

The ACCA logo is a red square with the letters 'ACCA' in white, bold, sans-serif font. The background of the entire page is a close-up photograph of two women's faces in profile, looking at each other. A vertical stream of water falls between them, creating a bokeh effect with light-colored droplets. The overall color palette is soft and teal-toned.

ACCA

**INSIGHTS INTO
INTEGRATED
REPORTING 4.0:
THE STORY SO FAR**

Think Ahead

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INSIGHTS INTO INTEGRATED REPORTING 4.0: THE STORY SO FAR

This report examines the reporting practices of organisations in the International Integrated Reporting Council's Business Network. It looks at the results of reviews done in 2019 and compares with similar reviews done since 2016 to provide a picture of the current state of their integrated reporting and the trends and developments that can be seen over that four year period.

ACKNOWLEDGEMENTS

ACCA would like to thank the IIRC for giving us the opportunity to take part, for the fourth year running, in the <IR> Business Network Report Critique project. We are grateful to the reviewers on the <IR> Specialist Panel (listed in Appendix 2) for their expert input.

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Executive summary

This report summarises the findings from reviews of the reports of 48 members of the International Integrated Reporting Council (IIRC) Business Network carried out in 2019 by ACCA in collaboration with the IIRC.

It is intended to provide a picture of the current state of integrated reporting <IR> and, by comparing that with similar reviews done in the period from 2016, give an idea of how this reporting has developed. In doing so, it hopes to assist in improving the quality of integrated reporting and help those companies that are starting to use the IIRC's <IR> Framework.

The report comes out against a background of increased interest from authorities in improving corporate reporting outside of the financial statements. Integrated reporting should be a key part of that.

Regarding the **characteristics** of the sampled reports over those years, our main conclusions are as follows.

- The prevalence of reports labelled as integrated reports has increased steadily, which may represent a widening recognition of the concept and the <IR> Framework.
- Reports increasingly state that they follow the principles of the <IR> Framework.
- The reports are making more reference to other standards, frameworks or reporting protocols, in addition to the <IR> Framework, which may be complementary to <IR> in providing specific metrics or dealing with particular issues. The Global Reporting Initiative (GRI) is the most frequently referenced. Two reporting systems that have been developed more recently have had an increasing take-up – the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the UN's Sustainable Development Goals (SDGs).
- Against the perceived trend in corporate reporting generally, the integrated reports are becoming shorter or more concise over time.

- The majority of reports now identify their intended audience, which is helpful because it has a major influence over report content. That audience is evenly split between the providers of financial capital and other stakeholders.
- External assurance over the reports, or aspects of them, has become increasingly the norm over the four years.

It is disappointing that the overall **quality of the reporting** based on the average score our reviewers awarded the reports has declined in the period. This indicates that though companies' stated following of the principles is increasing, the quality of that compliance is not. It should be noted, however, that with new businesses participating in the Report Critique project each year, this is not necessarily a like-for-like comparison and the IIRC works with these new businesses to support their integrated reporting journey. The 2020 revision to the <IR> Framework has highlighted areas of the Framework which need clarification and new points of emphasis, which will address some of the areas where businesses are not currently compliant with the <IR> Framework.

The relative rankings of the different requirements of the <IR> Framework, the areas of stronger and weaker performance, have been fairly consistent over the four years.

Stronger areas include:

- the description of the business and its context
- the strategy of the organisation
- the risks and their mitigation.

Less well done have been descriptions of:

- opportunities
- the outlook for the business
- statements of responsibility for the reports.

There is a mixed picture for two of the fundamental aspects of <IR>: value creation over the shorter and longer term, and the multi-capital approach. Both appear to be well reflected in the reports, but <IR> Business Network members have not been good at linking them to their organisations' strategy and performance measures.

Looking at the guiding principles of the <IR> Framework, reports are rated as being more consistent over the period, whereas there is a more mixed picture for connectivity and conciseness.

This report also looks at three **specific topics** and examples of different practice:

- the take-up of the TCFD recommendations, which would seem to be an evolving area
- the disclosure of the boundaries of the integrated reports, which may well go beyond those for the financial statements and may need more consideration from preparers
- the statement of responsibility from the management for the integrated report, which is often not provided in accordance with the Framework.



