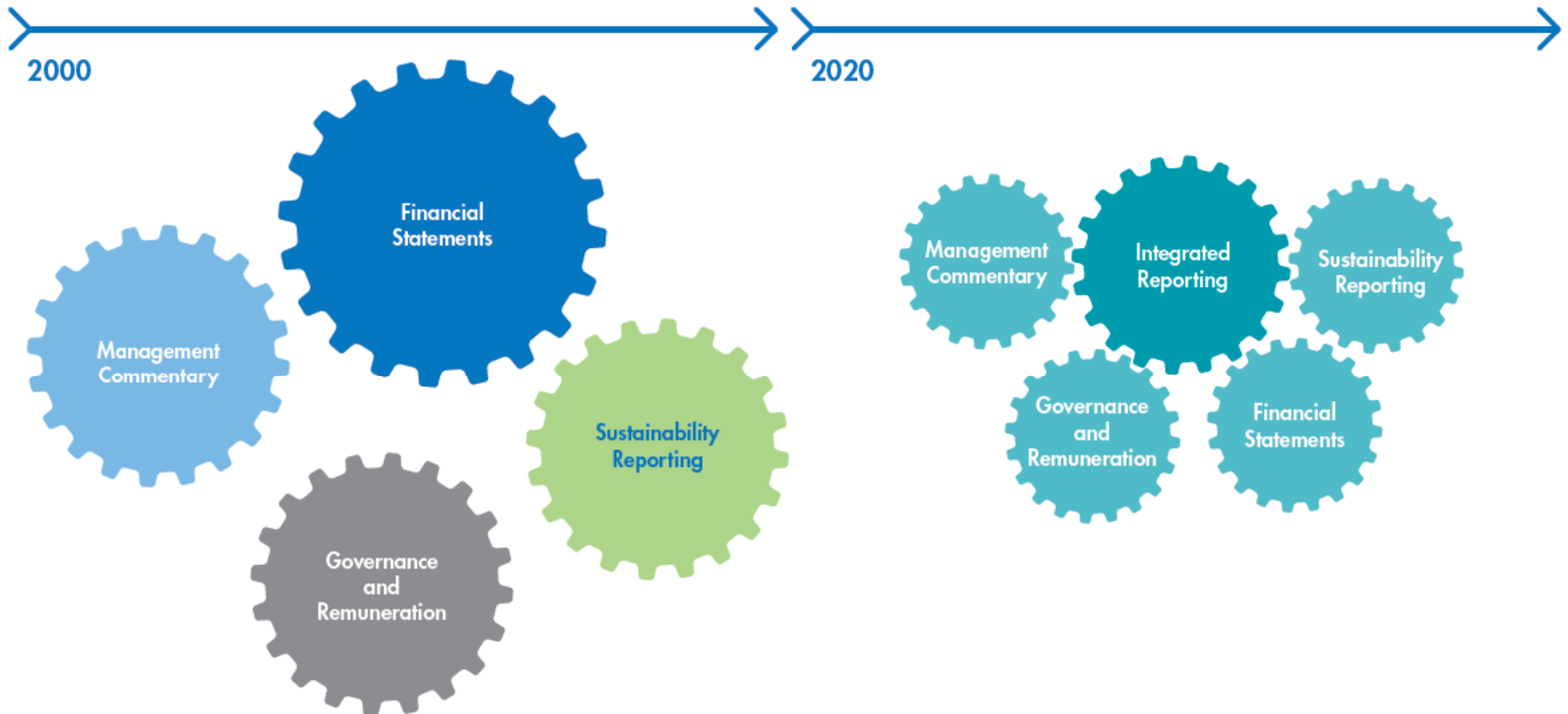
The percentage of market value represented by physical and financial assets versus intangible factors, some of which are explained within financial statements, but many of which are not.

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The evolution of Reporting...

