VALUE REPORTING FOUNDATION

INTEGRATED REPORTING FRAMEWORK

Transition to integrated reporting

A guide to getting started

September 2021

About this Guide

In January 2021, we published a revised International <IR> Framework, which replaced the original 2013 version. In this Guide, the term <IR> Framework refers to the International <IR> Framework (2021).

As a supplement to the <IR> Framework, this Guide helps report preparers develop a custom-fit transition plan to integrated reporting. Like the <IR> Framework, the Guide is written in the context of private sector, for-profit companies of any size, but can also be applied by public sector and not-for-profit organizations.

The Guide is intended for those interested in:

☑ Learning the basics of integrated reporting

☑ Identifying the catalyst for integrated reporting

☑ Preparing for a successful transition to integrated reporting

☑ Selecting a starting point for the integrated report

☑ Developing a roadmap for <IR> Framework adoption.

Navigating the Guide

Defining terms
Explains concepts through <IR> Framework definitions

Tip
Shares tips based on preparer experience

Section [X]
Are references to <IR> Framework content

X.XX / X.X
E.g. 3.11/3.3 are references to corresponding paragraph(s) in the <IR> Framework

Reality check
Tackles myths, clarifies intent and cites related <IR> Framework paragraphs

Making the connection
Links <IR> Framework concepts and requirements

Chapter [X] | Stage [X] | Step [X]
Are references to Guide content

Value Reporting Foundation

In June 2021, the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) merged to form the Value Reporting Foundation.

The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value — how it is created, preserved or eroded over time.

The resources — including Integrated Thinking Principles, the Integrated Reporting Framework and SASB Standards — can be used alone or in combination, depending on business needs. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage and communicate strategy that creates long-term value and drives improved performance.

How do the <IR> Framework and SASB Standards fit together?

The Framework and SASB Standards are complementary tools for investor-focused communications. Together, the <IR> Framework and SASB Standards provide a more complete picture of how value is created over time while meeting investor needs for comparable, consistent and reliable information.

The <IR> Framework provides principles-based guidance for reporting structure and content, while SASB Standards provide industry-specific disclosure topics and metrics to help understand sustainability risks and opportunities in greater detail.

When used together, the <IR> Framework drives a holistic view of the value creation process through governance and business model disclosure, and the connectivity of information, while SASB Standards add comparability to sustainability-related data across peer companies.

INTEGRATED THINKING PRINCIPLES

INTEGRATED REPORTING FRAMEWORK

SASB STANDARDS

VALUE REPORTING FOUNDATION

Table of contents

Other resources

For more on integrated reporting and how the <IR> Framework can be applied, visit our Frequently Asked Questions and <IR> Examples Database.

01 Basics of integrated reporting

Around the world, organizations are transitioning to a more complete, concise and streamlined approach to corporate reporting. Many have adopted the <IR> Framework to embed integrated reporting and integrated thinking into their annual reporting cycles, operating activities and strategic planning. Reduced silos, improved decisions and a holistic approach to communication are cited as important benefits of integrated reporting.

📖 **Defining terms**

Integrated reporting. A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation, preservation or erosion over time and related communications regarding aspects of value creation, preservation or erosion.

The product of integrated reporting – the **integrated report** – communicates how an organization's strategy, governance, performance and prospects, in the context of its external environment, create preserve or erode value in the short, medium and long term. The very act of preparing an integrated report generates internal benefits, such as improved risk management and decision making. But users of integrated reports – from providers of financial capital to supply chain partners to local communities – also stand to benefit through an improved understanding of how organizations create, preserve or erode value.

Applying the <IR> Framework

The <IR> Framework is divided into three parts: Fundamental Concepts, Guiding Principles and Content Elements. These parts effectively provide the why, how and what of integrated reporting.

WHY produce an integrated report

The **Fundamental Concepts** establish the basis for integrated reporting, as well as the <IR> Framework's requirements and guidance. They reinforce three facts:

01

The value created, preserved or eroded for an organization (and its providers of financial capital) is inextricably linked to other stakeholders, society and the natural environment. **Section 2B**

Value created, preserved or eroded for the organization

Activites — Relationships — Interactions

Value created, preserved or eroded for others
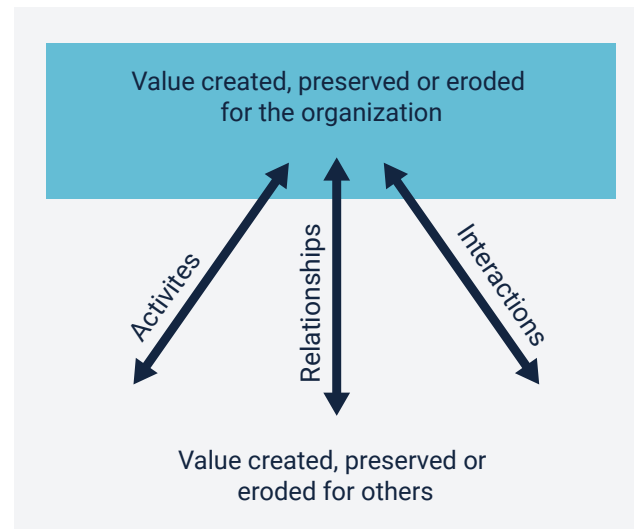
02

To create value, organizations rely on critical resources and relationships, or capitals. The <IR> Framework includes six categories of capitals, namely:

- Financial
- Manufactured
- Intellectual
- Human
- Social and relationship
- Natural.

Not all forms of capital are equally relevant or applicable to all organizations.

Through their business activities and outputs, organizations affect the capitals, positively or negatively. **Section 2C**

03

The process through which value is created, preserved or eroded is influenced by an organization's:

- External environment
- Purpose, mission and/or vision
- Business model
- Governance
- Risks and opportunities
- Strategy and resource allocation plans
- Performance
- Outlook. **Section 2D**

All of these are captured in the <IR> Framework's required **Content Elements**.

01 Basics of integrated reporting

HOW to prepare the integrated report

The <IR> Framework includes seven **Guiding Principles** that inform how disclosures should be prepared and presented:

- Strategic focus and future orientation **Section 3A**
- Connectivity of information **Section 3B**
- Stakeholder relationships **Section 3C**
- Materiality **Section 3D**
- Conciseness **Section 3E**
- Reliability and completeness **Section 3F**
- Consistency and comparability **Section 3G**.

WHAT to include in the integrated report

The <IR> Framework sets content expectations through eight **Content Elements**:

- Organizational overview and external environment **Section 4A**
- Governance **Section 4B**
- Business model **Section 4C**
- Risks and opportunities **Section 4D**
- Strategy and resource allocation **Section 4E**
- Performance **Section 4F**
- Outlook **Section 4G**
- Basis of preparation and presentation. **Section 4H**

Integrated thinking

Integrated thinking supports integrated reporting, as it encourages connected and holistic communications that are concise and strategically focused. Through the process of developing the integrated report, internal silos are reduced as operating and functional units gain a shared understanding of their **dependencies** on the capitals, as well as their **effects** on the capitals.

A reduction in silos tends to generate more effective and aligned decisions by management and governing bodies. Preparers of integrated reports also cite improvements to risk management, communication and stakeholder engagement as notable by-products of integrated reporting and integrated thinking.

Defining Terms

Integrated thinking. The active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision- making and actions that consider the creation, preservation or erosion of value over the short, medium and long term.

integrated reporting

mutually reinforcing

integrated thinking
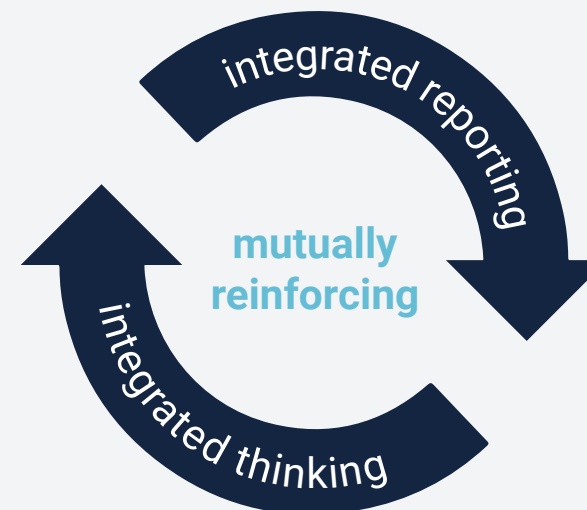
02 Identifying the catalyst

There is no 'right' way to transition to integrated reporting. In fact, early adopters of the <IR> Framework developed a range of successful approaches to suit their own needs. No matter the path chosen, each had a common origin: a compelling reason to evolve.