LOOKING AT THE GUIDING PRINCIPLES OF THE <IR> FRAMEWORK, REPORTS ARE RATED AS BEING MORE CONSISTENT OVER THE PERIOD, WHEREAS THERE IS A MORE MIXED PICTURE FOR CONNECTIVITY AND CONCISENESS.

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1. Introduction

There is growing interest in and, indeed, urgency about, improving reporting by companies among investors and other stakeholders, and therefore by regulators and lawmakers, with climate change a very important factor behind this.

The European Commission sees corporate reporting as an important element of its policy of developing a sustainable economy and is currently revising its Non-Financial Reporting Directive with that objective. Investors, such as BlackRock, have called for better reporting of climate change impacts, long-term strategy and value creation (BlackRock 2019).

Given that the financial statements are a well-established and standardised form of reporting, the greatest perceived gap is in providing consistent non-financial information to give a complete statement of the company's position, performance and prospects. Integrated reporting has a key role as a model for achieving this complete picture.

The adoption of <IR> continues to grow: the IIRC estimate that, to date, 2,000 large businesses have done so. Companies that have adopted it still face challenges in trying to improve their reports and fully implement the model. If implementation is extended as a result of action by regulatory authorities then many more businesses will be looking at examples of how <IR> can be best done and be aware of the aspects that existing adopters have found most challenging.

This report summarises the findings from reviews of the reports of 48 members of the IIRC <IR> Business Network carried out in 2019 by ACCA in collaboration with the IIRC. It is intended to provide a picture of the current state of <IR> and, by comparing that with similar reviews done in the period from 2016, give an idea of how that has been developing. In doing so it hopes to assist in improving the quality of <IR> and help those companies who are starting to use the IIRC's Framework.

Many members of the <IR> Business Network have welcomed feedback on the integrated reports they produce. In this context, ACCA has for the last four years worked alongside the IIRC to co-convene an <IR> Specialist Panel to review the corporate reports of those members who have chosen to take part. (See Appendix 1 for the participating organisations in the <IR> Specialist Panel). The reviews assessed the reports on the basis of how well they complied with the different parts of the <IR> Framework – the fundamental concepts of value creation and the multi-capital approach, the guiding principles and the content elements. The reviewers also collected some information about the characteristics of these reports.

The most recent review was conducted during 2019 and covered reports for accounting periods up to 31 March 2019. These reports included any documents that the companies considered to be part of their integrated reporting package, whatever they were called. The great majority submitted a single report.

This year the review sample covered reports from the 48 organisations at different stages of their <IR> journey. Participating companies received confidential feedback on their reporting. Reviewers indicated where the reporting was strongly aligned with the <IR> Framework, as well as any identified gaps where the achievement of applying guiding principles and providing content elements could be improved, or integrated more effectively.

A large proportion (54%) of reports reviewed this year were issued by European companies, although entities across the rest of the world also participated. Banks and insurance companies continue to be well represented and together they also accounted for 54% of the sample, showing that

the financial sector plays a leading role in advocating <IR>. There is also strong participation from the transport, utilities and extractive sectors. Overall the sample covers a wide range of types of organisations and sectors.

Given that the sample is of members of the Business Network and therefore of companies taking a very active interest in <IR>, and furthermore the strong participation from European and financial services, the review findings cannot be taken as representative of <IR> application among all adopters across the world.

This year's report looks at the findings of the reviews in the light of those from previous years. It is therefore a look back over the last four years to see what trends and developments can be drawn from them (see Appendix 2 for an outline of the content of the previous reports)

We then go on to look in more detail at three aspects of this year's reports.

Firstly, we consider the adoption of the recommendations of the TCFD. This is an area where there has been a significant increase in take-up this year among the <IR> Business Network participants and indeed by companies generally. The recommendations have been attracting support from investors, who need this information, and from regulators.

We also look at the boundaries of integrated reports, which for good reasons may be different from the boundaries of the financial statements, for example.

Our third focus area is the statements that the managements of organisations make about their responsibility for the integrated report, which is an element of the <IR> Framework that we have found, in all our reviews, to be one which is commonly not done very well. It is also an issue which the IIRC is considering in its revision of the Framework, on which it is consulting in 2020.