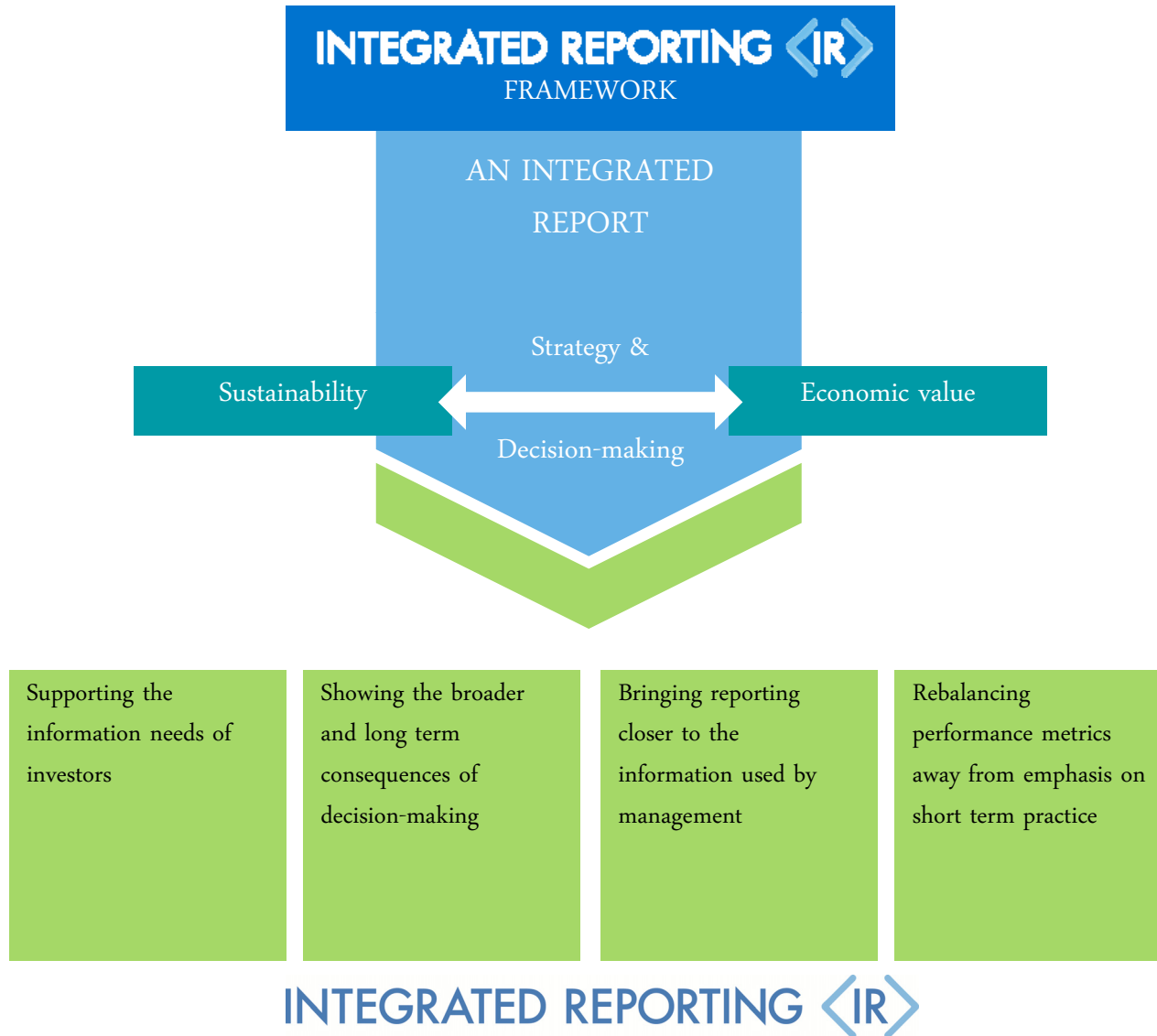


...Integrated Reporting – the Future



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Objectives



Aims of the Framework

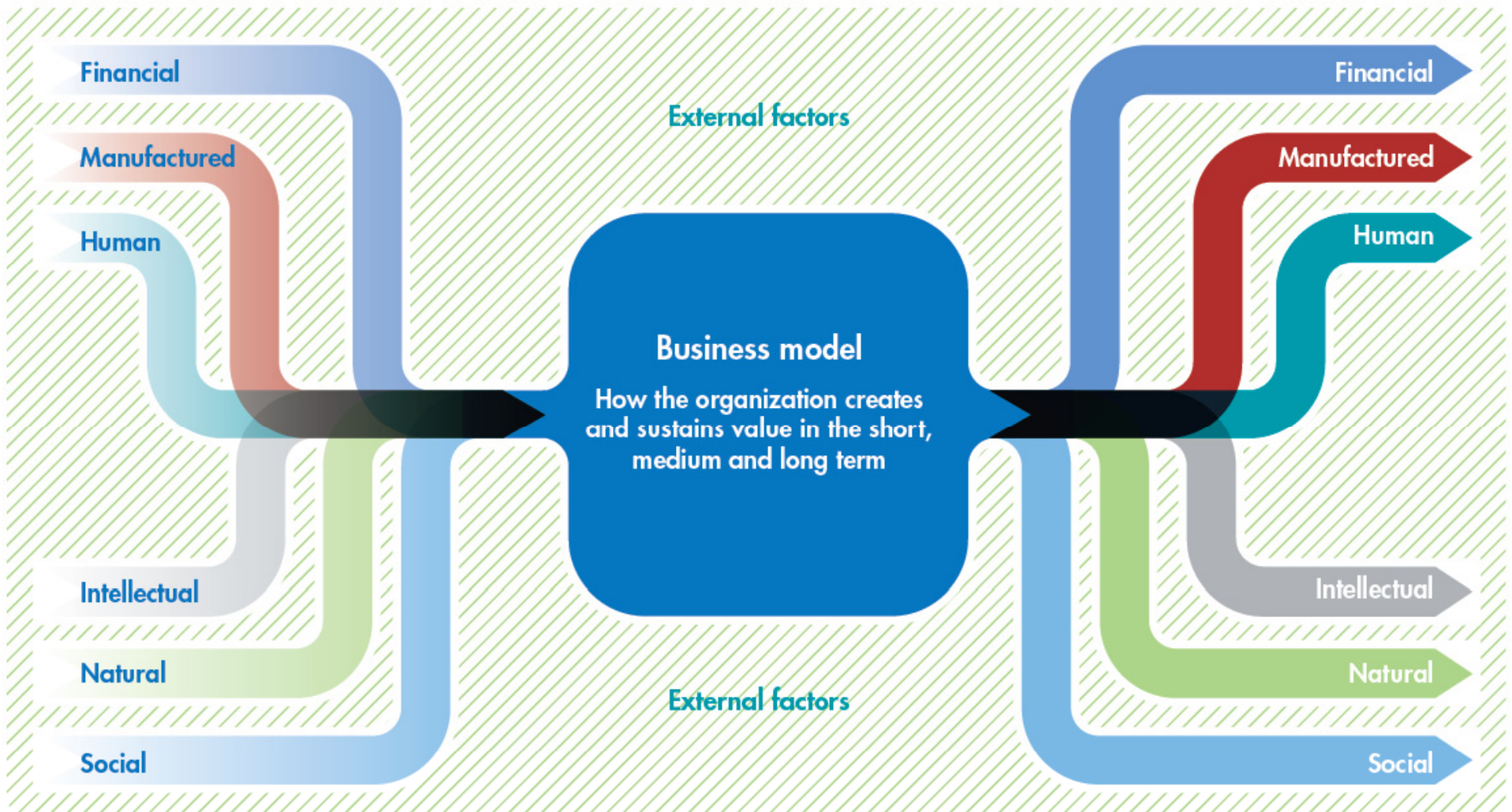
- Support the development of reporting over the coming decades
 - Reporting organizations – consistency of content and approach
 - Policy makers and regulators – consistent reporting regimes within and across jurisdictions
 - Standard-setters – focal point for harmonization
- Initial proposals in Discussion Paper – interim guidance to be on the IIRC website
- Initial focus – larger companies and the needs of their investors

How is Integrated Reporting Different?

Thinking:	Disconnected	→	Integrated
Stewardship:	Financial capital	→	All forms of capital
Focus:	Past, financial	→	Past and future, connected, strategic
Timeframe:	Short term	→	Short, medium and long term
Trust:	Narrow disclosures	→	Greater transparency
Adaptive:	Rule bound	→	Responsive to individual circumstances
Concise:	Long and complex	→	Concise and material
Technology enabled:	Paper based	→	Technology enabled