Whether clarifying value drivers, improving strategic and operational deployment or instilling longer-term perspectives, each had a motivation for change. The following provides a small sampling of these experiences, which span management and reporting considerations.

Managing the organization

Goal: Form a broader view of value	**Goal:** Improve strategy development and execution	**Goal:** Connect functional units
Identify key stakeholder groups based on organizational purpose and value proposition	List strategic objectives and core activities based on board and executive input	Ensure top-level commitment to improve collaboration and alignment
List existing engagement channels and find routes to under-represented stakeholders	Highlight successes and flaws in how strategies translate into action	Assign functional leads to spot operational gaps, duplications and dependencies
Ensure robust processes for gathering and interpreting stakeholder interests	Establish performance indicators and targets to strengthen strategic implementation	Link functional units to the capitals used or affected
Assess how effects on others influences the organization's long-term success	Develop plans to boost, streamline or cut activities based on their strategic contribution	Establish shared goals to optimize individual and joint contributions
Result: Clearer links between value for the organization and value for others	**Result:** Greater alignment between strategy and day-to-day operations	**Result:** Connected, efficient and engaged teams pursuing a common purpose

Key points. Stakeholder relationships, value creation for the organization and for others, reliability and completeness, consistency and comparability.

Key points. Strategic focus and future orientation, strategy and resource allocation.

Key points. Connectivity of information, integrated thinking.

02 **Identifying the catalyst**

Contents

Reporting on the organization

Goal: Improve the communication of prospects

Identify matters that influence the organization's ability to create value for itself and others

Establish how these matters relate to strategy, business model and risk profile

Ensure a common view of material matters among the board and executive team

Present material matters cohesively by linking them to the organization's ability to create value

Result: Clear picture of resilience based on a candid review of risks and opportunities

Key points. Value creation for the organization and for others, business model, strategy and resource allocation, risks and opportunities.

Goal: Bolster reporting on sustainability matters

Identify critical reliances and effects on human, social and relationship, and natural capital

Select proxy measures to track the size and root causes of business model outcomes

Establish robust data sources, methodologies and processes to collect reliable information

Link reliances and positive and negative outcomes to the organization's ability to create value

Result: Data-driven approach to conveying the organization's link to sustainability

Key points. Process through which value is created, preserved or eroded business model, the capitals, stakeholder relationships.

03 **Setting the foundation**

As with any new project or initiative, a few preparatory steps can go a long way towards achieving success.

Secure top-level support

Establishing a clear commitment for integrated reporting from those who develop and approve the organization's strategy is key. Naturally, to make this commitment, those who lead and govern should fundamentally understand the concepts of integrated reporting and integrated thinking and see their potential benefits. Although board members and executive teams needn't be adept at translating the <IR> Framework into practice, their genuine support for its principles will promote

💡 Tip

A project pitch and simple work plan can inform meetings with project sponsors, including board and executive team members. This material can cover the:

1. Fundamentals of integrated reporting
2. Expected benefits of integrated reporting in terms of competitive advantage, strategy, operational efficiency and cost of reporting
3. Role of board and executive team members in the integrated reporting process
4. Proposed members of a cross-functional implementation team.

wider acceptance and build momentum across the organization.

Appoint appropriate resources

Integrated reporting should permeate the organization's operations, activities and interactions. Dedicating sufficient time to reviewing the <IR> Framework, developing project parameters and navigating potential pitfalls is time well spent, particularly in the first few months or years of integrated reporting. Moreover, capitalizing on those with functional expertise in critical steps will lend efficiency to the process and build engagement.

Foster understanding across the organization

At its heart, the concept of integrated reporting is relatively simple. It brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context in which it operates. It clearly and concisely shows how the organization demonstrates stewardship and how it creates, preserves or erodes value. For some, however, this marks a departure from the traditional business mindset and opens the door to potential misunderstanding. Building a common understanding through simple, consistent language is an essential preparatory step.

Adopt an inclusive, team-wide approach

Having established a clear catalyst for integrated reporting, it's vital that this translates into clear and practical terms for those who prepare and use the organization's disclosures. Depending on the organization's starting point, some elements of the reporting process may need to evolve. While many will embrace these changes – challenges and all – others may find them uncomfortable, and may be resistant or sceptical. Airing these concerns and encouraging constructive problem-solving will be conducive to a smoother transition to integrated reporting.

Minimize siloed thinking

In any organization, we would expect distinct business and functional units to provide distinct contributions. Indeed, there's something to be said for the structure, order and efficiency that discrete units provide. There is a risk, however, that organizational silos become too entrenched – that units operate in isolation and, to borrow a well-worn cliché, lose sight of the bigger picture. Pursuing goals or activities with little regard for other units or broader organizational objectives can inhibit the transition to integrated reporting. More crucially, this can hamper the organization's attainment of integrated thinking. Striking an appropriate balance between maintaining distinct and specialized units, on the one hand, and ensuring a holistic, organization-wide mindset, on the other, will be important throughout the transition to integrated reporting.

04 From concept to implementation

The previous chapter explored why many are drawn to integrated reporting and how they position themselves for success. This chapter moves from an organization's commitment to the concept of integrated reporting to a tangible communication: the integrated report.

An organization's precise path to an integrated report depends not only on its experience and circumstances, but also on its plans for the future. Factors that can affect implementation include the organization's:

- Legal status, industry and size
- Suite of existing communications and supporting processes or infrastructure
- Jurisdictional reporting requirements
- Exposure to voluntary reporting initiatives and knowledge of their fit with other standards and frameworks
- Intended time frame to publish the integrated report.

These features vary across organizations, rendering a custom-fit approach more likely an inevitability than a choice. And while some favour a defined path, others like a flexible approach, one that better suits their needs. With this in mind, the following pages showcase a range of options for developing an integrated report, with benefits and challenges cited for each.

Notably, Options A through E are distinct, non-exhaustive alternatives, rather than sequential steps in a five-point plan. These options draw from observed practice. Of course, an organization can chart its own course based on its unique circumstances.

Option A — Apply the <IR> Framework to internal performance management reporting

Here, the organization eases into integrated reporting by applying the <IR> Framework to internal reporting before extending this experience to external reporting.

Benefits

- Experimentation without external scrutiny
- Improved interaction across functions
- Clarity on the organization's business model
- Transparency as to how and why decisions are made.

Challenges

- Reporting systems may need to be refined for new forms of information
- In the absence of a publication deadline, there's a risk that the external version becomes less important.

Option B — Apply the <IR> Framework to an existing investor report

In this path, the <IR> Framework is applied to, for example, the annual report, management commentary, management's discussion and analysis, strategic report or operating and financial review.

Benefits

- Builds on the familiar
- Capitalizes on established processes for a cost-effective approach

- Supports, by virtue of proximity, connections between financial performance and business model, strategy, risks and opportunities, and governance
- Offers a more holistic picture to investors by addressing the fuller range of factors that affect value creation, preservation or erosion.

Challenges

- Financial reporting regulations may impose certain constraints
- Initially, investors might find the changes disruptive.

Option C — Embed the principles of integrated reporting into an existing non-investor report

Using this approach, the organization builds the Guiding Principles and Content Elements of the <IR> Framework into an existing governance, sustainability or other report, as permitted by regulations.

Benefits

- Builds on the familiar
- Capitalizes on established processes
- In the sustainability report scenario, widens the scope to value creation, preservation or erosion.

