

Implementing Integrated Reporting

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The corporate annual report is undergoing its biggest transformation since, well, the dawn of corporate reporting. Today's annual report must address the drive for greater transparency, investors' increasing demands for a comprehensive view of value creation and a broad set of stakeholders' interests in an organization's performance and prospects over the longer term. For the publicly traded company, the integrated annual report is rapidly emerging as the reporting approach to address this evolving trend.

On 7 February 2017, SEBI issued a circular in exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992 where under the listed entities are advised to adhere to the following:

- ◆ Integrated Reporting may be adopted on a voluntary basis from the financial year 2017-18 by top 500 companies which are required to prepare BRR.
- ◆ The information related to Integrated Reporting may be provided in the annual report separately or by incorporating in Management Discussion & Analysis or by preparing a separate report (annual report prepared as per IR framework).
- ◆ In case the company has already provided the relevant information in any other report prepared in accordance with national/ international requirement / framework, it may provide appropriate reference to the same in its Integrated Report so as to avoid duplication of information.
- ◆ As a green initiative, the companies may host the Integrated Report on their website and provide appropriate reference to the same in their Annual Report.

Integrated reporting (<IR>) is a process based on integrated thinking that results in a report by an organization about value creation over time. It connects different parts of the organization and through collaboration and integrated thinking incorporates any issue that the organization faces or which has an impact on its longevity.

Analysis of an organizations performance has traditionally tended to look at risk from a financial perspective only. Integrated reporting aims to look at all aspects of risk such as mega trends, economic, social and environmental changes, and also seeks opportunities that arise from this holistic perspective. It should inform investors and stakeholders on all material issues affecting the organization in a concise manner to enable quicker decision making with all impacts considered. This will result in a more resilient organization that is more demonstrably sustainable.

An integrated report is a concise communication about how an organizations strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

*The views expressed are personal views of the author and it should not be taken as views of the NIRC-ICSI.

Where do you begin? Like most tasks, the answer lies in taking it step by step and making progress over time.

Step 1: Establish a steering group and facilitate a culture of Integrated Reporting

- ◆ Identify who within your organization should guide the project, this will typically involve finance, board members, sustainability lead etc. (it is critical you have the key involvement of finance this should not be a sustainability/environment team led initiative). You will need key individuals with a comprehensive knowledge of the organization from cross disciplinary functions.
- ◆ Form a steering group including external representation - Challenge yourself and the ongoing readability of your report through use of a 'critical friend' (whether external consultant, stakeholder panel or internal employee group). It can be particularly useful to take such advice from the start when completing your organization analysis.

Step 2 : Define your report's objectives and scope.

To help define the objectives and scope of your report, your team should consider a number of questions, including: Who is your audience? What are your goals for the report? What is your desired takeaway? What content and structure will best meet your objectives and result in the desired takeaway?

Step 2 : Build Stakeholder relationship and identify material issues

- ◆ Identify your stakeholder groups both internally and externally (different areas of your organization, customers, investors etc.) Engage with your stakeholders to determine the material issues and risks your organization faces. A good place to start here is to ask all steering group members to concisely describe how the organization creates value, what is the business model and what are the organizations top 5 material issues.
- ◆ The priority of these issues will differ from one stakeholder group to another and you will need to determine the overall organizational priorities. Clearly define the business model - you may be surprised at how long this can take and how much this may need to be modified to meet your future needs as an organization.
- ◆ Integrated reporting should not be an academic exercise but create value for your business, focus measurement on what is material for your business, enhance the quality of your decision-making, bring different parts of your business together and drive the move to full consideration of all impacts of your decisions, not just the financial bottom line. Look at where you are as an organization and where you want to be in the future. Identify how you create value and how you measure this

Step 3 : Develop your organization vision and strategy

- ◆ Look at your organizations vision statement. Does it incorporate sustainability? Does it reflect integrated thinking as a vision for your organization?
- ◆ In the last step you asked the steering group to define the business model, this may have needed work to revise it, make it clear and ensure that this is the business model you should be working towards for the future and that it covers all aspects of your business. As mentioned this may take longer than you think so allocate sufficient time to this

Step 4 : Collect the data

- ◆ The baseline will be your collection of data for your first integrated report – This will include financial data, impact data such as CO2 emissions, energy usage etc. Make sure you have mapped out what the data requirements are, look to your KPI's and ensure you have a reporting framework in place.
- ◆ As you collate the information you will without a doubt some across gaps in thinking, note these as they will be helpful when you look to your improvement plan.
- ◆ Set clear timescales for data collection. Data collection can be difficult when you are measuring non financial KPI's, think creatively about how you can measure these and what they mean to your organization.

Step 5 : Write the report

The extent to which integrated thinking is developed will be apparent from the way the report is written. For example – it is no good stating those internal and external factors that are material to your business if you do not refer to them, or explain what you are doing about them, in the rest of the report.

Step 6 : Communicate how you create value

- ◆ Whether your integrated report is part of a range of reports your organization offers or embedded in the annual report you will need to communicate the outcome to your stakeholders and a wider audience

- ◆ The report should inform all investor presentations and updates on the organizations progress, make sure it is championed by your senior staff and board in particular. Targets set should be clearly communicated within the report and details of how these will be measured going forward stated. When subsequent reports are issued a comparison of achievements should be made to show progress. Think of innovative ways to share your message

Step 7 : Future directions

- ◆ Develop a multi-year plan for achievement with bite-sized chunks which you can build on year on year. It takes time to introduce different aspects of an integrated report to the organization, for systems to be set up to bring them into the operational process and for the organization to become comfortable with them e.g. the materiality process and thinking in terms of the capitals.
- ◆ Ensure that you work within the IIRC strategic framework but adapt it to fit your organization. Trying to do everything in the first year will lead to confusion both for your stakeholders and within your organization.
- ◆ You will get a sense of which elements are best first addressed within your organization but some suggested elements for immediate attention are: 1. Development of your business model to clearly show inputs, outputs and outcomes – and how you use and transform the capitals in working to deliver your objectives

Remember: integrated reporting should not be an academic process. If integrated thinking can be embedded within the business as a sustainable business practice this should just be a natural extension of that. The report should be a clear and concise overview of the organization and the factors that affect it to enable quick and informed decision making, taking into account all factors.

Producing your first integrated annual report is a challenging undertaking, but it's well worth the effort and it gets easier over time. The process of producing the report helps to improve alignment and engagement internally as well as management of your ESG performance and impacts. Investors, rating agencies and stakeholders of all kinds increasingly are seeking to understand a comprehensive view of value creation. An integrated report can form the basis for ongoing dialogue with your stakeholders to help build trust, confidence and mutual understanding.

COMPANY SECRETARIES BENEVOLENT FUND

MEMBERS ENROLLED FROM NIRC AS LIFE MEMBERS OF THE COMPANY SECRETARIES BENEVOLENT FUND DURING THE PERIOD 26/04/2017 TO 02/06/2017

REGION	LM NO.	NAME	MEMB NUMBER	CITY
NIRC				
1	12847	MR. SUMIT KUMAR GUPTA	ACS - 50848	KHURJA
2	12853	SH. RAHUL KAPOOR	ACS - 16336	AMRITSAR
3	12860	MR. MANOJ KUMAR SINGH	ACS - 50542	UDAIPUR
4	12861	MR. SHAMMI PRAKASH	ACS - 50593	DELHI