2. Trends over four years – characteristics of the reports

The make-up of the sample of companies in the 2019 review has been noted above. This was broadly true of the three previous reviews as well. So in the 2016 review, 66% of the sample were European-based companies, compared with 54% in 2019. Financial services was the biggest category in 2016, with 27% of the reports, but the proportion had grown to 54% in 2019. Utilities, services, pharmaceuticals and chemicals and retail were other well-represented sectors. So the limitations to the study noted above apply equally to the three earlier reviews as well as to 2019's. Sectoral composition may be comparable, but the companies involved are not of course the same throughout – though there is a significant common group and 34% of the 2016 companies were also reviewed in 2019.

Integrated reports and <IR> Framework

One of the clearest trends over the four years has been the increasing use of the term 'integrated report' and of a statement that reports have been prepared following the IIRC's <IR> Framework (Table 1).

This is all very encouraging. Using the term 'integrated report' is likely to reflect greater recognition over the period of the term and so of the concept of <IR> in the wider corporate context beyond those companies that are active supporters of the IIRC. In line with this increasing use of the term is a decrease we have observed in the use of less appropriate terms such as 'sustainability' or 'corporate social responsibility' reports, which may have a narrower aim. The great majority of the reports submitted

by these companies are called 'integrated', 'annual' or 'strategic', allowing for a more holistic objective.

The <IR> Framework is a demanding benchmark and the increasing ability to adhere to it indicates the progress of the sample companies along the journey of improvement of their reporting. The persistent gap between the two measures would seem to reflect the use of other terms that are closely aligned to <IR>, such as the 'strategic report' for UK companies or terms corresponding to national legal requirements. There is a high degree of correlation between these two sets of answers.

Other protocols

The <IR> Framework is just that, a framework for holistic reporting of all relevant aspects of the performance of a business for value creation over multiple capitals. It is a voluntary system and so companies will often also naturally refer to compliance with legal or regulatory requirements in their jurisdiction. Other protocols may be complementary to <IR>, for example by specifying the metrics that may measure some of the performance indicators against the different capitals. The IIRC Framework does not specify metrics.

The reviews specifically exclude the financial statements and so we have no information about the standards used, but judging from the countries in which most of the sample are based and given that most are listed entities, the International Financial Reporting Standards (IFRS) are likely to predominate.

TABLE 1: Numbers of reports identifying as 'integrated' and those following the <IR> Framework

	2016	2017	2018	2019
IT IS AN INTEGRATED REPORT	51%	58%	76%	73%
FOLLOWING THE <IR> FRAMEWORK	59%	76%	78%	83%

In the last three years we have gathered information from the reports reviewed about compliance with some of these other protocols (Table 2).

These protocols are not mutually exclusive so compliance with more than one of them is possible and, indeed, reference to compliance with one or more is increasing. Many have observed that there is a proliferation of standards and protocols covering the reporting of non-financial information which may not be a wholly good thing (for example Accountancy Europe (2019) and Barker and Eccles (2018)) They have expressed the desire for a common standard to be agreed to provide, outside the financial statements, the core information that the investors and other stakeholders need and to give greater comparability between, and reliability to, the reports. The report from the Embankment Project for Inclusive Capitalism (EPIC 2018) and the proposals from the International Business Council of the World Economic Forum (WEF 2020) are examples of such indicators. Accountancy Europe's Cogito paper (Accountancy Europe 2019) has promoted the concept. The European Commission (EU 2020) have separately indicated its intention of setting up such a standard setter in Europe.

In this review, the widespread use of GRI G4 guidelines or Sustainability Reporting Standards is very clear among the sample (81% in 2019), indicating the desirability of having standards to use alongside the <IR> Framework.

The increasing reference to the recommendations of the TCFD (in 37% of reports in 2019) is also significant.

We will examine the use of the TCFD's work in more detail later in this report.