Challenges

- Such report forms may be unsuitable hosts, by virtue of their narrower focus
- Existing audience may be dissatisfied with a modified content and focus.

04 From concept to implementation

Option D

Publish an integrated report in addition to the annual report or regulatory filing

In this option, the organization publishes a separate integrated report as a supplement to the core investor report. In doing so, it provides enhanced insight into the organization's ability to create value.

Benefits

- Takes a clean slate approach to integrated reporting
- Zero disruption to traditional financial report users.

Challenges

- Perpetuates a negative connotation of 'yet another report'
- Risk of the integrated report going unnoticed
- Presents similar information in different formats, adding cost and potential confusion.

Option E

Combine existing reports as a precursor to integration per the <IR> Framework

Using this approach, the organization merges existing content – such as elements of the proxy statement, Form 10-K, sustainability report or other disclosure vehicle – and firmly commits to streamlining this information over time.

Benefits

- Logical first step for some as they migrate from multiple reports to a primary report that connects the dots
- Drives collaboration among those whose historical focus was specialty reporting
- Provides time to refine reporting systems, explore materiality through a value creation, preservation or erosion lens and pursue integration.

Challenges

- Yields lengthy reports in the early stages
- Potential for the combined report to deliver to all, but cater to none
- Risk of succumbing to the false premise that combining equals integrating.

Certain activities permeate all integrated reporting journeys, regardless of the specific path chosen. These activities include, for example:

- Analyzing gaps between existing reporting and <IR> Framework requirements
- Assessing the breadth and effectiveness of stakeholder engagement mechanisms
- Refining the materiality determination process
- Testing the efficacy of data collection systems and information controls.

Chapter 5 explores these and other activities in the context of a sample roadmap for <IR> Framework implementation.

11

05 **Sample roadmap**

showed that organizations approach integrated reporting in different ways and for different reasons. These variations call for tailored plans that reflect unique contexts and build activities to suit. Notably, regardless of the path chosen, certain stages are generally common to all. These are shown on the left side of the sample roadmap below.

We apply this sample through the rest of this chapter to structure the discussion, prompt ideas and support the design of your own roadmap. So, keep an open mind, use your judgement and plan away!

Stages

Steps

01 Getting organized	**1.1** Establish responsibility for integrated reporting **1.2** Form the integrated reporting team **1.3** Develop a repository of key resources
02 Establishing a plan	**2.1** Apply a 'Fundamental Concepts' lens **2.2** Identify the reporting boundary **2.3** Examine existing reporting for gaps
03 Identifying information needs	**3.1** Outline information needs and sources **3.2** Identify material matters **3.3** Determine the form of required content
04 Assessing systems and controls	**4.1** Review stakeholder engagement mechanisms **4.2** Check information systems and internal controls **4.3** Evaluate audit and assurance activities
05 Preparing report content	**5.1** Draft contextual information **5.2** Update preliminary report for year-end results **5.3** Refine content through systematic review
06 Improving the process	**6.1** Design and implement a feedback mechanism **6.2** Identify challenges and solutions **6.3** Monitor progress and embed successes

05 **Sample roadmap**

Stage 1 – Getting organized

This initial stage deepens the organization's understanding of how a commitment to integrated reporting might look in practice. It also forms the basis for subsequent stages.

1.1 Establish responsibility for integrated reporting

The starting point for a formal transition to integrated reporting is often approval by an authoritative body, be it the executive team or governing body. Such approval may be a function of the reporting vehicle chosen (see Options A to E in Chapter 4).

With this approval or directive in place, some choose to appoint a 'champion' to the effort. This can send a signal that integrated reporting and integrated thinking are genuine priorities for the organization.

Importantly, the organization will also need to establish lines of responsibility for matters of practical implementation, including content preparation, quality checks, continuous improvement and progress updates. This ensures that everyone – from planners to contributors to approvers – has a clear line of sight to the project's structure and oversight.

1.2 Form the integrated reporting team

Integrated reporting draws on **multiple functions** across the organization – functions not necessarily devoted to reporting, but without which the business could not exist. Consider, for instance, a services company without a dedicated customer interface or a technology company without a research team. Such functions provide valuable insight into the effectiveness of, for example, stakeholder

engagement mechanisms or the day-to-day deployment of the business model. Simply put, with integrated reporting comes integrated teams.

With the above in mind, conventional reporting teams adjust or expand to become more multi-disciplinary in nature. Team selection should consider the following range of functions, as appropriate:

- Accounting
- Communications
- Customer service
- Distribution
- Finance
- Human resources
- Information technology
- Internal audit
- Investor relations
- Legal
- Marketing
- Operations
- Procurement
- Production
- Public relations
- R&D
- Sales
- Sustainability.

In addition to ensuring functional coverage, the team should include representatives from across the organization's significant business units or divisions.

> 💡 **Tip**
>
> Include staff involved in previous change management projects to benefit from their experience.

Although team members are typically sourced from within, external support can helpfully supplement the core group. For example, outside consultants are often hired for their fresh perspectives and strategic, project management and subject matter expertise.

> 💡 **Tip**
>
> Learning from peers, whether in the same industry or not, can prevent common pitfalls. The <IR> Business Network provides an opportunity for those on the integrated reporting journey to connect.

1.3 Develop a repository of key resources

An inventory of related information can help colleagues get up to speed on the basics of integrated reporting. At a minimum, the repository should include this Guide, the <IR> Framework and links to the Value Reporting Foundation's Frequently Asked Questions and <IR> Examples Database. The repository should expand over time to include entity-specific material and real-world examples.

By this stage, those organizing the integrated reporting effort will be well-versed in the <IR> Framework. To ease others into the process, it may be appropriate to flag specific sections of the <IR> Framework, starting with its preface, executive summary and appendix, which summarizes the <IR> Framework's 19 requirements.

05 **Sample roadmap**

Stage 2 – Establishing a plan

The goal of this stage is to develop a transition plan that reflects the agreed mechanism for integrated reporting (see Options A to E in Chapter 4). This plan should include relevant activities, responsibilities, timelines and deliverables. A communications strategy can also help to address questions, and garner support, from both internal and external stakeholders.

Creating a simple prototype, or skeletal report, can kick-start planning efforts by prompting the integrated reporting team to consider:

WHAT changes might be introduced to current reporting

HOW existing functional silos can be reduced

WHO might benefit from training in integrated reporting

2.1 Apply a 'Fundamental Concepts' lens

Step 1.3 referenced the integrated reporting team's understanding of core <IR> Framework concepts. In this current step, as resource gathering and team development give way to concrete planning, it becomes all the more important to view decisions through the lens of the <IR> Framework's three Fundamental Concepts. These concepts, upon which integrated reporting was founded, should be carefully reviewed. Team members should be equipped to brainstorm:

• The ways in which the value created, preserved or eroded for the organization is linked to the value created, preserved or eroded for others

• The capitals on which the organization depends, as well as the capitals on which it has an effect over the short, medium or long term

• The main components of the process through which value is created, preserved or eroded (see Figure 2 of the <IR> Framework).

Over time, these discussions will become second nature, yielding more sophisticated expressions of the organization's value proposition and dependencies. It should be noted that this current step is not about **reporting**. Rather, it's about **cognition**: applying the team's thought and learning processes to better comprehend the organization.

It might be tempting to dismiss this step as being more of theoretical interest, rather than practical relevance. However, this exercise provides essential groundwork for Step 2.2, which establishes the organization's reporting boundary.

