INTEGRATED REPORTING

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Transition to integrated reporting

A guide to getting started

About this Guide

In January 2021, the International Integrated Reporting Council published a revised International Integrated Reporting Framework, which replaced the original 2013 version. In this Guide, the term Integrated Reporting Framework refers to the International Integrated Reporting Framework (2021).

As a supplement to the Integrated Reporting Framework, this Guide helps report preparers, particularly those who are new to integrated reporting, develop a customised transition plan to integrated reporting also by starting to consider disclosures required by IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. Like the Integrated Reporting Framework, the Guide applies to for-profit companies of any size in the private sector, but can also be applied by public sector and not-for-profit companies. The use of this guide does not result in compliance with IFRS S1 and IFRS S2, but does highlight some key areas of consideration for integrated reporters.

The Guide is intended for those interested in:

- ☑ learning the basics of integrated reporting
- ☑ identifying a company's incentive for adopting integrated reporting
- ☑ preparing for a successful transition to integrated reporting
- ☑ selecting a starting point for the integrated report
- ☑ developing a roadmap for Integrated Reporting Framework adoption.
- ☑ considering how to include disclosures prepared in accordance with IFRS S1 and IFRS S2 in an integrated report

Navigating the Guide

Defining terms

Explains concepts through Integrated Reporting Framework definitions

Tip

Shares tips based on preparer experience

Section [X]

Are references to Integrated Reporting Framework content

X.XX / X.X

For example, 3.11/3.3 are references to corresponding paragraph(s) in the Integrated Reporting Framework

Reality check

Tackles myths, clarifies intent and cites related Integrated Reporting Framework paragraphs

Making the connection

Links Integrated Reporting Framework concepts and requirements as well as IFRS S1 and IFRS S2 disclosure requirements

Chapter [X] | Stage [X] | Step [X]

Are references to Guide content

IFRS Foundation

The IFRS Foundation assumed responsibility for the Integrated Reporting Framework in August 2022 when the Value Reporting Foundation (VRF) was consolidated into the IFRS Foundation.

The IFRS Foundation is a not-for-profit, public interest organisation established to develop high-quality, understandable, enforceable and globally accepted accounting and sustainability disclosure standards.

The standards are developed by two standard-setting boards, the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). The IASB sets IFRS Accounting Standards and the ISSB sets IFRS Sustainability Disclosure Standards.

The IASB and ISSB are jointly responsible for the Integrated Reporting Framework.

How do the Integrated Reporting Framework and the requirements in IFRS S1 and IFRS S2 fit together?

The Framework and the requirements in IFRS S1 and IFRS S2 are complementary tools for investor-focused communications. Together, the Integrated Reporting Framework and these requirements provide a more complete picture of how value is created over time while meeting investor needs for comparable, consistent and reliable information.

The Integrated Reporting Framework provides principles-based guidance for reporting structure and content, whereas IFRS S1 and IFRS S2 also require companies to provide industry-specific disclosures to help investors understand sustainability and climate-related information on risks and opportunities in greater detail.

When used together, the Integrated Reporting Framework drives a holistic view of a company's value creation process, disclosures prepared by applying IFRS S1 and IFRS S2 make the company's sustainability- and climate-related information comparable with other companies' disclosures.

Table of contents

Other resources

For more on integrated reporting and how the Integrated Reporting Framework can be applied, visit our Frequently Asked Questions.

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01 Basics of integrated reporting

Around the world, organisations aspire towards a comparable, verifiable global comprehensive corporate reporting system. In this context, it is important to acknowledge the IFRS Foundation's work towards creating a truly global baseline of sustainability standards - commencing with, but not limited to, climate-related financial disclosures. Many such organisations are transitioning to a more complete, concise and streamlined approach to corporate reporting. Many have adopted the Integrated Reporting 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 organisation 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 organisation'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 organisations create, preserve or erode value.

Applying the Integrated Reporting Framework

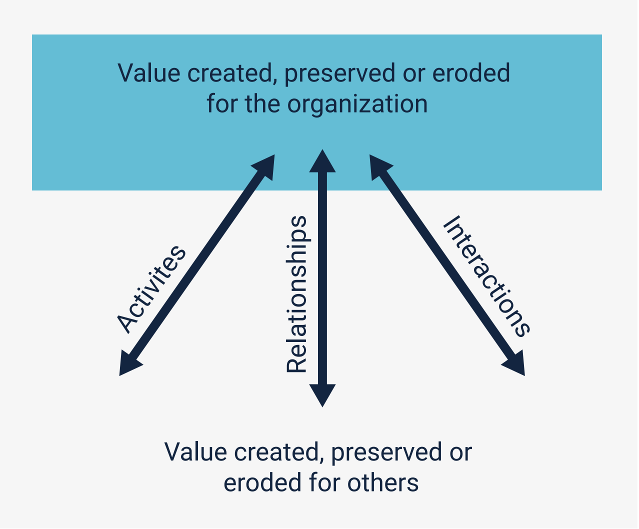
The Integrated Reporting Framework is divided into three parts: Fundamental Concepts, Guiding Principles and Content Elements. These parts effectively provide the why, how and what of integrated reporting.

