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(ISAR)**

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**Key foundations for high-quality reporting: Good practices
of monitoring and enforcement, and compliance**

Presented by

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Presentation remarks at UNCTAD ISAR October 2014

Speaker notes

Neil Stevenson

Brand Director, IIRC

1. Introduction

- The International <IR> Framework is less than one year old. It sets out the principles and content elements for integrated reporting. There are some 1000 reporters producing integrated reports or equivalents around the world. It has been developed by a global coalition of organizations, many represented in the room at the conference. The role of UNCTAD in championing a broader concept of corporate reporting and accounting development is to be congratulated.

2. The driver

- There is an increasing number of companies who want to tell their stories based on the value created through the use of all material capitals – financial, intangible and environmental. For these, it is natural to link disclosure to their wider strategy, performance and risk. This is what the International <IR> Network aims to achieve.

3. The momentum

- eg Mark Carney Governor of the Bank of England and Bertrand Badre, MD and World Bank CFO at the annual meetings of the World Bank Group and IMF. 'By improving reporting, IR can bring additional information in particular about the longer-term costs of climate change... it will lead to better-informed and more sustainable long-term investment for the benefit of society.' Of public sector – 'IR would enable governments and their stakeholders to gain a better understanding of resources available and help them to manage these more effectively.'

Global

- ICGN has included a reference to <IR> and its context as a board responsibility in its newly published global corporate governance principles
- Examples of companies with emerging leading practice – DBS Bank, Sasol, Itau Unibanco, Eni, Diageo, Coca-Cola Hellenic, Lawson Inc, Prudential, JLL, HSBC
- <IR> is referenced in the updated standards of the International Accounting Education Standards Board (IAESB).

Brazil April 2014

- BM&FBOVESPA recommended to listed businesses that they adopt the "Report or Explain" principle by either reporting on their non-financial impacts, or explaining why they have not done so.

EU

- The European Commission passed legislation that will require around 6,000 European entities to disclose on non-financial and diversity information. In April, a memo about the new Directive published by the EC recognised that

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the new rules don't go so far as to require integrated reporting, but described <IR> as a "step ahead". The memo went on to say, "The commission is monitoring with great interest the evolution of the Integrated Reporting concept, and, in particular, the work of the International Integrated Reporting Council."

India

- Over 20 leaders from business, academia and regulators met in Mumbai on 19 August 2014 to launch the Indian <IR> Lab, an initiative brought about by the collaboration between the IIRC and the Confederation of Indian Industry (CII). Koushik Chatterjee, CFO of Tata Steel, chairs the Lab, which includes some of India's leading CFOs.

Japan

- In June 2014, Japanese Prime Minister Shinzō Abe published his 'Japan Revitalization Strategy' (JRS) – the third part of his wider plan to boost economic growth. The new Strategy called for a market dialogue to understand how corporate reporting reform, and Integrated Reporting specifically, can help to refocus businesses and investors on long-term value creation.

South Africa

- In March 2014, the Integrated Reporting Committee (IRC) of South Africa, whose influential members include the Johannesburg Stock Exchange, endorsed the International <IR> Framework as good practice guidance on how to prepare an integrated report.

Pension funds

- The <IR> Pension Fund Network was initiated in Australia where 13 of the biggest Australian Superannuation Funds including, AustralianSuper and VicSuper are working together towards producing integrated reporting. This year's VicSuper's report stated, "We believe using Integrated Reporting as a new lens to look at our business is already starting to change the way we think."

Malaysia

- Listed Malaysian businesses have responded to a statement by the Malaysian Prime Minister by declaring their intention to produce integrated reports. Malaysian Prime Minister Datuk Seri Najib Razak told business leaders in Kuala Lumpur that the first of the companies listed on Bursa Malaysia will be practicing <IR> by 2016.

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Singapore

- The Singapore Accountancy Commission has shown leadership in producing its own <IR>.

4. Benefits – wider goals of financial stability and sustainable development

- a. Influence corporate behaviour – Integrated thinking Black Sun – 92% increased understanding of value creation; 79% more confidence in long-term business model and 65% better decision making.
- b. Investment decisions based on long-term value creation. Research drawn from 1,066 US companies practicing degrees of Integrated Reporting concluded that, "<IR> is associated with a more long-term investor base". The Harvard Business School research, led by George Serafeim, entitled *Integrated Reporting and Investor Clientele* indicates that businesses that are on the journey towards Integrated Reporting, and are starting to efficiently communicate with investors about how they make value over time, are attracting more stable investment. The research found that "<IR> is positively associated with percentage of shares owned by dedicated investors and negatively with percentage of shares held by transient investors." This suggests that businesses "practicing <IR> not only attract dedicated investors but also become unattractive for transient investors."

5. Points for development

- There will be different routes to adoption – some through change and innovation to existing management reporting, others creating a new approach.
- Stewardship codes and corporate governance a good pull – Australia, Japan, Malaysia, Netherlands, Singapore, South Africa, UK
- Regulatory conditions to allow <IR> to flourish are essential – endorsement of the direction and removing any barriers to meaningful adoption of <IR>
- UNCTAD ADT- education will play an important part of the further development of <IR> and wider forms of corporate reporting.
- Corporate reporting dialogue as means to discussion between frameworks and standards with international impact, to obtain a better understanding of the reporting landscape.

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6. New developments

- A new Business Network and public sector pioneer network are being launched.

7. Conclusion

- Leading practice essential – we should encourage innovation and learn from best practice as it emerges.
- Momentum to build on – only one year in!
- Ultimately we must build a bridge to integrated investment if we are to be successful in the longer term – reporting should become an essential part of the wider investment landscape and lead to decisions being based on long-term value creation.
- We should note that this is a bold and brave step for organisations – but the reward can lead to reports which provide complete information to investors around impact, risk and return.