Tip

Consider the following questions as you evaluate how your organization creates, preserves or erodes value.
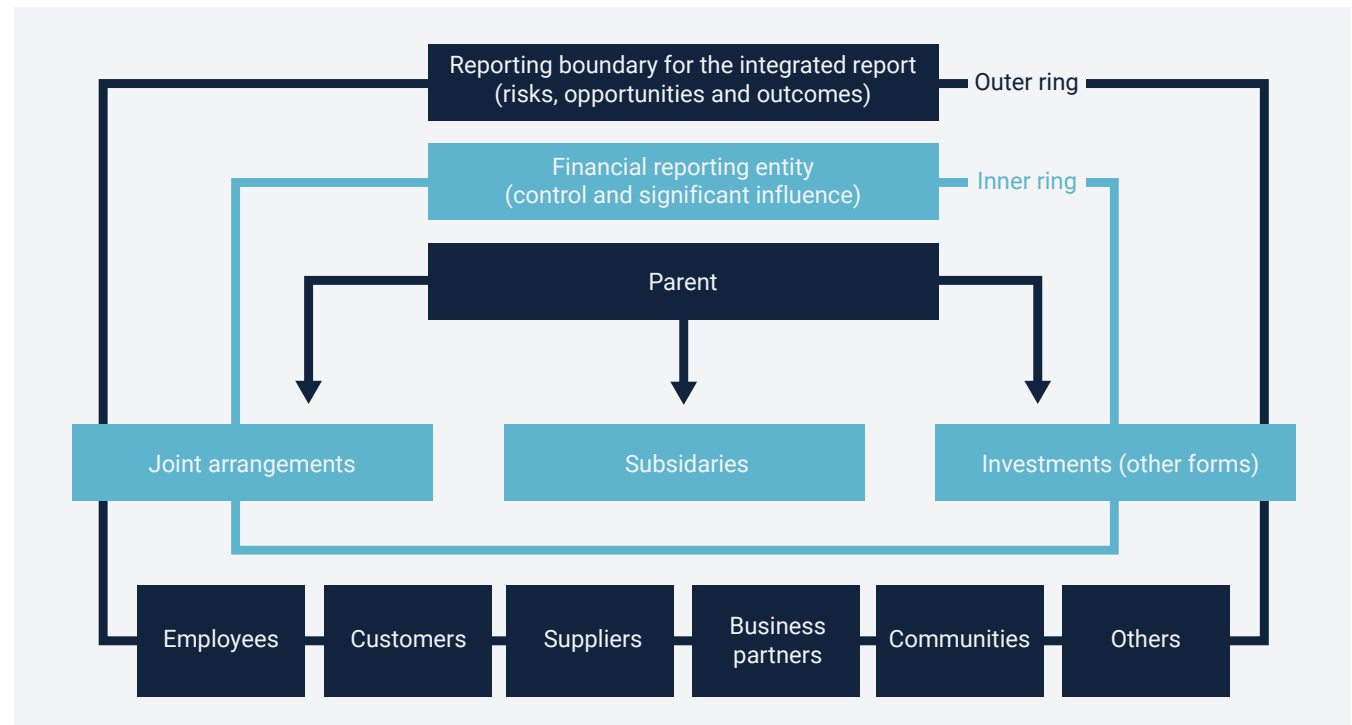
1. How do we define value? What is our value proposition?

2. Who is at the core of our definition of value: our organization, others or both?

3. Does our definition of value vary over the short, medium or long term?

4. How do the interests of others feed into our value proposition?

5. How are we unique? Do certain features of our business model lend a competitive advantage?

6. Are there particular forms of capital on which we materially rely or have an effect?

7. In creating value for ourselves, how do we affect others? Do we help or harm particular groups as we pursue success?

8. How do our outputs and activities affect the natural environment, whether directly or indirectly?

9. Are there ways in which we inadvertently erode value for ourselves?

10. How does the external environment affect our business model? What risks and opportunities do we face?

05 **Sample roadmap**

2.2 Identify the reporting boundary

The boundary for financial reporting is based on the concepts of control and significant influence. These are also central thoughts in integrated reporting, as shown in the **inner ring** of the following diagram. After all, it's the financial reporting entity to whom investors allocate their capital. But integrated reporting looks beyond the financial reporting boundary alone to identify the fuller range of risks, opportunities and outcomes that affect the organization's ability to create value. Such risks, opportunities and outcomes might be linked to the financial reporting entity. However, they might also arise via other entities or stakeholders. In such cases, these entities or stakeholders, shown in the **outer ring**, might be included in the reporting boundary because of their nature and proximity to the organization's risks, opportunities or outcomes.

When deciding which stakeholders to include in the integrated reporting boundary, you'll find the considerations presented in particularly useful.

Reporting boundary for the integrated report (risks, opportunities and outcomes) — Outer ring

Financial reporting entity (control and significant influence) — Inner ring

Parent

Joint arrangements | Subsidaries | Investments (other forms)

Employees | Customers | Suppliers | Business partners | Communities | Others

🔗 **Making the connection**

In establishing the reporting boundary, it's helpful to identify key stakeholders with whom your organization **directly** interacts.

Now expand your analysis to include **indirect** interactions. Does this new focus change your reporting boundary?

In this exercise, you're linking five important <IR> Framework considerations:

• Stakeholder relationships
• Value for the organization and value for others
• Materiality
• Reporting boundaries
• Completeness.

15

2.3 Examine existing reporting for gaps

At this point, organizations normally compare their current reporting to the content expectations of the <IR> Framework. This entails reviewing the eight Content Elements as set out in Chapter 4 of the <IR> Framework and summarized here.

Organizational overview and external environment

What does the organization do and what are the circumstances under which it operates?

Governance

How does the organization's governance structure support its ability to create value in the short, medium and long term?

Business model

What is the organization's business model?

Risks and opportunities

What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?

Strategy and resource allocation

Where does the organization want to go and how does it intend to get there?

Performance

To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?

Outlook

What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?

Basis of presentation

How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

In establishing a baseline, the organization surveys its suite of existing communications for information related to the eight content areas listed. Note that much of this information can often be found in the organization's regulatory filings, other reports and website content.

Existing information should be assessed for its reliability and completeness. If gaps or anomalies are spotted, then the team should identify root causes (e.g. data aggregation via current systems is problematic; supporting evidence is simply unavailable or too cost-prohibitive to obtain).

✓ **Reality check**

Although this step focuses on identifying **gaps**, organizations are often pleasantly surprised by how much content is already covered by their current internal and external reporting. On the other hand, the analysis often reveals a need to:

- Expand the reporting lens from financial performance alone to include the fuller range of capitals on which the organization relies or has an effect
- Present existing content in a more connected and cohesive way
- Link disclosures to the organization's ability to create value over time.

>

05 **Sample roadmap**

Tip

List your organization's routine reports and communications, including those prepared for internal purposes. For each, indicate associated responsibilities, dependencies, time frames and formats, as shown in the **illustrative example** below.

By taking stock of this information set, your organization can: (1) assess how existing information satisfies the Content Elements, (2) spot opportunities to streamline processes and content and (3) ensure consistent messaging across communications.

Document	Lead	Support	Audience	Frequency	Format
Regulatory filing	Corporate secretary	Investor relations, finance, accounting, internal audit, audit committee, legal, independent auditor	Regulatory body	Quarterly	PDF, XBRL
Annual report	Investor relations	Finance, accounting, internal audit, audit committee, legal, independent auditor, communications	Shareholders	Annual	Hard copy, PDF, HTML
Accountability report	Corporate affairs	Environment, health and safety (EHS), production, government affairs, public relations, communications, assurance provider	Multiple stakeholders	Annual	PDF, HTML
Business plan	Executive leadership	Finance, marketing, R&D, product development	Board of directors	Five years	PDF

05 **Sample roadmap**

By comparing current reporting to an intended future state, the team can begin to chart its course, drawing on existing content. In the **illustrative example** below, Company X maps its three-year plan based on previous reporting experience and resource capacity. Of course, its focus areas aren't strictly confined to the time frames shown.

For example, a given activity might receive intense focus in Year 1, but receive gradual refinement in subsequent years. (Figures in brackets represent corresponding <IR> Framework paragraphs.)