WHY produce an integrated report

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

01

The value created, preserved or eroded for an organisation (and its providers of financial capital) is inextricably linked to other stakeholders, society and the natural environment. Section 2B, Integrated Reporting Framework; IFRS S1.2



02

To create value, organisations rely on critical resources and relationships, or capitals. The Integrated Reporting 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 organisations.

Through their business activities and outputs, organisations affect the capitals, positively or negatively. Section 2C, Integrated Reporting Framework; IFRS S1.2

03

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

- external environment;
- purpose, mission and/or vision;
- business model;
- governance;
- risks and opportunities;
- strategy and resource allocation plans;
- performance; and
- outlook. Section 2D, Integrated Reporting Framework

All of these are captured in the Integrated Reporting Framework's required **Content Elements**. IFRS S1.2

01 Basics of integrated reporting

HOW to prepare the integrated report

The Integrated Reporting 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 Integrated Reporting Framework sets content expectations through eight **Content Elements**:

- Organisational 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

See 'How to apply the Integrated Reporting Framework with IFRS S1 and IFRS S2: A mapping tool' for an understanding of how the Content Elements in an integrated report can be mapped against IFRS S1 and IFRS S2 Core Contents.

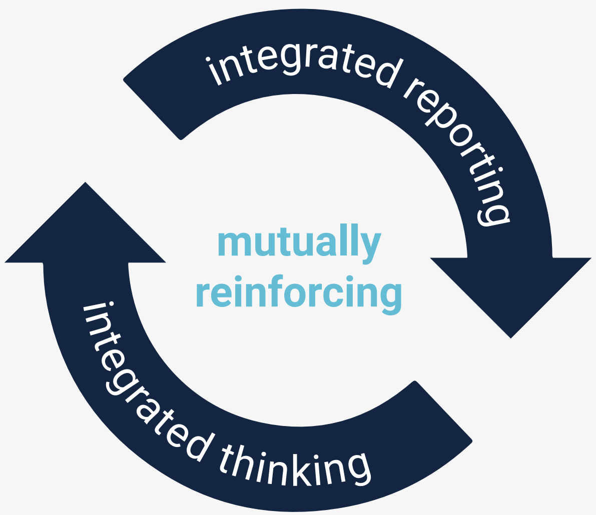
Integrated thinking

Integrated thinking supports integrated reporting, because it encourages connected and holistic communications that are concise and strategically focused. Through the process of developing the integrated report, a company's 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 organisation of the relationships between its various operating and functional units and the capitals that the organisation 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.



02 Identifying the incentive

There is no one 'right' way to make the transition to integrated reporting. In fact, early adopters of the Integrated Reporting 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 adopter had a motivation for change. This Chapter provides a small sampling of these experiences, which span management and reporting considerations.

Managing the organisation

Goal: Form a broader view of value	Goal: Improve strategy development and execution	Goal: Connect functional units
Identify key stakeholder groups based on organisational 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 organisation's long-term success	Develop plans to boost, streamline or cut activities based on their strategic contribution	Establish shared goals to optimise individual and joint contributions
Result: Clearer links between value for the organisation and value for others	Result: Greater alignment between strategy and day-to-day operations	Result: Connected, efficient and engaged teams pursuing a common purpose

Important points. Stakeholder relationships, value creation for the organisation and for others (see IFRS S1.2), reliability and completeness, consistency and comparability.

Important points. Strategic focus and future orientation, strategy and resource allocation (see Strategy and Metrics and Targets in IFRS S1 and IFRS S2).

Important points. Connectivity of information, integrated thinking.

02 Identifying the catalyst

Reporting on the organisation

Goal: Improve the communication of prospects	Goal: Bolster reporting on sustainability matters*
Identify matters that influence the organisation's ability to create value for itself and others	Identify critical reliances and effects on human, social and relationship, and natural capital
Establish how these matters relate to strategy, business model and risk profile	Select proxy measures to track the size and root causes of business model outcomes
Ensure a common view of material matters among the board and executive team	Establish robust data sources, methodologies and processes to collect reliable information
Present material matters cohesively by linking them to the organisation's ability to create value	Link reliances and positive and negative outcomes to the organisation's ability to create value
Result: Clear picture of resilience based on a candid review of risks and opportunities	Result: Data-driven approach to conveying the organisation's link to sustainability

Key points. Value creation for the organisation and for others, business model, strategy and resource allocation, risks and opportunities (see Requirements on Strategy and Risk Management in IFRS S1 and IFRS S2).

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

* Please note that material matters in an integrated report relate to risks and opportunities that could reasonably be expected to affect the entity's ability to create value in the short, medium and long term which is similar to the notion of 'prospects' in IFRS Sustainability Disclosures. In both cases, materiality ultimately refers to information on those matters/risks and opportunities.

