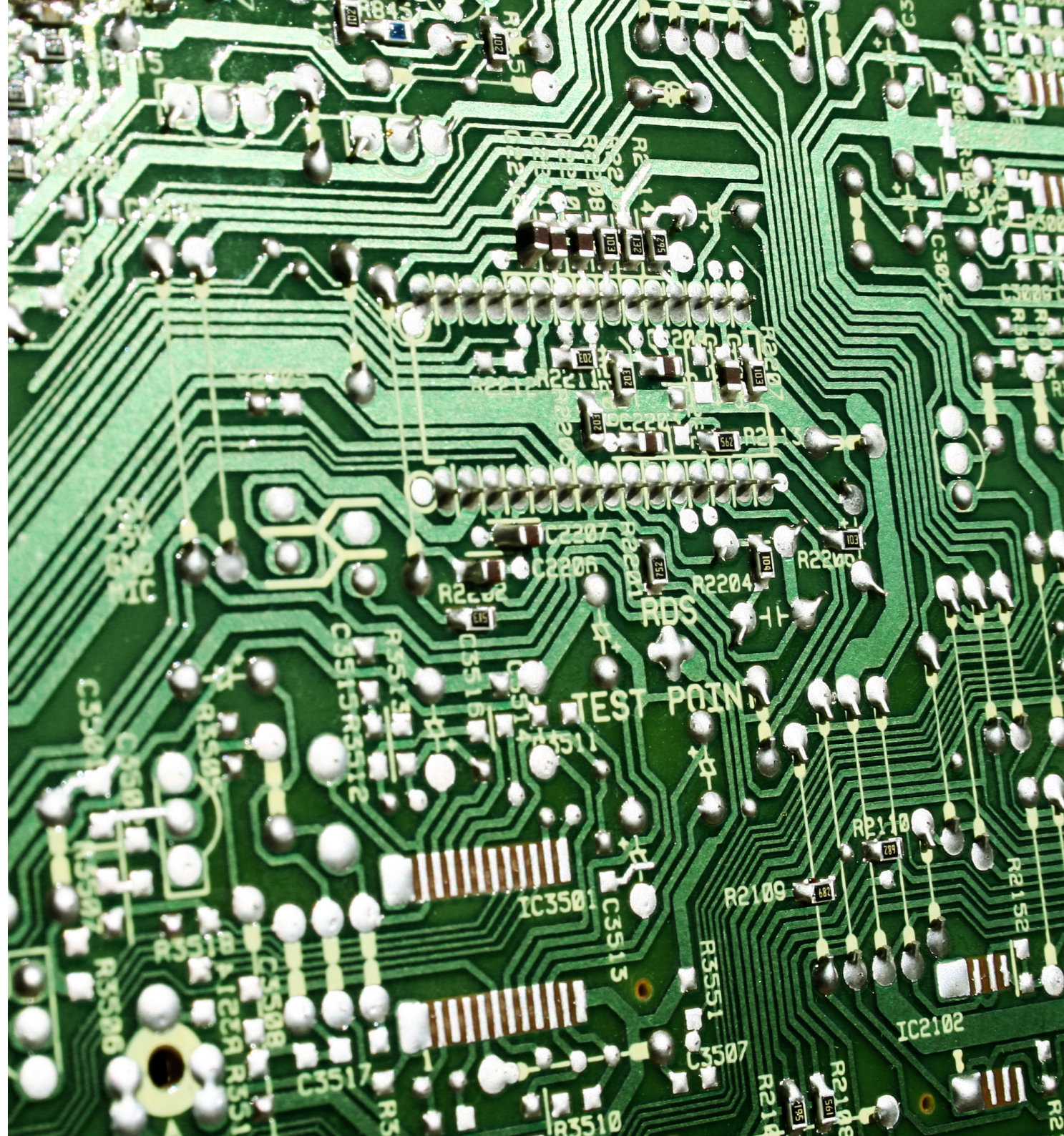




Guide to integrated reporting

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Integrated reporting

Integrated reporting has been gaining momentum for the last few years, hastened by the financial crisis, the [Prince of Wales' Accounting for Sustainability Project](#) and, its newly formed [International Integrated Reporting Committee](#).

ACCOUNTING FOR SUSTAINABILITY



Currently many companies produce two reports: an Annual Report and a Corporate Responsibility or Sustainability report.

- * **Annual reports** are well established, there is a set of rules and a large degree of consistency across companies. They have a clear audience (investors) and set out the company's strategy, governance, risks and performance.
- * **Sustainability reporting** on the other hand is bit murkier. It is relatively new so the rules are still emerging and, while best practice exists, there is little consistency between companies and the reporting is often story led.

Integrated reporting is about bringing these two reports together and combining a company's financial and non-financial reporting.