Year 1 focus Nine requirements	Year 2 focus Six additional requirements	Year 3 focus Four additional requirements
• Form of report and relationship with other information **(1.12)** • Materiality **(3.17)** • Organizational overview and external environment **(4.4)** • Business model **(4.10)**	• Governance **(4.8)** • Risks and opportunities **(4.24)** • Strategy and resource allocation **(4.28)** • Performance **(4.31)**	• Outlook **(4.35)**

• Application of the <IR> Framework **(1.17, 1.18)** ——————————→

• Responsibility for the integrated report **(1.20)** ——————————→

• Reliability and completeness **(3.39)** ——————————→

• Basis of preparation and presentation **(4.41)** ——————————→

• Stakeholder relationships **(3.10)** ——————————→

• Strategic focus and future orientation **(3.3)** ——————————→

• Conciseness **(3.36)** ——————————→

• Consistency and comparability **(3.54)** ——————————→

• Connectivity of information **(3.6)** ——————————→

05 **Sample roadmap**

Stage 3 – Identifying information needs

A precursor to assessing the adequacy of controls and systems (Stage 4) and preparing report content (Stage 5) is developing a solid grasp of content needs. By following Steps 3.1, 3.2 and 3.3 in succession, the integrated reporting team establishes a more complete picture of its information needs.

Step 3.1 establishes broad content parameters based on <IR> Framework requirements

Step 3.2 adds detail and sharpens focus based on entity-specific context and insight

Step 3.3 shifts from identifying required content to considering its optimal form

3.1 Outline information needs and sources

Consistent with other reporting processes, the organization should identify required content, stewards of that content and associated deadlines. The integrated reporting team can then review the <IR> Framework's Content Elements – and its related guidance, in particular – to identify significant gaps. Fortunately, the team can capitalize on its efforts in Step 2.3. Here, though, the exercise zooms in on the details. So, *business model information* now becomes *information about the business model's four components* (i.e. its inputs, business activities, outputs and outcomes).

> 💡 **Tip**
>
> Consider advancing the simple prototype suggested in Stage 2 into a 'content blueprint'. In time, as content is collected and sources documented, this can be stored in the repository established in Step 1.3 and serve as a useful marker of progress.

3.2 Identify material matters

The <IR> Framework urges report preparers to focus on the factors that affect the creation, preservation or erosion of value over time. This casts a spotlight on the core issues identified and managed by the organization, while limiting the disclosure of extraneous information.

> 📖 **Defining terms**
>
> **Material/materiality.** A matter is material if it could substantively affect the organization's ability to create value in the short, medium or long term.

The primary **purpose** of the integrated report is to explain to providers of financial capital how value is created over time. Providers of financial capital are, therefore, the primary **audience** of integrated reports. Others interested in the organization's ability to create value will also find benefit in the integrated report.

The **scope** of the integrated report – the organization's ability to create value over time – is expressed through the eight Content Elements referenced in Step 2.3.

These three parameters – purpose, audience and scope – drive the <IR> Framework's approach to determining materiality. **Section 3D**

19

>

Material matters can vary over time as conditions shift. As these material matters change, so too does the content of the integrated report. Accordingly, each reporting cycle, organizations should revisit previously identified material matters to test their continued relevance and add new material matters as warranted. Those charged with governance are critical to this effort in terms of validating the materiality determination process and resulting material matters.

In performing this step, the integrated reporting team should consult the <IR> Framework (**Section 3D**), which presents a four-step materiality determination process.

1.   **Identify relevant matters based on their ability to affect value creation**

   When listing matters that could substantively affect value creation, preservation or erosion, consider topics or issues that:

   ☑ Link to strategy, governance, performance or prospects

   ☑ Form the basis of board and executive discussions

   ☑ Are important to key stakeholders

   ☑ May intensify or lead to significant risks or lost opportunities if left unchecked.

   As implied above, inherent in the materiality determination process is an understanding of the needs and interests of key stakeholders.

For example, if customers are dissatisfied with the quality of an organization's goods or services, they will eventually go elsewhere. If employees feel unsafe, mistreated or undervalued in the workplace, they too will go elsewhere.

An understanding of stakeholder views informs the organization's strategy, including its response to stakeholders' legitimate needs and interests. It is reasonably likely, therefore, that this information will factor into the materiality determination process.

💡 **Tip**

Views on your organization's core business issues may be mixed. To gauge the degree of alignment, gather a sampling of executive team members, governing body representatives and divisional heads. As a group, or individually:

1.   Briefly describe how your organization creates, preserves or erodes value for itself and for others, and how its strategy plays a critical role
2.   Develop a simple sketch of your organization's business model, including its main inputs, business activities, outputs and outcomes
3.   Identify your organization's top five material matters in the near and long term.

Does this exercise suggest a common understanding of material matters? Is there a need to test or revisit core assumptions?

2.   **Evaluate the importance of relevant matters in terms of their known or potential effect on value creation**

   When evaluating the importance of relevant matters, consider:

   ☑ Quantitative and qualitative effects

   ☑ The nature, area and time frame of effects

   ☑ The magnitude of effects and their likelihood of occurrence.

3.   **Prioritize the matters based on their relative importance**

   When ranking matters by importance (as evaluated in the second step of the materiality determination process), consider also:

   ☑ Their significance in the context of the organization's values, commitments and policies

   ☑ The organization's chosen 'line' beyond which high-priority matters become **material for disclosure purposes**. Recall, here, the purpose of the integrated report: to explain to providers of financial capital how an organization creates, preserves or erodes value over time.

4. Determine the information to disclose about material matters

When deciding the nature and extent of disclosures on material matters:

☑ Consult the guidance on the disclosure of material matters provided in paragraphs **5.2-5.4** of the <IR> Framework

☑ Refer to the guidance on quantitative indicators provided in paragraph 5.5 of the <IR> Framework

☑ Apply the <IR> Framework's guidance on Completeness (paragraphs 3.47-3.48), taking into account potential concerns regarding cost benefit, competitive advantage and future-oriented information (paragraphs 3.49-3.53).

3.3 Determine the form of required content

Having identified **what** needs to be reported, the team now turns to **how** that information is best communicated. Both qualitative information and quantitative information are needed to convey how value is created, preserved or eroded. These formats are mutually reinforcing. More specifically, indicators provide evidence for trends or assertions, as well as a basis for comparison. And for its part, a concise, connected narrative offers valuable explanations and context for numerical data.

✓ **Reality check**	3.8

The indicators in an integrated report should be consistent with those used by management and those charged with governance.

There are other ways in which different forms of information can be complementary. Visual devices such as charts, diagrams and infographics can provide welcome relief from text-heavy pages. Graphics are also an effective way to communicate complex concepts.

In time, and as detailed in Stage 5, the integrated reporting team will prepare disclosures, using or repurposing existing content as necessary. During this current step, however, the emphasis is decidedly on:

• Identifying optimal formats for intended content
• Considering implications for data collection
• Coordinating resources, including internal personnel, outside support and budget allocations.

Stage 4 – Assessing systems and controls

Designing, implementing and maintaining effective internal control over integrated reporting and its underlying information is vital to producing high-quality integrated reports. Quite likely, much of the information needed for integrated reporting is already collected for financial, operating and sustainability reporting or other purposes. It may be possible, therefore, to adapt existing processes to support integrated reporting. The following three steps offer related considerations and recommendations.

4.1 Review stakeholder engagement mechanisms

Step 2.1 encouraged the integrated reporting team to identify how the value created, preserved or eroded for the organization links to the value created, preserved or eroded for others (including direct stakeholders, broader society and the natural environment). Implicit in this exercise is an understanding of the nature, quality and strength of key relationships, as well as the legitimate needs and interests of stakeholders. Responding to stakeholder priorities and concerns in the normal course of business also benefits the organization in the long term.

Ideally, feedback mechanisms are embedded in routine business operations (through, for example, customer complaint log sheets, product focus group studies, shareholder resolutions or supply chain feedback), rather than via annual or biennial stakeholder surveys, an approach often used in traditional sustainability reporting.

In this step, the team should consider whether current stakeholder engagement arrangements adequately capture or reflect the matters of greatest significance to future value creation. External consultants can lend invaluable support to the effort; however, this avenue is not absolutely necessary. Organizations themselves are often best placed to spot opportunities to improve engagement, whether this means improving the rigour of existing processes or introducing new activities.