03 **Setting the foundation**

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

Secure support from leadership

Establishing a clear commitment for integrated reporting from those who develop and approve the organisation's strategy is essential. 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 Integrated Reporting Framework into practice, their genuine support for its principles will promote wider acceptance and build momentum throughout the organisation.

Tip

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

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.

Appoint appropriate resources

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

Foster understanding throughout the organisation

The concept of integrated reporting is relatively simple. It brings together material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context in which it operates. Integrated reporting clearly and concisely shows how the organisation demonstrates stewardship and how it creates, preserves or erodes value. For some, however, this approach marks a departure from the traditional business mindset and risks to create 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 incentive for adopting integrated reporting, it's vital that an organisation translates this into clear and practical terms for those who prepare the organisation's disclosures. Depending on the organisation's starting point, it might need to evolve some elements of its reporting process. Although many will embrace these changes—challenges and all—others may find them uncomfortable, and may be resistant or sceptical. Raising these concerns and encouraging constructive problem-solving will be conducive to a smoother transition to integrated reporting.

Minimise siloed thinking

In any organisation, distinct business and functional units usually provide distinct contributions. Indeed, there's something to be said for the structure, order and efficiency that discrete units provide. However, company silos risk becoming too entrenched — units might operate in isolation and lose sight of the company's aims. Pursuing goals or activities with little regard for other units or broader company objectives can inhibit the transition to integrated reporting. More crucially, this limited perspective can hamper the company's ability to adopt integrated thinking. It's important for a company to strike an appropriate balance between maintaining distinct and specialised units and ensuring a holistic, company-wide mindset during the transition to integrated reporting.

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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 organisation's commitment to the concept of integrated reporting to a tangible communication: the integrated report.

An organisation'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 organisation's:

- legal status, industry and size;
- suite of existing communications and supporting processes or infrastructure;
- jurisdictional reporting requirements;
- exposure to voluntary reporting initiatives;
- knowledge of their fit with other standards and frameworks; and
- intended time frame to publish the integrated report.

These features vary between companies, meaning that most companies will find it necessary to use a customised approach. And although some favour a defined path, others like a flexible approach, one that better suits their needs. The following pages showcase a range of options for developing an integrated report, with benefits and challenges cited for each.

Notably, options A through C are distinct, non-exhaustive alternatives, rather than sequential steps in a three-point plan.

Of course, a company can chart its own course based on its unique circumstances.

Option A — Apply the Integrated Reporting Framework to an existing investor report

Using this option, the Integrated Reporting Framework is applied to, for example, the annual report, management commentary, management's discussion and analysis, the strategic report or an investor-focussed sustainability report.

Benefits

- Builds on the familiar
- Takes advantage of 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 full 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 B — Publish an integrated report in addition to the annual report or regulatory filing

Using this option, the organisation publishes a separate integrated report as a supplement to the core investor report. In doing so, it provides enhanced insight into the organisation'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 various formats, adding cost and potential confusion.

Option C Combine existing reports as a precursor to integration using the Integrated Reporting Framework

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

Benefits

- Logical first step for some organisations as they migrate from several reports to a primary report that collocates this information
- Drives collaboration among those whose previous focus was specialty reporting
- Provides time to refine reporting systems, to explore materiality by considering a value creation, preservation or erosion and to 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 inaccurately viewing a combined report as equivalent to an integrated report
- Some activities are necessary in all integrated reporting journeys, regardless of the specific path an organisation chooses. These activities include, for example:
- analysing gaps between existing reporting and requirements in the Integrated Reporting Framework, IFRS S1 and IFRS S2
- assessing the breadth and effectiveness of stakeholder engagement processes
- refining process for determining materiality;
- testing the efficacy of data collection systems and information control.

Chapter 5 explores these and other activities in the context of developing your integrated report.

05 **Developing your integrated report**

Chapters 1 and 2 showed that organisations approach integrated reporting in various ways and for various reasons. These variations call for tailored plans that reflect unique contexts and build suitable activities. Notably, regardless the path an organisation chooses, some stages are generally common to all. These are shown on the left side of the sample roadmap in Figure 1.

This sample is applied 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!

Figure 1—Sample roadmap

Stages		Steps	
01	**Getting organised**	**1.1**	Establish responsibility for integrated reporting
		1.2	Form the integrated reporting team
		1.3	Develop a repository of important resources
02	**Establishing a plan**	**2.1**	Make decisions using 'fundamental concepts'
		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 process
		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 process
		6.2	Identify challenges and solutions
		6.3	Monitor progress and embed successes

05 **Developing your integrated report**

Stage 1 – Getting organised

This initial stage deepens the organisation'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 form of reporting a company chooses (see options A to E in Chapter 4).

