Introduction to Integrated Reporting

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International Integrated Reporting Council
INFORMATION GAP

- Financial capital
- Value creation over time
Why <IR>? More than financials

Source: OCEAN TOMO LLC
January, 1, 2015
Business as usual could lead to...

- Corporate governance problems
- Lower share price
- Higher borrowing costs
- Transient investor base
- Lower stakeholder trust
Capital markets system
From ‘financial only’ to broad ‘value creation’ model:

MEASUREMENT & MANAGEMENT
• What you measure will be managed
• Do you have silo-based or integrated thinking?

INCENTIVES & BEHAVIOURS
• Behaviour will follow incentives
• Are your incentives aligned to your purpose and your strategy?

OUTCOMES
• Macro: climate, inequality, broad prosperity
• Micro: skills, productivity, financial literacy
• Outcomes determine resilience of business model

DISCLOSURE
• INTEGRATED
• RELEVANT
• CONCISE
A growing movement for change

- Technical Excellence
- Advocates for Alignment
- Market Acceptance
- Changing System
- Visionary
- Consistent with Macro Trends
- Power to Convene

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Integrated thinking

- Take advantage of strategic relevance of all material resources (human, social, intellectual, natural, manufactured, financial)
- Show linkages between information to create a flow:
  - Strategy and purpose
  - Resources (capitals)
  - Your products and services
  - Business model (value creation model)
  - KPIs
  - Performance (against KPIs)
  - Outcomes (consistent with strategy)
  - Stakeholders understand your strategy
- Breakdown silos
- Board has full line of sight through the business

Report Structure

Integrated Report

Other Information

Management Report

Financial Statements and other Notes

Consolidated Financial Statements

Consolidated Annual Financial Report

This section provides the reader with a clear overview of the Unipol Group's business and an understanding of the value creation process, key performance and the organisation's future outlooks.

This section contains the information required to guarantee regulatory compliance, with reference to the disclosure requirements for the preparation of the Consolidated Financial Statements and any further analysis.

The third section contains the Financial Statements, the Notes and the supplementary tables/annexes.
Who is the IIRC?

- Companies
- NGOs
- Investors
- Regulators
- Accounting
- Standard setters
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 thinking.
It is helping businesses to think holistically about

- strategy and plans
- make informed decisions
- manage key risks

...to build investor and stakeholder confidence and improve future performance
Why <IR>?
Why <IR>? The reporting mismatch

- Reporting Content
  - Strategic Issues
  - Forecasts/Plans
  - Past Performance

- Business Value
  - Strategy and Governance
  - Implementation Plans
  - Business as usual

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Through <IR>
we are seeing progress in...
International <IR> Framework
A concise communication about value creation over time

Financial reporting → Strategy, governance, performance, prospects ← Other reporting
<IR> Framework: Core features

- Fundamental Concepts
- Guiding Principles
- Content Elements
The six capitals
Corporate Reporting Dialogue

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<th>Intellectual capital</th>
<th>Human capital</th>
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<IR> is an umbrella for Frameworks and Standards
79% Of SA Non-Executive Directors believe integrated thinking increases the quality of organisations’ dialogue with shareholders other stakeholders.

92% 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.
Resources

Integrated Reporting Examples Database
Sharing real examples of leading practice in Integrated Reporting to help organisations on the <IR> journey

The International <IR> Framework
Providing the principles and concepts for organisations adopting <IR>

<IR> Network
Bringing together organisations worldwide to enhance the way they think, plan and report.

www.integratedreporting.org

examples.integratedreporting.org