> 🔗 **Making the connection**
>
> In addition to driving year-round business decisions, information derived from stakeholder engagement also supports report preparation. In particular, stakeholder feedback can expose gaps between what your **organization** thinks is material and what **others** consider material.

4.2 Check information systems and internal controls

Information systems and internal control measures for financial reporting can form the basis for a broader information set. However, the existing infrastructure may be inadequate for other information featured in an integrated report. Weaknesses in internal control processes and information systems can compromise the integrity of the integrated report by failing to detect errors, gaps and inconsistencies in information.

The focus of this step, therefore, is to actively support or safeguard the accuracy and reliability of information to be reported. Controls should extend from the initial point of data capture through to the processing, reporting and review phases. With this in mind, the integrated reporting team should consider whether and how existing measures can be improved or expanded. Here, internal auditors and process improvement teams are crucial allies.

> 💡 **Tip**
>
> A review of systems by internal audit and external assurance providers will flag weaknesses in control measures as a basis for corrective action.

If effective systems for reliably evaluating material matters are not yet in place, those matters should nonetheless be addressed. The integrated report should provide insight via qualitative disclosures.

05 **Sample roadmap**

4.3 Evaluate audit and assurance activities

Assurance standards for financial statements have evolved over several decades. Integrated reporting, by contrast, is comparatively new, with complexities arising from:

- An emphasis on future-oriented information, such as strategy, outlook and long-term business model viability
- The growing contribution of intangibles, for which measures may not exist, or for which direct measurement can be challenging
- Inherent difficulties in assessing broader and longer-term outcomes due to causality issues
- Externalities arising from the actions of others, which may be beyond the organization's reach in terms of measurement
- A heavy reliance on narrative to provide context.

Assurance standards for integrated reporting will evolve alongside the reporting practice itself. Furthermore, given the broader range of business activities and information captured by integrated reporting, the audit profession will no doubt hone its skills and knowledge in step with market demand.

Numerous organizations have taken the lead in this space, allowing assurance to progress incrementally from limited assurance on components of integrated reports (including select sustainability metrics) to the more recent emergence of limited assurance on integrated reports as a whole.

With these quality drivers in mind, the integrated reporting team can take early steps to address the assurance readiness of information via underlying processes, documentation and other measures raised in Steps 4.1 and 4.2. Indeed, the profile of these measures was elevated in the 2021 version of the <IR> Framework through the introduction of paragraphs 1.23 and 1.24. In particular, these paragraphs encourage supplementary disclosures in two areas:

- Related systems, procedures and controls, including key responsibilities and activities
- The role of those charged with governance, including relevant committees.

The internal audit function plays an essential role in strengthening the former. Importantly, disclosures on systems, procedures and controls not only provide insight into integrity-based measures, but they also support third-party assurance engagements and the fulfillment of paragraph 1.20, namely a statement of responsibility for the integrated report from those charged with governance.

💡 **Tip**

According to market feedback, users of integrated reports benefit from concise commentaries on the following:

Related systems, procedures and controls, including key responsibilities and activities

- Internal controls over reporting
- Role of internal audit function and external assurance providers
- Approach to combined/integrated assurance
- Executive(s) with accountability for report preparation and presentation
- Composition of the reporting team, including subject-matter experts
- Information sources, including outside support
- Timing of significant processes and activities
- Other quality measures (e.g. peer reviews).

Role of those charged with governance

- Validation of the materiality determination process and material matters
- Oversight by, and final recommendation of, the relevant board committee
- Approval of the final integrated report.

Disclosures needn't be exhaustive. Consider placing detailed or static disclosures on the website and providing a link to this information.

05 **Sample roadmap**

Stage 5 – Preparing report content

The integrated report is the tangible output of integrated reporting and integrated thinking. It drives improved decisions by users and preparers alike, based on an understanding of the full range of factors that drive or erode value. Consistent with this holistic interpretation of value, the integrated report projects an overarching view of the business, rather than that of any one department or business unit acting in isolation. This underscores the importance of maintaining a truly integrated, multi-disciplinary integrated reporting team.

5.1 Draft contextual information

The process of integrated reporting is intimately linked to the organization's year-round commitment to integrated thinking. Therefore, to the extent the organization already links operating and functional units to the capitals used and affected, it begins the drafting process on the right foot.

Before investing too heavily in drafting (perhaps building on the simple prototype developed in Stage 2), it's wise to secure agreement on a content outline. Managers and approvers should also have regular opportunities to review draft material.

Much of the report's preparatory work can occur before year end, starting with six of the <IR> Framework's eight Content Elements. The integrated reporting team should consult **Section 4A** of the <IR> Framework, features of which are highlighted here.

Organizational overview and external environment. The organization's ownership and operating structure, principal activities and markets, competitive landscape and market positioning provide important contextual information. The external factors – including legal, commercial, social, environmental and political considerations – that affect the organization's ability to create value also provide necessary background.

Governance. Critical to assessing future value prospects is a knowledge of the structures and processes that support strategy development and risk management. Integrated reports therefore explain how leadership structure, governing body skills and diversity and other factors support value creation over time and avoid or limit value erosion.

Business model. Users of integrated reports seek insight into how inputs, business activities and outputs – the mechanics of the business model – differentiate the organization from others and contribute to long-term success. Importantly, the organization's effects on the capitals (whether positive or negative, or experienced internally or externally) are covered by the fourth component of the business model: outcomes.

💡 Tip

Outcomes link the inner workings of the business model to value creation, preservation or erosion. In other words, your organization influences value through its outcomes (i.e. its effects on the overall stock and flow of capitals). Unfortunately, many overlook the outcomes aspect of the business model, arguably its most critical. To avoid falling into this trap, prioritize your understanding of paragraphs 2.14 and 4.19 in the <IR> Framework.

✓ Reality check   2.18   2.19

The <IR> Framework prompts you to consider and communicate how your organization relies on and affects six forms of capital over time. In the process, feel free to use your own classification system and preferred terminology.

Risks and opportunities. The risks and opportunities facing the organization, including those related to the continued availability, quality and affordability of core resources and relationships (or capitals), are key to evaluating prospects. In addition to noting the likelihood, potential triggers and scale of risks and opportunities, the integrated report should discuss efforts to mitigate them, or capitalize on them as the case may be.

>

Strategy and resource allocation. The integrated report outlines strategic objectives and related measures and time frames for achievement. The strategies deployed to achieve these objectives – and how resources are allotted accordingly – are also indicated.

> ## 💡 Tip
>
> No organization, no matter its size or success, enjoys unlimited resources. With this in mind, governing bodies and management teams must prioritize strategic objectives and allocate resources accordingly. Trade-offs are inevitable. A strategy to increase production throughput, for example, might divert funding (financial capital) from usual brand building (social and relationship capital) to facility upgrades (manufactured capital).
>
> Providers of financial capital are interested in the implications of your organization's strategic choices. In providing this insight, consider the following:
>
> 1. Have our strategic priorities shifted since the previous reporting period?
>
> 2. Are there critical resource dependencies on which our success relies?
>
> 3. What are the trade-offs, in terms of resource allocations, arising from our strategic choices?
>
> 4. How can we communicate the above information most effectively?

Basis of preparation and presentation. **Section 4H** of the <IR> Framework requires a summary of the materiality determination process, a description of the reporting boundary and how it was determined, and a summary of the significant frameworks and methods used to quantify or evaluate material matters.

> ## ✓ Reality check   `3.17` `4.41`
>
> In addition to requiring the disclosure of information about material matters, the <IR> Framework requires an explanation of how material matters are determined, and how they're quantified or evaluated.

5.2 Update preliminary report for year-end results

Step 5.1 provided a head start on six of eight Content Elements, namely organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, and basis of preparation and presentation. In this current step, and with year-end results now in hand, each of the six areas is reviewed, and updated as needed, to ensure continued applicability and accuracy.

