



## Reporting 2025 interview

*Interview 15: Mervyn King*

GRI's *Reporting 2025* project looks ahead at what thought leaders expect to be the main issues on companies' agendas – and in their reports – ten years from now. Through a series of in-depth interviews with thought leaders in various fields, GRI is building an open dialogue that will form the basis for meaningful future corporate disclosures.

Edited highlights of these interviews will be posted every month on the [Reporting 2025 webpage](#), along with related references that enrich the discussion. GRI will update and publish an analysis of the main trends identified in these interviews every quarter. In January 2016 the final publication will present a roadmap for the future of reporting.

## Informed strategy is key to transparency and accountability

Professor Mervyn King is Chairman of the [International Integrated Reporting Council](#) and of the [Integrated Reporting Committee of South Africa](#), and was previously Chairman of the GRI Board of Directors. In 1992, he was asked to chair the King Committee on Corporate Governance, to draft corporate governance guidelines. The resulting report was published in 1994 and followed in 2002 by the King II Report. King has chaired several companies listed on the Johannesburg Stock Exchange and he also serves as President of the Advertising Standards Authority, First Vice-President of the Institute of Directors Southern Africa and a member of the Securities Regulation Panel.

According to Prof. King, the next generation of consumers and leaders will not accept the short-term, opaque approach to business that the previous and current generations have fostered – tackling climate change and avoiding financial crises will require full transparency, he says. The board will play a key role in business transparency, and the emerging Corporate Stakeholder Relationship Officer position will hold responsibility for ensuring stakeholder input is incorporated into informed board-level decisions. This, says Prof. King, will feed into honest, realistic reporting.

### *Society: the next decade is about financial crisis, climate change and full transparency*

We are already, because of our current development model, putting pressure on the planet's resources, and the rapidly increasing population will exacerbate this, says King. "Although population is leveling out in developed countries in Europe and America, that's not the case in developing economies, particularly in Africa and Asia. We're still going to see an increase in population overall and the consequence of that is an increased demand for products and services. At the same time we've got finite natural assets that are being used faster than nature is regenerating them. Clearly that's not a sustainable way forward, and that's going to be one of the critical issues we face in the next ten years."

As population increases, the social media-savvy generation will take over; in their hands, companies will be held accountable for their impact on the world, not just financially, he believes. With the increasing awareness of society's development and business impacts, organizations won't be able to hide, says King. "Of course both public and private sector entities don't operate in a vacuum; they operate in the context of the mega trends of the 21st century. Those mega trends include the global financial crises, the climate change crisis and radical transparency. As we've seen with social media, if people think they can keep secrets in their corporate closets, they must think again."

## *Companies: the stakeholder perspective is key to creating value*

“The Millennials of today as directors of the future do not concern me because their mindset has changed. What concerns me is changing the mindset of existing board members because, unfortunately, my generation was taught differently. We were taught the value is the present value of discounted future cash flows, so we looked at it through a financial lens. Whereas value today is seen as how the company makes its money and how, in doing so, it impacts on those three critical aspects, financially, socially and environmentally.”

Many companies are not as transparent and accountable as they could be. “If you look at companies on the London Stock Exchange, for example, about 70-80% of their market capitalization is not represented by additives in a balance sheet according to financial reporting standards. People started to ask ‘Are the leaders of both public and private sector entities actually discharging their duty of accountability if they're only reporting on 20-30% of what's happening inside that entity?’”

According to King, one of the keys to accountability is understanding stakeholders and integrating their perspective into everyday decision-making processes, creating the Corporate Stakeholder Relationship Officer. “Companies need to be informed about the needs, interests and expectations of their stakeholders throughout the year and when they're strategizing, otherwise the oversight that they have over management and its strategic proposals is not an informed oversight. At every board meeting there should be an agenda item that wasn't there before: 'Stakeholder Relationships.’”

“The corporate stakeholder relationship officer talks to stakeholders that are relevant to the business, about what the company wants of them and to then learn about their needs, interests and expectations. The officer then informs management of the findings, enabling them to develop strategy – short, medium and long term – on a much more informed basis.”

## *Get ready: board level discussions should express integrated thinking*

In addition to talking about stakeholder needs, interests and expectations, the board also needs to address the company's real impacts, says King – something that's vital for reporting.

“What are the inputs into the business model of the company and how does the company make its money? What are the risk management issues? What is the strategy? What is the governance structure? What's the company doing with waste? What impact does the company's product have on society? You need a discussion at board level – at every board meeting – about impacts and outcomes so that you get this right across the business. That brings the financial and the non-financial together, giving a picture of the true state of play inside a company.”

When it comes to reporting the answers, honesty is vital. “You need to make sure you're giving the user both the positives and the negatives, in clear, concise and understandable language, so they can make a truly informed assessment about what's happening inside the company,” says King.

“Transparency means balanced thinking during the year about the resources being used and the stakeholder relationships, because that's how entities are managed; they're not managed in silos. As a company, you're dealing with your customers, your suppliers and your providers of capital on a daily basis; they're interconnected and interrelated. You must think on that basis and you must report on that basis.”