TABLE OF CONTENTS

1 INTRODUCTION .................................................................................................................. 2
2 INTEGRATED REPORTING DEFINED ................................................................................. 2
3 BRIEF HISTORY OF INTEGRATED REPORTING .............................................................. 2
4 CURRENT STATUS OF INTEGRATED REPORTING ......................................................... 3
5 IIRC DEVELOPMENTS ......................................................................................................... 4
6 INTEGRATED REPORTING RESOURCE DOCUMENTS ..................................................... 4
7 INTEGRATED REPORTING ARTICLES AND BLOGS ....................................................... 5

1 INTRODUCTION

This report is the first in a series of monthly reports on integrated reporting. It summarizes the key activities around integrated reporting for the period October – December 2011. In future reports will be published on monthly basis. The aim of these reports is to provide an overview of key integrated reporting developments during the month and guide the reader to more information by listing articles and publications on the topic.

Please visit also GRI’s integrated reporting page and the IIRC’s resources page and press page for more resource documents and materials.

2 INTEGRATED REPORTING DEFINED

There are slightly different definitions available of what integrated reporting means and what the outcome of it - an integrated report - is. The International Integrated Reporting Council (IIRC) describes integrated reporting as something that “brings together material information about an organization’s strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates.” King II (King Code of Governance Principles for South Africa) explains that “integrated reporting means a holistic and integrated representation of the company’s performance in terms of both its finance and its sustainability.” Robert G. Eccles and Michael P. Krzus defined in their book One Report an integrated report as “a single report that combines the financial and narrative information found in a company’s annual report with the nonfinancial (such as environmental, social, and governance issues) and narrative information found in a company’s ‘Corporate Social Responsibility’ or ‘Sustainability’ report.”

3 BRIEF HISTORY OF INTEGRATED REPORTING

The emergence of integrated reporting is an evolution of corporate reporting. It is built on the foundations of financial, management commentary, governance and remuneration, and sustainability reporting in a way that reflects their interdependence. In 2009 South Africa’s King III Code of Governance Principles was released and recommended that companies prepare and
publish integrated reports. In 2010 complying with the *King III* and publishing an integrated report or explaining why not was made a listing requirement by Johannesburg Stock Exchange making South Africa the first country to have reporting requirements around integrated reporting. This lead to the establishing of the Integrated Reporting Committee of South Africa in May 2010, with the aim to develop guidelines on good practice in integrated reporting.

A book on integrated reporting, *One Report: Integrated Reporting for Sustainable Strategy*, was published by Robert G. Eccles and Michael P. Krzus in 2010, and was followed later that year by an e-book *The Landscape of Integrated Reporting: Reflections and next steps*, which was written as a follow up to a workshop held by the Harvard Business School.

In August 2010 the Prince’s Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI) announced the formation of the International Integrated Reporting Committee (IIRC) with the aim to create an International Integrated Reporting Framework. The Integrated Reporting Framework will be an overarching framework that guides organizations on communicating the information needed by investors and other stakeholders to assess the organization’s long-term prospects in a clear, concise, connected and comparable format.

### 4 CURRENT STATUS OF INTEGRATED REPORTING

Today a number of companies in different industries and geographical locations are publishing integrated reports. The reasons given for integrated reporting are similar despite the differences in geographical locations and industries. The reasons include commitment to sustainability, a belief that an integrated report is the best way to communicate to shareholders and other stakeholders, and a recognition that integrated reporting is important for ensuring that a company has a sustainable strategy. GRI collects information on integrated reports and it is reflected in GRI’s Sustainability Disclosure Database. The Database includes self-declared integrated reports that GRI is aware of. The number may not reflect the actual number of reports but it does reflect the wider trends in reporting. In 2011, 207 reports were registered in the database as integrated reports in comparison to 239 in 2010 and 194 reports in 2009.