With this approval or directive in place, some companies choose to appoint someone to lead the integrating reporting initiative. This appointment can send a signal that integrated reporting and integrated thinking are genuine priorities for the company.

Importantly, the organisation will also need to establish lines of responsibility for matters of practical implementation, including content preparation, quality checks, continuous improvement and progress updates. Assigning responsibility ensures that everyone — from planners to contributors to approvers — is clear about the project's structure and oversight.

1.2 Form the integrated reporting team

Integrated reporting draws on **multiple functions** across the organisation – 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 processes or the day-to-day deployment of the business model. Simply put, with integrated reporting come integrated teams.

To support team integration, conventional reporting teams adjust or expand to become more multi-disciplinary in nature. Team selection should consider this 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 coverage of all relevant functions, the team should include representatives from the company'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 IFRS Sustainability Alliance provides an opportunity for those on the integrated reporting journey to connect.

1.3 Develop a repository of important resources

An inventory of related information can help staff get up to speed on the basics of integrated reporting. At a minimum, the repository should include this Guide, the Integrated Reporting Framework and link to the Integrated Reporting Frequently Asked Questions. The repository should expand over time to include entity-specific material and real-world examples.

By this stage, those organising the integrated reporting effort will be familiar with the Integrated Reporting Framework. To ease others into the process, it may be appropriate to direct them to specific sections of the Integrated Reporting Framework, starting with its preface, executive summary and appendix, which summarises the Integrated Reporting Framework's 19 requirements.

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 Make decisions using the 'fundamental concepts'

Step 1.3 referenced the integrated reporting team's understanding of core Integrated Reporting Framework concepts. In this current step, as resource gathering and team development give way to concrete planning, it becomes all the more important for an organisation to consider decisions using the Integrated Reporting Framework's three fundamental concepts.These concepts, upon which integrated reporting was founded, should be carefully reviewed. Team members should be equipped to discuss:

- the ways in which the value created, preserved or eroded for the organisation are linked to the value created, preserved or eroded for others;
- the capitals on which the organisation depends,as well as the capitals it affects over the short, medium or long term; and
- the main components of the process through which value is created, preserved or eroded (see Figure 2 of the Integrated Reporting Framework).

Over time, these discussions will become second nature, yielding more sophisticated expressions of the organisation'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 organisation.

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 organisation's reporting boundary.

Tip

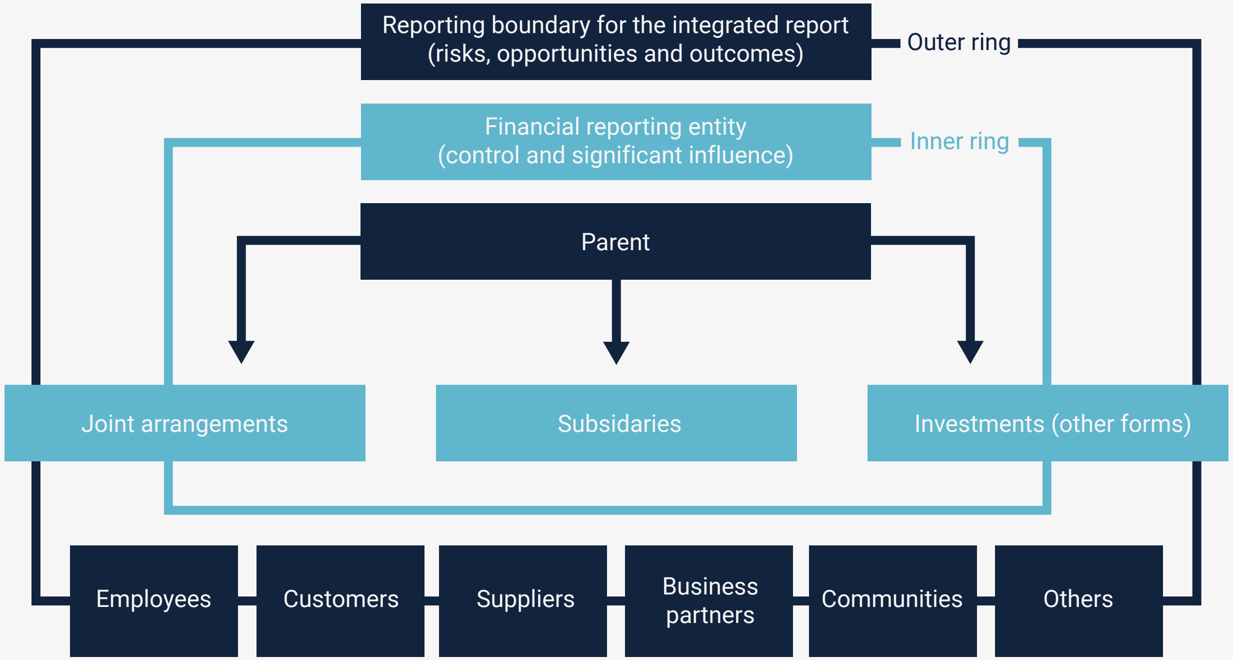
Consider the following questions as you evaluate how your organisation creates, preserves or erodes value.