This is often known as ESG (Environmental, Social and Governance) reporting or reporting on the triple bottom line of people, planet and profit.

The benefits

There are many benefits of integrated reporting.

The primary benefit of integrated reporting is to investors. An integrated report gives investors more complete information about a

company and all their risks, not just financial ones. It makes them more aware of sustainability related risks which helps them to make better, more informed decisions.

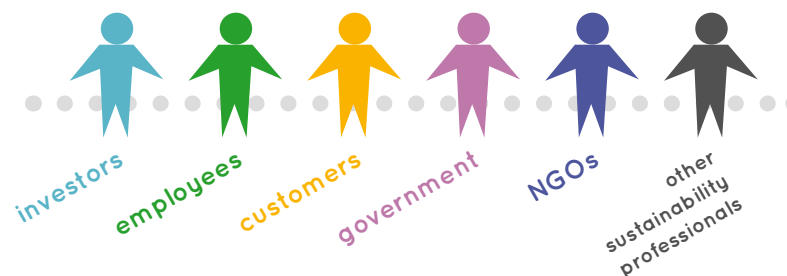
Integrated reporting gives investors all this information in one place and in a format they are familiar with; they don't need to go looking for a separate sustainability report.

But why do investors need to be made aware of a business's sustainability risks, strategy and activities? Sustainability is about issues that are material to the business – areas that impact on the business and that the business has an impact on. Businesses aren't looking at water, for example, just to use less of it but because water scarcity or low water quality would cause serious issues for their company and their profits.

From a business perspective, integrating reporting gives sustainability a central position in a company's strategy and decision making processes.

What do we think?

When we are writing reports one of the first questions we ask is 'who is your audience?' The reply always includes some or all of:



But they all want different things from a sustainability report.

Integrated reports are aimed, almost solely, at investors but won't necessarily cover all the things employees and customers want, and may exclude some of the most engaging stories. So companies need to keep producing their regular sustainability reports, or continue ongoing reporting via their website including the information their employees and customers want and all the engaging stories. But at the same time

start producing an integrated report.

This is good and bad news. The good news is that stakeholders get clearer reporting about the issues they are interested in. However companies will need to produce more targeted, coherent reporting, which in reality means more work.

So how does the narrative led sustainability report translate into the rigid world of financial and annual reports? And how have some companies successfully integrated the two?

But, how?

Integrated reporting represents ESG and sustainability issues moving into the mainstream. While a few companies are successfully doing this already, for most it represents a shift in thinking and a need for a more strategic way of looking at sustainability.



The Prince's Accounting for Sustainability Project first published its **Connected Reporting Framework** in 2007, which has since been adopted by numerous companies. The framework provides guidance on how social and environmental factors can be reported along side financial data.

Examples

Novo Nordisk won the CorporateRegister Corporate Responsibility Reporting Awards (CRRRA) for Integrated Reporting the last two years (2008 and 2010). All their reports since 2004 have been integrated:

- [Novo Nordisk - Annual Report 2009](#)
- [Novo Nordisk - Annual Report 2008](#)
- [Novo Nordisk - Annual Report 2007](#)

BASF were runners up in the CRRRA for Integrated Reporting for 2008 and 2010

- [BASF - Economic, environmental and social performance report 2008](#)
- [BASF - Shaping The Future report 2007](#)

Other runners up have been:

- [Veolia Environment - Annual and Sustainability Report 2008](#)
- [AXA - Activity and Sustainable Development Annual Report 2007](#)

The Connected Reporting Framework says reports should include:

- ➔ **Market context:** what ESG issues impact your business (material issues) and how
- ➔ **Key risks and opportunities**
- ➔ **How is your business managing this:** what is your strategy and what are your objectives
- ➔ **Action taken so far** to manage the risks and opportunities
- ➔ **Key performance indicators** for each material issue, how they impact the business preferably in financial terms and the business's performance against a baseline
- ➔ What **incentives** are given **to ensure targets are met**
- ➔ **Financial and business measures** to explain the connection with business results
- ➔ **Commentary on progress**

This follows best practice sustainability reporting conventions but still represents a leap for many companies.

Other companies that have produce integrated annual reports using the Connect Reporting guidelines are:

- [Aviva](#)
- [BT](#)
- [EDF Energy](#)
- [Hammerson](#)
- [Northern Foods](#)
- [SSE](#)

Useful links

- Mullen Baker, Integrated Reporting - The gulf between theory and practice, Business Respect, Issue Number 170, dated 21 Oct 2010, http://www.mullenbaker.net/csr/page.php?Story_ID=2637
- <http://www.connectedreporting.accountingforsustainability.org/the-connected-performance-report>
- <http://www.corporateregister.com/crra/>



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