A lot has changed since the current business reporting model was designed. The way business is conducted, how it creates value and the context in which business operates have all changed reflecting wider trends such as:

- Globalization
- Growing policy activity around the world in response to financial, governance and other crises
- Heightened expectations of corporate transparency and accountability
- Actual and prospective resource scarcity
- Population growth
- Environmental concerns

The type of information that is needed to assess the past, current and future performance of organizations is much wider than what is provided by using the existing business reporting model. The interdependencies between strategy governance, operations, financial and nonfinancial performance need to be made clear to demonstrate the organizations’ ability to create value now and in the future. Integrated reporting answers this need by providing a broader explanation of performance than traditional reporting.
As a first step towards an International Integrated Reporting Framework the IIRC published a discussion paper *Towards Integrated Reporting – Communicating Value in the 21st Century* on 12 September 2011, which was available for public comment until 14 December 2011. The discussion paper defines five guiding principles and six content elements as the foundation of an integrated report. The feedback gathered during the public comment period and the experiences of the IIRC Pilot Programme participants will feed into the development of the draft framework in 2012.

### 5 IIRC DEVELOPMENTS

- In 2011 20 international roundtables and events on Integrated Reporting around the world, more planned for 2012
- Pilot Programme Pilot Cycle 1 ‘kick-off’ event with participating companies in Rotterdam, the Netherlands, on 17-18 October 2011
- Mervyn King’s appointment as IIRC Chairman on 11 October 2011
- Announcement of Paul Druckman’s appointment as IIRC CEO on 19 October 2011
- Following meetings in Brazil in November 2011, the International Integrated Reporting Committee became the International Integrated Reporting Council (IIRC) on 30 November 2011
- The IIRC received more than 200 responses to the questions posed in the Discussion Paper

### 6 INTEGRATED REPORTING RESOURCE DOCUMENTS

KPMG International published on 7 November its new *KPMG International Survey of Corporate Responsibility Reporting 2011*. The survey finds that 27 percent of G250 and 20 percent of N100 companies include some form of corporate responsibility reporting in their annual report. However, in their view the reporting approach often represents more ‘combined reporting’ than ‘integrated reporting’.

The Institute of Chartered Accountants in Australia & KPMG published in November *Business briefing series: 20 issues on building a sustainable business*, which takes a strategic, big-picture look at how businesses can address ESG risks and practically incorporate sustainability into their business plan.

Interesting older publications discussing the topic of integrated reporting:
- *Integrated reporting: Closing the loop of strategy*, 15 March 2010, KPMG Netherlands. A paper providing considerations on how to decide about further integrating corporate reporting to close the loop of strategy.
7 INTEGRATED REPORTING ARTICLES AND BLOGS

In their article ‘Integrated reporting in a disintegrating world’, published on 24 October 2011 in The Guardian Sustainable Business Blog, Bill Baue and Marcy Murnaghan, comment on the IIRC’s Discussion Paper. In their view the Discussion Paper is missing the opportunity to include the stakeholder view in the proposal of integrating reporting.

Ben Tuxworth discusses in his article ‘Corporate sustainability reports need to connect to people to win their attention’, published on 5 December 2011 in The Guardian Sustainable Business Blog, the benefits and challenges in producing a meaningful integrated report. In his article ‘Could integrated reporting be ready for mainstream take off?’, published on 7 December 2011 in The Guardian Sustainable Business Blog, John Elkington talks about the changes integrated reporting would bring and the IIRC’s role in bringing that change.

Al Gore and David Blood write in their article ‘A Manifesto for Sustainable Capitalism’, published on 14 December 2011 in The Wall Street Journal, about the importance of sustainable capitalism and suggest five key actions that companies, investors and others should immediately adopt. One the key actions is mandating integrated reporting.

CSR blogger Elaine Cohen wrote on integrated reporting in her blog post ‘Heretical thoughts on integrated reporting’ and posted the text also in LinkedIn. Toby Webb also covered integrated reporting briefly in his blog post stating that there are still more questions than answers on the topic. Mallen Baker wrote in his blog post titled ‘The truth and illusion of integrated reporting’ about the IIRC’s discussion paper and how it fails to pay sufficient attention on the communication aspect of integrated reporting.

NOTES:

1. Previously known as the International Integrated Reporting Committee
Integrated Reporting Pilot Programme has currently 56 participating organizations and it consists of three phases. The first phase, dry run (companies identified opportunities and challenges of implementing the IR Framework), has been completed. Pilot Cycle 1 started in October 2011 and will continue until September 2012. Pilot Cycle 2 will build on the experiences from the first year. The experiences from the Pilot Programme will be used to support the creation of the International Integrated Reporting Framework. More information on the Pilot Programme at http://www.theiirc.org/about/pilot-programme/

http://www.guardian.co.uk/sustainable-business/blog/companies-integrated-sustainability-corporate-reporting
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