The UN SDGs were launched in 2015 and are goals for governments to achieve by 2030 (UN 2015). Though they do not constitute a corporate reporting framework and are not directly targeted at business, clearly the private sector has a huge role in contributing to them. In the last two reviews we have monitored the reference to the SDGs among the <IR> Business Network sample. In the 2018 survey 40% of the companies referred to the SDGs in some way and in 2019 that had doubled to 79%. Most frequently the company mapped its activities to the different SDGs and identified the SDGs most relevant to their business.

Conciseness

One of the complaints often heard about corporate reporting is the increasing length of the annual reports and though often linked to the complexity of the financial statements, the management narrative reports at the 'front end' tend to be the main culprit. The <IR> Framework intended to change this and make reports that are more accessible by keeping them concise and to the point.

Our reviews show that these leading companies are increasingly achieving that aim, albeit using the rather crude measure of the number of pages in the report. The proportion of reports coming in at fewer than 100 pages has been steadily increasing and the longer ones are, in general, decreasing (Table 3).

Conciseness is discussed further below.

TABLE 2: Other protocols followed by the reviewed reports

	2017	2018	2019
SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) STANDARDS	7	2	4
GRI GUIDELINES OR STANDARDS	29	33	39
TCFD RECOMMENDATIONS	5	22	18
UN GLOBAL COMPACT PRINCIPLES	13	9	19

TABLE 3: Extent of reviewed reports

LENGTH OF REPORT	2016	2017	2018	2019
<100 PAGES	40%	49%	53%	57%
>150 PAGES	40%	26%	24%	30%

Audience for an integrated report

Identifying the stakeholders for the reporting entity is a vital step in determining the audience intended for the report and hence its content. Companies should be engaging with stakeholders to assess, among other things, what material issues the report should cover. The <IR> Framework includes the principle of a stakeholder orientation, but states that the primary purpose of an integrated report is to inform providers of financial capital.

In our last three surveys we have looked at whether each report identifies its audience and, in the last two surveys, we considered who such identified audiences are (Table 4).

Clear progress is being made, with steadily increasing references to the intended audiences, albeit that 40% still provide no such information.

Providers of financial capital included several categories, for example shareholders, mainstream investors and investors concerned about environmental, social and governance (ESG) issues. Other stakeholders included employees, governments, customers and others. Reviewers were asked to identify any that applied and some companies reported up to six different categories. The numbers given in Table 4 are just the number of instances a category was mentioned. While an integrated report is likely to be of interest to a range of stakeholders, it seems difficult to see that the specific interests of many disparate groups can be met in one report. Perhaps some greater caution may be needed in this regard and a more realistic approach taken here.

Other stakeholders were identified slightly more often than providers of financial capital. Of the providers of financial capital, shareholders were identified significantly

more often than others. The other stakeholders were widely dispersed among the possible categories. The IIRC is considering whether this primary orientation of the Framework to the providers of financial capital should be changed. This evidence does not conclusively indicate an answer but, in the 2019 results, out of the 29 reports that identified the audience only six were exclusively directed to providers of financial capital.

Assurance

As a voluntary market-led initiative, the <IR> Framework does not currently require any form of assurance. The IIRC has noted that external assurance can enhance the trust in, and credibility of, the report. International Statements on Auditing do, and other audit standards will often, place a duty on auditors to examine other documents that are issued with the financial statements for consistency with them and to report material inconsistency.

External assurance over an integrated report first and foremost should enhance the credibility in the eyes of users by providing an independent assessment of it, but it may well enhance the quality of the reporting by providing management with external scrutiny over compliance with the Framework, which would include the principles of completeness and balance in the reporting.

Assurance can realistically be done only for compliance with a set of expectations in, for example, standards. A clear statement of compliance with the <IR> Framework is going to be a prerequisite. As noted in Table 1 above, 83% of the sample were able to make some statement that the report followed the principles of the Framework. We have noted among the results of the review of the quality of reporting that the statement of responsibility and compliance was the least well done aspect.

TABLE 4: Intended audiences for the reviewed reports

	2017	2018	2019
THE AUDIENCE FOR THE REPORT IS IDENTIFIED	44%	51%	60%
PROVIDERS OF FINANCIAL CAPITAL	n/a	30%	36%
OTHER STAKEHOLDERS	n/a	38%	49%

Market forces may be at work in the increasing proportion of integrated reports observed as having some form of extra assurance beyond the audit (Table 5). This most commonly takes the form of reference to the assurance over the preparation of key performance indicators (KPIs),

or a separate report about the integrated report itself, giving limited assurance over its preparation, in both cases from the auditors of the financial statements. Few have gone as far as a level of reasonable assurance that would be comparable to an audit.