Certain areas, such as that describing the basis of preparation and presentation, might go relatively unchanged post year-end. In most other cases, however, full-year data will supplement (with concrete evidence) the diagrams, charts and narrative prepared in advance.

Of course, year-end results might contradict certain aspects of the draft report. Actual performance data might differ considerably from initial projections, prompting the team to modify the content accordingly. Indeed, certain preliminary conclusions or assertions could be subject to reversals rather than just simple adjustments.

The previous page spoke of adjustments to draft content based on the availability of actual results. Of course, this presumed that the content's underlying matters remained material for disclosure purposes. But year-end data can trigger more than simple text, diagram and chart adjustments. It can also challenge the validity of earlier materiality assumptions, such that matters once deemed material are now immaterial. These scenarios should be treated in accordance with the <IR> Framework's Guiding Principles, particularly those on **materiality, reliability and completeness**, and **consistency and comparability**. If a now immaterial matter was addressed in previous integrated reports, then a brief commentary on its de-emphasis or discontinuation in the current report is preferable to its swift and silent removal. This befits a significant change from the prior period and supports reporting consistency year over year.

Normally, the fiscal year-end brings few surprises to well-managed organizations, given their risk management structures and adeptness at routine monitoring, forecasting and adaptation. Nonetheless, a more complete picture of performance and outcomes over the reporting period can reveal previously undetected trends or relationships, potentially bringing new material matters to light. Exogenous shocks, such as the 2020 global pandemic, are a stark reminder of just how quickly and profoundly circumstances can change.

This current step also picks up on the two remaining Content Elements, namely **performance** and **outlook**. In both cases, the integrated reporting team can consider qualitative and presentational aspects in advance; however, these sections are generally prepared near or soon after the end of the reporting period, once all quantitative information is available and expectations for the year ahead are most timely.

Performance. Users of integrated reports are interested in how the organization has performed over the period relative to strategic objectives and stated targets. Much of this information will be framed, formally or informally, in terms of effects on the capitals.

Judgement is needed to decide whether performance information is sufficiently reliable for inclusion. Reliable disclosures are balanced and free from material error. In making this assessment, the organization should consider the measures taken in Step 4.2 regarding information systems and internal controls. Performance information should also be complete, meaning it provides appropriate coverage to inform decisions and, importantly, covers both positive and negative results.

Outlook. When making investment choices, providers of financial capital assess, among other things, an organization's prospects and resilience. This assessment benefits from the organization's own expectations for the future – particularly those of senior management and the governing body. An outlook discussion addresses potential challenges and uncertainties and their possible implications for the organization's business model, strategy and future performance.

> 💡 **Tip**
>
> When evaluating the utility of future-oriented information, consider the following attributes:
>
> 1. Consistency with the assumptions used to manage the business
>
> 2. Credibility of external sources of forecasts and projections
>
> 3. Authenticity and validity of future-oriented statements
>
> 4. Level of precision.

5.3 Refine content through systematic review

The <IR> Framework's seven Guiding Principles inform the content and presentation of an integrated report. There's a natural tension between certain Guiding Principles, most notably those of **completeness** and **conciseness**. In such cases, judgement is needed to optimize their application.

✓ **Reality check**

Integrated reports don't just **supply** information; they also **synthesize** that information. They unite various parts to provide a cohesive whole and they demonstrate cause and effect. Rather than simply list facts, they explain connections and present implications. When addressing governance, integrated reports go beyond the traditional disclosures to show, for example, how incentive structures promote integrated thinking and how board composition and mindset support innovation.

Strategic focus and future orientation

An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term and to its use of and effects on the capitals. `3.3`

✓ **Reality check**

At first glance, some presume that paragraph 3.3 of the <IR> Framework calls for the disclosure of hard-and-fast forecasts and confidential plans. However, this is not the case. Integrated reporting prompts organizations to discuss their operating environment, including risks, opportunities and anticipated trends. Such discussions inform investor assessments of business resilience and quality of management. So, while detailed plans, budgets and forecasts can be disclosed, this is not the intent.

💡 **Tip**

To apply the Guiding Principle on **strategic focus and future orientation**, consider the following:

1. Does our strategy reflect key risks/opportunities?

2. Does our strategy maximize positive outcomes and avoid or minimize negative outcomes?

3. Does recent performance support our strategy?

4. Does our strategy suit the year ahead? Does our answer change if we look five or ten years ahead?

Connectivity of information

An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time. `3.6`

The Content Elements are fundamentally linked and should be presented in a way that makes their connections clear. When providing non-financial indicators, for example, it's important to explain their relevance to future value creation. Citing the number of new patents in isolation, for instance, tells only half of the story. But linking this data to related product, service or process innovations offers useful insight.

Finally, design features such as navigational tools, colour coding and hyperlinks can further illuminate the relationship between the report's topics or sections.

🔗 **Making the connection**

Connectivity is achieved by linking content, time frames, forms of information and other communications.

Content Elements + Capitals

Past, present and future + Short, medium and long term

Connectivity Toolkit

Qualitative and quantitative information + Financial and non-financial

Internal and external reporting + Other sources

Stakeholder relationships

An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests. `3.10`

✔ Reality check `3.11`

The integrated report does not intend to meet the information needs of **all** stakeholders. Given this context, the aim of routine stakeholder engagement is to understand and respond to the legitimate needs and interests of others, recognizing that this also affects the organization's own prospects. Remember, value is not created in isolation.

Materiality

An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term. `3.17`

In reviewing the continued relevance of draft material, the integrated reporting team should consult Step 3.2, which provides guidance on identifying material matters and determining the nature and extent of related disclosures.

In its presentation of material matters, the integrated report should avoid boilerplate disclosures in favour of content that reflects its unique circumstances and provides insight into its ability to create value over various time horizons.

Conciseness

An integrated report should be concise. `3.36`

💡 Tip

When reviewing draft content, look for opportunities to apply the Guiding Principle on **conciseness** by considering the following:

1. Have we focused our content on the material matters per **Section 3D** of the <IR> Framework and Step 3.2 of this Guide?

2. Are some disclosures communicated more easily and concisely through diagrams, tables and infographics?

3. Have we presented information in a simple, jargon-free way?

4. Can we reduce repetition by using a more logical report structure and cross-referencing?

5. Is our more detailed and static information (e.g. corporate policies, list of subsidiaries, contract particulars) better placed on our website with weblinks provided?

Reliability and completeness

An integrated report should include all material matters, both positive and negative, in a balanced way and without material error. `3.39`

The organization should make every effort to ensure disclosures are balanced, complete and free from material error. The integrated reporting team can build on the efforts outlined in Stage 4 of this Guide, including testing the veracity of data collection systems, stakeholder engagement mechanisms and other critical components of management and reporting processes. Attention to a robust internal control programme is also needed; here, internal audit and external assurance providers play a valued role.

Consistency and comparability

The information in an integrated report should be presented:

- On a basis that is consistent over time
- In a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time. `3.54`

Consistent reporting policies should be used from one period to the next, unless changes serve to improve disclosure quality. Looking beyond internal consistency, the adoption of commonly-accepted quantitative methods and inclusion of benchmark industry data can enable comparisons with others.

Stage 6 – Improving the process

Process optimization and report quality are at the heart of this stage, which draws on the classic concepts of operations management. In concrete terms, the integrated reporting team examines ways to improve information flows, increase efficiency and effectively anticipate and manage problems. Staff on the frontline of report preparation, including those responsible for year-round data collection and analysis, will appreciate the time spent on resolving flawed or overly cumbersome processes.

Preparers of integrated reports find the benefits of continual improvement go beyond reporting alone to also enhance management and operating decisions. This reinforces the inherent advantages of reporting – integrated or otherwise – in terms of driving improved performance, decisions and behavioural change.

6.1 Design and implement a feedback mechanism

Future integrated reports will benefit from the accurate and timely tracking of challenges faced during the reporting process. So, it's important to take stock of which aspects of the process worked and which did not. Making time for solutions-oriented discussions between the integrated reporting team and other contributors will reveal gaps, duplication and opportunities to improve.