1. How do we define value? What is our value proposition?
2. Who is at the core of our definition of value: our organisation, 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?

2.2 Identify the reporting boundary

The boundary for financial reporting is based on the concepts of control and significant influence*. These concepts are also central to integrated reporting, as shown in the **inner ring** of Figure 2. After all, it's the financial reporting entity to whom investors allocate their capital. But integrated reporting looks beyond the financial reporting boundary to identify the fuller range of risks, opportunities and outcomes that affect the organisation'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 reporting entity's risks, opportunities or outcomes.

When deciding which stakeholders to include in the integrated reporting boundary, you'll find the considerations presented in Step 2.1 particularly useful.



Making the connection

In establishing the reporting boundary, it's helpful to identify important stakeholders with whom your organisation 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 Integrated Reporting Framework considerations:

- Stakeholder relationships
- Value for the organisation and value for others
- Materiality
- Reporting boundaries
- Completeness

* Applying IFRS Accounting Standards, the reporting entity for the purposes of preparing consolidated financial statements comprises a parent and its subsidiaries. A parent is the entity that has control over another entity (subsidiary).

2.3 Examine existing reporting for gaps

At this point, organisations normally compare their current reporting to the content expectations of the Integrated Reporting Framework, and eventually to the IFRS S1 and IFRS S2 disclosure requirements. This comparison involves reviewing the eight content elements as set out in Chapter 4 of the Integrated Reporting Framework, and the requirements in IFRS S1 and IFRS S2 summarised here. For a detailed understanding on how IFRS S1 and S2 disclosures can help populate the eight content elements of the Integrated Reporting Framework, click here.

Organisational overview and external environment

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

Governance

How does the organisation's governance structure support its ability to create value in the short, medium and long term? (See Governance disclosure requirements in IFRS S1 and IFRS S2)

Business model

What is the organisation's business model? (See Strategy disclosure requirements in IFRS S1 and IFRS S2)

Risks and opportunities

What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them? (See Governance, Strategy, Risk Management, and Metrics and targets disclosure requirements in IFRS S1 and IFRS S2)

Strategy and resource allocation

Where does the organisation want to go and how does it intend to get there? (See Strategy, metrics and targets disclosure requirements in IFRS S1 and IFRS S2)

Performance

To what extent has the organisation 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 organisation 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 organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?

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

An organisation should assess existing information for reliability and completeness. If gaps or anomalies are spotted, then the team should identify root causes (for example, data aggregation using current systems is problematic; supporting evidence is simply unavailable or too costly to obtain).

Reality check

Although this step focuses on identifying **gaps**, organisations 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 organisation relies or has an effect
- present existing content in a more connected and cohesive way
- link disclosures to the organisation's ability to create value over time.

Back Contents Previous Next

Tip

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

By taking stock of this information set, your organisation can: (1) assess how existing information satisfies the content elements and disclosure requirements in IFRS S1 and IFRS S2, (2) identify opportunities to streamline processes and content and (3) ensure consistent messaging in all 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 **Developing your integrated report**

By comparing current reporting to an intended future state, the team can begin to chart its course, drawing on existing content. In this **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 Integrated Reporting Framework paragraphs and the disclosure requirements in IFRS S1 and IFRS S2 Core Contents. Please also note the transitional reliefs in IFRS S1 and IFRS S2)

Year 1 focus
Eight requirements

- Form of report and relationship with other information **(1.12)**
- Materiality **(3.17; Materiality, IFRS S1)**
- Organisational overview and external environment **(4.4; Strategy, IFRS S1 and IFRS S2)**
- Business model **(4.10; Strategy, IFRS S1; Strategy, metrics and targets, IFRS S2)**

Year 2 focus
Six additional requirements

- Governance **(4.8; Governance, IFRS S1; Governance; metrics and targets, IFRS S2)**
- Risks and opportunities **(4.24; Governance; strategy; risk management; metrics and targets, IFRS S1 and IFRS S2)**
- Strategy and resource allocation **(4.28; Strategy; metrics and targets, IFRS S1 and IFRS S2)**
- Performance **(4.31; Strategy; Metrics and targets in IFRS S1 and IFRS S2)**

Year 3 focus
Four additional requirements

- Outlook **(4.35)**

Ongoing requirements (Year 1 onwards):

- Application of the Integrated Reporting Framework **(1.17, 1.18)** →
- Responsibility for the integrated report **(1.20)** →
- Reliability and completeness **(3.39)** →
- Basis of preparation and presentation **(4.41)** →

Ongoing requirements (Year 2 onwards):

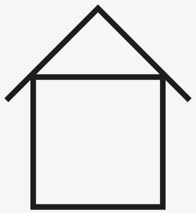
- Stakeholder relationships **(3.10)** →
- Strategic focus and future orientation **(3.3)** →