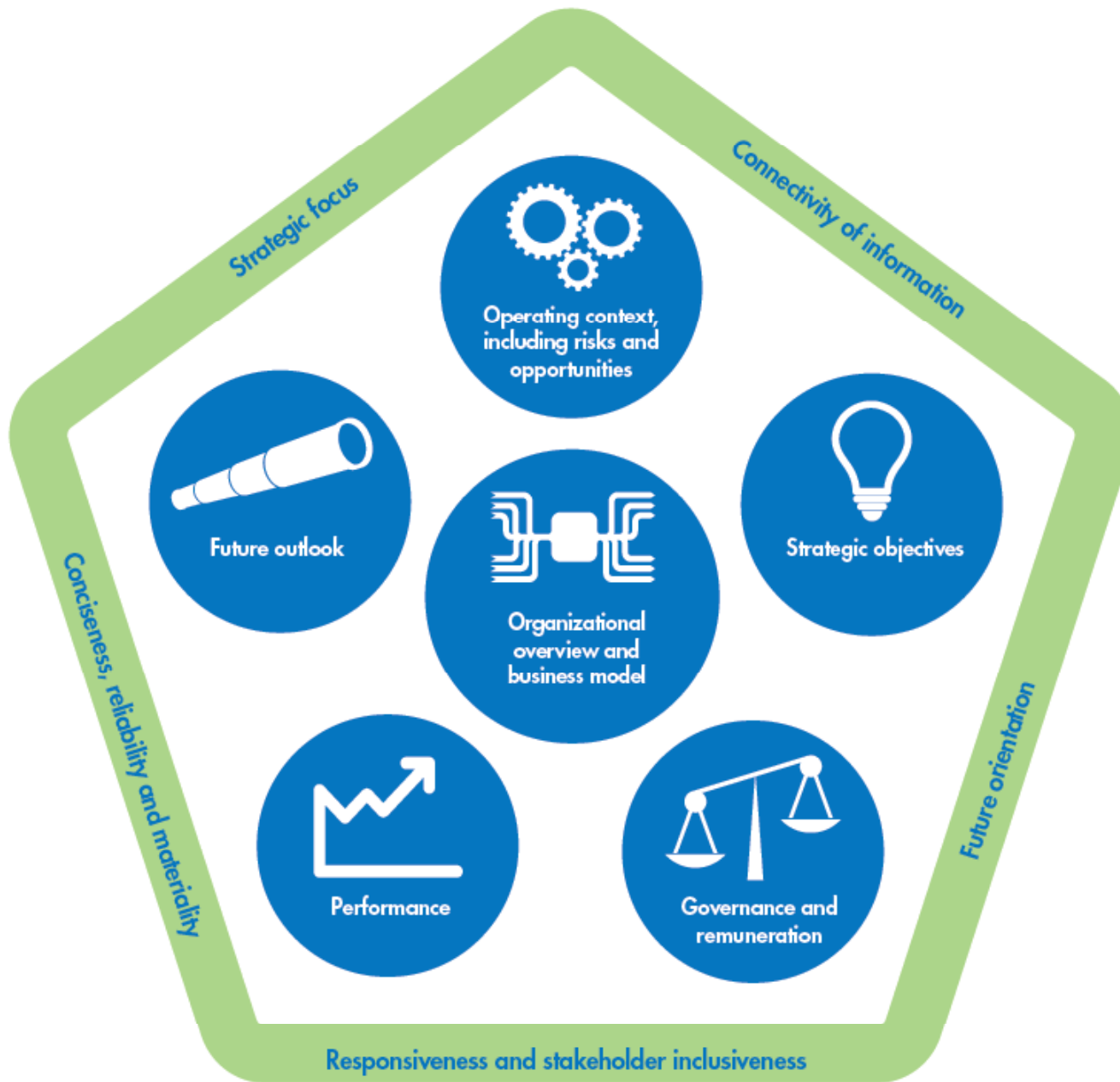
Central themes

Business model & value creation



Resources and relationships or “capitals”

- **Financial capital:** The pool of funds available to the organization.
- **Manufactured capital:** Manufactured physical objects, as distinct from natural physical objects.
- **Human capital:** People’s skills and experience, and their motivations to innovate.
- **Intellectual capital:** Intangibles that provide competitive advantage.
- **Natural capital:** Includes water, land, minerals, and forests; and biodiversity and eco-system health.
- **Social capital:** The institutions and relationships established within and between each community, group of stakeholders and other networks to enhance individual and collective well-being. Includes an organization’s social license to operate.



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Guiding Principles

- **Strategic focus:** An Integrated Report provides insight into the organization's strategic objectives, and how those objectives relate to its ability to create and sustain value over time and the resources and relationships on which the organization depends.
- **Connectivity of information:** An Integrated Report shows the connections between the different components of the organization's business model, external factors that affect the organization, and the various resources and relationships on which the organization and its overall performance depend.
- **Future orientation:** An Integrated Report includes management's expectations about the future, as well as other information to help report users understand and assess the organization's prospects and the uncertainties it faces.
- **Responsiveness and stakeholder inclusiveness:** An Integrated Report provides insight into the organization's relationships with its key stakeholders and how and to what extent the organization understands, takes into account and responds to their needs.
- **Conciseness, reliability and materiality:** An Integrated Report provides concise, reliable information that is material to assessing the organization's ability to create and sustain value in the short, medium and long term.

Content Elements

- **Organizational overview and business model:** What does the organization do and how does it create and sustain value in the short, medium and long term?
- **Operating context, including risks and opportunities:** What are the circumstances under which the organization operates, including the key resources and relationships on which it depends and the key risks and opportunities that it faces?
- **Strategic objectives and strategies to achieve those objectives:** Where does the organization want to go and how is it going to get there?
- **Governance and remuneration:** What is the organization's governance structure, and how does governance support the strategic objectives of the organization and relate to the organization's approach to remuneration?
- **Performance:** How has the organization performed against its strategic objectives and related strategies?
- **Future outlook:** What opportunities, challenges and uncertainties is the organization likely to encounter in achieving its strategic objectives and what are the resulting implications for its strategies and future performance?

Future Direction

- Continue developing the International Integrated Reporting Framework
 - draw on Pilot Programme experiences
 - Exposure Draft in 2012
 - Standard in 2013
- Work with others on measurement and reporting relevant to Integrated Reporting
- Explore with regulators etc opportunities to harmonize reporting requirements within and across jurisdictions
- Conduct regional roundtables and other engagement and communications activities
- Public consultation regarding ongoing governance of Integrated Reporting

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Q&A