The starting point for improvement is the creation of feedback mechanisms. Actively logging issues during and after the reporting process helps to identify, prioritize and address problems.

When soliciting feedback, the integrated reporting team should, at a minimum, probe **information bottlenecks** (which cause delays elsewhere in the process) and **critical dependencies** (which affect lead times and the sequencing of activities). Contributors to the reporting process should also be asked about significant incremental time and effort spent on gathering, checking and reconciling data. Relatedly, suggestions for improved efficiency should be invited. These measures rightly place staff at the heart of the preparatory process and instil a sense of ownership and pride in the final deliverable.

> 💡 **Tip**
>
> In designing feedback mechanisms (e.g. issue management logs) find a suitable balance between capturing useful input and creating unwieldy systems that discourage participation. Co-develop feedback mechanisms with contributors to ensure they're manageable. Whether using in-house templates or commercial software, ensure feedback mechanisms are readily accommodated into routine work flows.

6.2 Identify challenges and solutions

When designing an entity-specific approach, the organization can draw on established continual improvement models. The name and number of steps included in these models may vary, but they often boil down to a few common themes. Many are familiar with the PDCA (Plan-Do-Check-Act) model[1] and, with this in mind, the following illustrative guidance follows this approach. Step 6.2 features the first half of this multiphase approach.

PDCA model for continual improvement

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[1] Developed by W. Edwards Deming. The PDCA model and its close variants are also referred to as the Shewhart cycle, Deming cycle or PDSA.

05 **Sample roadmap**

Plan

In the **Plan** phase, the integrated reporting team:

- Assesses current reporting against the <IR> Framework's 19 requirements (see Appendix to identify gaps)
- Identifies process challenges and opportunities to improve
- Pinpoints the root causes of identified problems
- Develops corrective or improvement actions and strategies to reduce reporting gaps
- Ensures planned actions are properly resourced
- Sets expectations for success.

Do

In the **Do** phase, the integrated reporting team:

- Tests plans and actions to reduce reporting gaps via small scale trials or walk-throughs
- Monitors results of trials and walk-throughs.

In this step, fact-finding, troubleshooting and problem-solving are the name of the game. A creative approach can alleviate the risk of continual improvement efforts becoming a chore. Some organizations:

- Build cross-functional teams into other, non-reporting projects to reduce operational silos and identify dependencies
- Frame planning or debriefing meeting agendas around the <IR> Framework's Content Elements or six capitals to encourage different perspectives
- Encourage 'town hall' style meetings whereby staff outside of the reporting process highlight content or presentational issues for consideration in the next reporting cycle.

6.3 Monitor progress and embed successes

In this step, the organization first refines its planned improvement activities before applying them fully to normal operations.

Check

In the **Check** phase, the integrated reporting team:

- Compares the results of actions to expectations
- Adjusts actions to address lingering issues.

As always, candid feedback from all participants of the reporting process is welcome to ensure new measures favour simplification, streamlining and improvement over disruption or regression.

Act

In the **Act** phase, the integrated reporting team:

- Applies actions to full-scale processes
- Embeds successful actions into standard operating procedures.

In terms of embedding successes, lessons learned during and after the reporting period are incorporated into the planning cycle for the next integrated report. In this way, the organization's successful reporting strategies become institutional knowledge or 'organizational capital' in the form of tacit knowledge and customized systems, procedures and protocols.

06 **Closing thoughts**

Congratulations on this next step in your integrated reporting journey!

Whether you're learning the basics, seeking motivation, developing an action plan or refining existing processes, you've joined thousands of organizations that apply the principles of integrated reporting.

As you transition to integrated reporting, we hope this Guide helps you on your way. With its tips, insights and observations from seasoned preparers of integrated reports, the Guide supplements the <IR> Framework and adds another resource to your reporting toolkit.

In reviewing the Guide so far, perhaps you've gravitated to certain chapters, stages or steps more than others – this is to be expected. Soon enough, you'll find other parts of the Guide better suit your progression and priorities at hand. Regardless of your current status, it's worth remembering a few points:

- Identifying your own catalyst for integrated reporting is critical to securing top-level support and developing a viable action plan. Chapter 2
- As with any important transition, preparation sets the stage for success. Securing board and management support, assigning appropriate resources, fostering a common understanding across the organization, adopting an inclusive approach and minimizing siloed thinking are crucial first steps. Chapter 3

- Organizations generally select from among five paths to the integrated report. Some introduce the <IR> Framework's principles and content requirements to existing external reports, while others create an entirely new vehicle for the integrated report. Still others favour an intentionally temporary or transitional approach, one that combines existing reports as a stepping stone to full integration. Your organization will tailor an approach to suit its own capacity, time frame expectations and reporting precedent, which is often influenced by jurisdictional requirements. Chapter 4
- When it comes to adopting the <IR> Framework, no two roadmaps are the same. Despite the range of options available, certain stages are pervasive. Their steps and sequences may vary, but <IR> Framework adoption generally involves:
  - Getting organized
  - Establishing a plan
  - Identifying information needs
  - Assessing systems and controls
  - Preparing report content
  - Improving the process. Chapter 5

With these overarching messages in mind, you're in good shape to meaningfully improve your current reporting approach. Onward!

Further resources

International <IR> Framework

<IR> Examples Database

Integrated Thinking & Strategy report: State of play

Integrated Thinking & Strategy report: A virtuous loop

Accelerating Integrated Reporting Assurance in the Public Interest

Value Reporting Foundation FAQs

Appendix – summary of requirements

Using the <IR> Framework

The following paragraphs correspond to the 19 bold italic requirements in the <IR> Framework.

Form of report and relationship with other information

1.12   *An integrated report should be a designated, identifiable communication.*

Application of the <IR> Framework

1.17   *Any communication claiming to be an integrated report and referencing the <IR> Framework should apply all the requirements identified in bold italic type unless:*

- *The unavailability of reliable information or specific legal prohibitions results in an inability to disclose material information*
- *Disclosure of material information would cause significant competitive harm.*

1.18   *In the case of the unavailability of reliable information or specific legal prohibitions, an integrated report should:*

- *Indicate the nature of the information that has been omitted*
- *Explain the reason why it has been omitted*
- *In the case of the unavailability of data, identify the steps being taken to obtain the information and the expected time frame for doing so.*

Responsibility for an integrated report

1.20   *An integrated report should include a statement from those charged with governance that includes:*

- *An acknowledgement of their responsibility to ensure the integrity of the integrated report*
- *Their opinion or conclusion about whether, or the extent to which, the integrated report is presented in accordance with the <IR> Framework.*

Where legal or regulatory requirements preclude a statement of responsibility from those charged with governance, this should be clearly stated.

GUIDING PRINCIPLES

Strategic focus and future orientation

3.3   *An integrated report should provide insight into the organization's strategy, and how that relates to its ability to create value in the short, medium and long term and to its use of and effects on the capitals.*

Connectivity of information

3.3   *An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.*

Stakeholder relationships

3.10   *An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.*

Materiality

3.17   *An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term.*

Conciseness

3.36   *An integrated report should be concise.*

Appendix – summary of requirements

Contents

Reliability and completeness

3.39 *An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.*

Consistency and comparability

3.54 *The information in an integrated report should be presented:*

- *On a basis that is consistent over time*
- *In a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.*

CONTENT ELEMENTS

Organizational overview and external environment

4.4 *An integrated report should answer the question: What does the organization do and what are the circumstances under which it operates?*

Governance

4.8 *An integrated report should answer the question: How does the organization's governance structure support its ability to create value in the short, medium and long term?*

Business model

4.10 *An integrated report should answer the question: What is the organization's business model?*

Risks and opportunities

4.24 *An integrated report should answer the question: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?*

Strategy and resource allocation

4.28 *An integrated report should answer the question: Where does the organization want to go and how does it intend to get there?*

Performance

4.31 *An integrated report should answer the question: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?*

Outlook

4.35 *An integrated report should answer the question: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?*

Basis of preparation and presentation

4.41 *An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?*

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