Ongoing requirements (Year 3 onwards):

- Conciseness **(3.36)** →
- Consistency and comparability **(3.54)** →
- Connectivity of information **(3.6; Connected Information in IFRS S1)** →

Stage 3 – Identifying information needs

Before a company assesses the adequacy of controls and systems (Stage 4) and prepares report content (Stage 5) it develops a solid grasp of its 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 Integrated Reporting 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

A company should use an approach that's consistent with other reporting processes and identify required content, stewards of that content and associated deadlines. The integrated reporting team can then review the Integrated Reporting Framework's content elements — including its related guidance and the disclosure requirements in IFRS S1 and IFRS S2— to identify significant gaps. Fortunately, the team can build on its efforts in Step 2.3. Here, though, the exercise focuses on the details. So, *business model information now becomes information about the business model's four components* (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 Integrated Reporting Framework urges report preparers to focus on factors that affect a company's creation, preservation or erosion of value over time. This focuses on the core issues identified and managed by the company, while limiting the disclosure of unnecessary information.

Defining terms

Material/materiality. A matter is material if it could substantively affect the organisation'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 organisation's ability to create value will also find benefit in the integrated report.

The **scope** of the integrated report – the organisation'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 Integrated Reporting Framework's approach to determining materiality **(Section 3D)**.

Material matters can vary over time as conditions shift. As these material matters change, so too does the content of the integrated report. Accordingly, during each reporting cycle, organisations should revisit previously identified material matters to test their continued relevance and add new material matters as necessary.

Those charged with governance are critical to this effort in terms of validating the company's process for determining materiality and the material matters identified by that process.

In performing this step, the integrated reporting team should consult the Integrated Reporting Framework (**Section 3D**), which presents a four-step process for determining the materiality of information.

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 influential stakeholders; and
   - ☑ may intensify or lead to significant risks or lost opportunities if left unchecked.

   Inherent in the materiality determination process is an understanding of the needs and interests of influential stakeholders, even if the ultimate assessment of material information lies with the company.

   For example, if customers are dissatisfied with the quality of an organisation'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 organisation's strategy, including its response to stakeholders' legitimate needs and interests. It is reasonably likely, therefore, that this information will factor into the process for determining materiality, even if this is not a formal expectation.

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. **Prioritise the matters based on their relative importance**

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

   - ☑ their significance in the context of the organisation's values, commitments and policies; and
   - ☑ the organisation'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 organisation creates, preserves or erodes value over time.

Tip

Views on your organisation'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 organisation 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 organisation's business model, including its main inputs, business activities, outputs and outcomes
3. Identify your organisation'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?

05 **Developing your integrated report**

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 Integrated Reporting Framework;
- ☑ refer to the guidance on quantitative indicators provided in paragraph 5.5 of the Integrated Reporting Framework; and
- ☑ apply the Integrated Reporting 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 information on material matters that the organisation needs to report, the team now turns to how that information is best communicated. Both qualitative information and quantitative information are necessary to convey how value is created, preserved or eroded. These two types of information mutually reinforce each other. More specifically, quantitative indicators provide evidence for trends or assertions, and a basis for comparison. And a concise, connected qualitative 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.

Different forms of information can be complementary in other ways. 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 step, however, the emphasis is on:

- identifying optimal formats for intended content;
- considering implications for data collection; and
- coordinating resources, including internal staff, 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. It is likely that companies already collect much of the information necessary for integrated reporting for financial, operating and sustainability reporting or other purposes. Therefore, companies might be able to adapt existing processes to support integrated reporting. The following three steps offer related considerations and recommendations.

4.1 Review stakeholder engagement processes

Step 2.1 encouraged the integrated reporting team to identify how the value created, preserved or eroded for the organisation 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 important 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 organisation in the long term.

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

During 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, they are not absolutely necessary. Organisations themselves are often best able 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 **organisation** 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 set of information. However, the existing infrastructure might 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. Such weaknesses could mean that the organisation fails 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 reviewing phases. 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, a company should nonetheless report those matters. The integrated report should provide insight via qualitative disclosures.

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 might 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 organisation's reach in terms of measurement; and
- a heavy reliance on narrative to provide context.

Assurance standards for integrated reporting will evolve alongside the reporting practice itself. Furthermore, because of 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.

Many organisations 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.

The integrated reporting team can consider these quality drivers when taking early steps to assess the assurance readiness of information via the 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 Integrated Reporting 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 important responsibilities and activities; and
- 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 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.

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 view 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 organisation's year-round commitment to integrated thinking. Therefore, the organisation already links its operating and functional units to the capitals it uses and affects, it's in the right position to begin the drafting process.

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

A company can do much of the work to prepare the report before year end, starting with six of the Integrated Reporting Framework's eight Content Elements. The integrated reporting team should consult **Section 4A** of the Integrated Reporting Framework, features of which are highlighted in Stage 5.

Organisational overview and external environment. The organisation'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 organisation'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. Therefore, integrated reports 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 organisation from others and contribute to long-term success. Importantly, the organisation'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 organisation 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, prioritise your understanding of paragraphs 2.14 and 4.19 in the Integrated Reporting Framework.

Reality check 2.18 2.19

The Integrated Reporting Framework prompts you to consider and communicate how your organisation 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 organisation, including those related to the continued availability, quality and affordability of core resources and relationships (or capitals), are important 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 take advantage of them.

Strategy and resource allocation. The integrated report outlines strategic objectives, related measures and time frames for achievement. The report also describes strategies deployed to achieve these objectives — and how an organisation accordingly allocates resources.

Tip

No organisation, no matter its size or success, enjoys unlimited resources. With this in mind, governing bodies and management teams must prioritise 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 organisation'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 Integrated Reporting Framework requires a summary of the process for determining materiality, 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 Integrated Reporting 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 the eight content elements, namely organisational 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 available, organisation reviews each of the six areas, and updates them as necessary, 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 reversed rather than simply adjusted.

Although draft content might be adjusted based on the availability of actual results, such adjustment presumes 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. The data can also challenge the validity of earlier materiality assumptions — matters once deemed material could now be immaterial. These scenarios should be treated in accordance with the Integrated Reporting Framework's guiding principles, particularly those on **materiality, reliability and completeness, and consistency and comparability**.

If a now immaterial matter was identified in previous integrated reports, then it's preferable for the company to provide a brief commentary on the matter's de-emphasis or discontinuation in the current report rather than silently removing it. It's appropriate to provide such commentary on any significant change from the prior period and doing so supports reporting consistency year over year.

Normally, the fiscal year-end brings few surprises to well-managed organisations, 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. External 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 organisation has performed over the period relative to its strategic objectives and stated targets. Much of this information will be framed, formally or informally, in terms of effects on the capitals.

An organisation needs to use judgement in assessing whether performance information is reliable enough to be included. Reliable disclosures are balanced and free from material error. In making this assessment, the organisation 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 an organisation's prospects and resilience, among other things. This assessment benefits from the organisation's own expectations for the future — particularly those of senior management and the governing body. An outlook discussion identifies potential challenges and uncertainties and their possible implications for the organisation'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 Integrated Reporting Framework's seven Guiding Principles inform the content and presentation of an integrated report. There's a natural tension between some guiding principles, most notably those of completeness and conciseness. In such cases, an organisation needs to use judgement to apply the principles as effectively as possible.

Reality check

Integrated reports don't just supply information; they also synthesise 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.

1. Strategic focus and future orientation

An integrated report should provide insight into the organisation's strategy, and how it relates to the organisation'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 Integrated Reporting Framework calls for the disclosure of hard-and-fast forecasts and confidential plans. However, this is not the case. Integrated reporting prompts organisations 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 maximise positive outcomes and avoid or minimise 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?

2. Connectivity of information

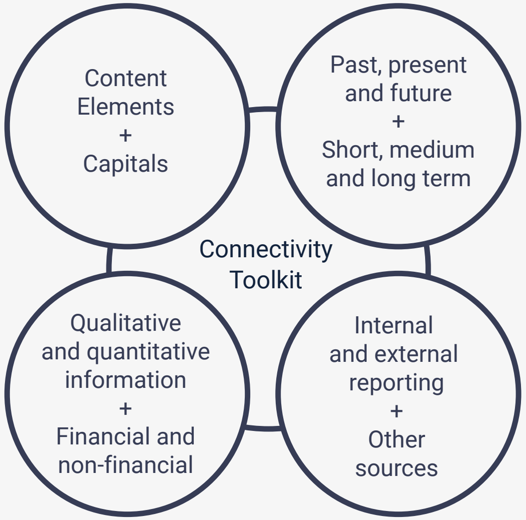
An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time. 3.6

The content elements are fundamentally linked and should be presented in a way that makes their connections clear. When an organisation provides 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 illustrate 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.



3. Stakeholder relationships

An integrated report should provide insight into the nature and quality of the organisation's relationships with its important stakeholders, including how and to what extent the organisation 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, recognising that this also affects the organisation's own prospects. Remember, value is not created in isolation.

4. Materiality

An integrated report should disclose information about matters that substantively affect the organisation'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 the organisation's unique circumstances and provides insight into its ability to create value over various time horizons.

5.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 Integrated Reporting 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?

6. 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 organisation 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 accuracy of data collection systems, stakeholder engagement processes and other critical components of management and reporting processes. An organisation also needs a robust internal control programme; here, internal audit and external assurance providers play a valued role.

7. Consistency and comparability

The information in an integrated report should be presented:

- on a basis that is consistent over time; and
- in a way that enables comparison with other organisations if the information is material to the organisation's own ability to create value over time. 3.54

An organisation should use consistent reporting policies from one period to the next, unless changes improve the quality of its disclosures. Looking beyond internal consistency, the adoption of commonly accepted quantitative methods and inclusion of benchmark industry data can enable comparisons with other organisations.

Stage 6 – Improving the process

This stage draws on the classic concepts of operations management and focuses on improving the reporting process and enhancing report quality. The integrated reporting team examines ways to improve information flows, increase efficiency and effectively anticipate and manage problems. Staff who prepare the report, including those responsible for year-round data collection and analysis, will appreciate the time spent on resolving flawed or excessively cumbersome processes.

Preparers of integrated reports find the benefits of continual improvement go beyond reporting and also enhance management and operating decisions.

Such enhancements reinforce 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 processes. Actively logging issues during and after the reporting process helps to identify, prioritise and resolve 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). The team should ask contributors to the reporting process about significant incremental time and effort spent on gathering, checking and reconciling data. Relatedly, the team should invite suggestions for improved efficiency. These measures rightly place staff at the heart of the preparatory process and instill 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 organisation 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 the following illustrative guidance follows this approach. Step 6.2 features the first half of this multiphase approach.

PDCA model for continual improvement

[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.

Plan

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

- assesses current reporting against the Integrated Reporting Framework's 19 requirements (see Appendix to identify gaps) and eventually, IFRS S1 and IFRS S2;
- identifies process challenges and opportunities to improve;
- specifies the root causes of identified problems;
- develops corrective or improvement actions and strategies to reduce reporting gaps;
- ensures planned actions are properly resourced; and
- 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; and
- monitors results of trials and walk-throughs.

This step focuses on fact-finding, troubleshooting and problem-solving. A creative approach can alleviate the risk of continual improvement efforts becoming a chore. Some organisations:

- build cross-functional teams into other, non-reporting projects to reduce operational silos and identify dependencies;
- frame planning or debriefing meeting agendas around the Integrated Reporting Framework's content elements or six capitals to encourage different perspectives; and
- encourage 'town hall' style meetings in which staff outside of the reporting process highlight content or presentation issues for consideration in the next reporting cycle.

6.3 Monitor progress and embed successes

In this step, the organisation 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; and
- adjusts actions to resolve remaining issues.

As always, candid feedback from all participants in the reporting process is welcome to ensure that new measures simplify, streamline and improve the process rather than disrupt or regress it.

Act

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

- applies actions to full-scale processes; and
- embeds successful actions into standard operating procedures.

In terms of embedding successes, the team includes lessons learned during and after the reporting period in the planning cycle for the next integrated report. In this way, the organisation's successful reporting strategies become institutional knowledge or 'organisational capital' in the form of tacit knowledge and customised 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 organisations that apply the principles of integrated reporting.

As you make the 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 Integrated Reporting 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 your priorities. Regardless of your current status, it's worth remembering a few points:

- identifying your own incentive for adopting integrated reporting is critical to securing leadership's support and developing a viable action plan. Chapter 2
- as with any important transition, preparation sets the foundation for success. Securing board and management support, assigning appropriate resources, fostering a common understanding throughout the organisation, adopting an inclusive approach and minimising siloed thinking are crucial first steps. Chapter 3
- Organisations generally select from among five paths to the integrated report. Some introduce the Integrated Reporting Framework's principles and content requirements to existing external reports, whereas others create an entirely new format for the integrated report. Others favour an intentionally temporary or transitional approach, one that combines existing reports as a stepping stone to full integration. Your organisation 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 Integrated Reporting Framework, no two roadmaps are the same. Despite the range of options available, certain stages are pervasive. Their steps and sequences may vary, but Integrated Reporting Framework adoption generally involves:
- getting organised;
- establishing a plan;
- identifying information needs;
- assessing systems and controls;
- preparing report content; and
- improving the process. Chapter 5

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

Further resources

- Integrated Reporting Framework
- Integrated Reporting FAQs
- How to apply the Integrated Reporting Framework with IFRS S1 and IFRS S2: A mapping tool
- Integrated Thinking & Strategy report: State of play
- Integrated Thinking & Strategy report: A virtuous loop

Appendix – summary of requirements

Using the Integrated Reporting Framework

The following paragraphs correspond to the 19 bold italic requirements in the Integrated Reporting Framework.

Form of report and relationship with other information

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

Application of the Integrated Reporting Framework

1.17 *Any communication claiming to be an integrated report and referencing the Integrated Reporting 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 Integrated Reporting 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 organisation'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 organisation's ability to create value over time.*

Stakeholder relationships

3.10 *An integrated report should provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation 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 organisation'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

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 organisations to the extent it is material to the organisation's own ability to create value over time.*

CONTENT ELEMENTS

Organisational overview and external environment

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

Governance

4.8 *An integrated report should answer the question: How does the organisation'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 organisation'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 organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them?*

Strategy and resource allocation

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

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