TABLE 5: Percentage of reports that give external assurance for non-audit aspects

	2016	2017	2018	2019
EXTERNAL ASSURANCE BEYOND THE AUDIT	46%	60%	63%	63%



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3. Trends over four years – quality of the reporting

Reviewers were asked to assess how well they rated reports in relation to 30 questions linked to the requirements of the <IR> Framework, by giving scores from 5: fully achieving that objective, to 1: not achieving it at all. The results for the 2019 reviews are given in Appendix 1 as average scores against the different requirements. These are then given their relative ranking and the rankings of previous surveys are provided by way of comparison. It is important to note that the ratings given out of 5 are to some extent subjective. To mitigate that, all the reviews have throughout the period been scrutinised and moderated by another member of the <IR> specialist panel.

The overall scores for the whole sample and across all the 30 issues were on the positive side, that is, a score of more than 3. Over the four-year period, however, the average rating of the quality of the reporting has been on a consistent decline (Table 6).

This is a disappointing result given that <IR> was a relatively new system of reporting at the start – the IIRC Framework was published in its final form in 2013 – and the expectation would be that as companies developed their integrated thinking and gained experience, their reporting would improve.

There may be explanatory factors. The companies being reviewed are not the same throughout (as noted above). It is possible that companies may be more likely to request reviews when they are starting on <IR> than when they are more experienced. Nonetheless, that does not seem to

be the case here, as the 34% of the 2019 sample that were also reviewed in 2016 scored on average about the same as the more recent joiners. Secondly, the scores are to some extent subjective assessments and as time has gone on the reviewers may have developed rising expectations of what constitutes a ‘good’ report. As noted above, the moderation element of the system is designed to guard against that.

More of these companies than previously may be following the principles of <IR> (as noted) but the quality of their compliance with the IIRC Framework seems to be declining or, at best, not improving.

To try to help increase our understanding, we have looked at what aspects of the Framework companies do well, and particularly at the areas that they find more challenging. To facilitate consideration of the results over that period, the analysis of the quality of reporting is based on the relative rankings of different areas rather than the scores (see Appendix 1)

Taking for each year the top 10 and the lowest 10 rankings out of 30, there is significant consistency over the four years in the issues that were identified. Seven of the top 10 recur in all four years as do six of the lowest ranked.

An area of relative strength is the content element of an **organisational overview and external environment**, answering the questions: what does the organisation do and what are the circumstances under which it operates? This, together with describing the business model of the organisation, is the essential starting point for any reader.

TABLE 6: Average quality assessment scores over four years

	2016	2017	2018	2019
OVERALL SCORES (OUT OF 5)	3.47	3.42	3.24	3.16

Insights from the reports into the **strategy** of the organisation are key to understanding its performance and prospects. A guiding principle of the <IR> Framework is that the report should have a strategic focus and future orientation. The <IR> Business Network members, on the whole, provided this and it was an area of relative strength. In addition to the general principle, specific content elements are required that on average were met well. These are answers to the questions ‘where does the organisation want to go?’ and ‘how does it intend to get there?’

This information about strategy and resource allocation, however, was sometimes not linked to the value-creation process over the shorter and longer time frames. The Framework also expects that the strategy should be explained in terms of the flows of the different capitals that are used or affected by their business and so whose continued availability would be needed for the organisation to achieve its strategic objectives. The explanation of the value-creation process and the need for a multi-capital approach are two of the fundamental concepts of <IR> and so need to pervade the reporting if a complete picture of the business is to be presented. The risk otherwise is that the different capitals and values may be reported on separately and the integrated picture, including the various links and dependencies between them, does not emerge.

The report of the 2017 reviews investigated the links of strategy and value creation over the short, medium and longer term and what challenges those preparing the reports had found. Among the issues noted were a focus from management on the short term, even where a business might be investing in long-term projects. Also, strategy and reporting may be handled by different teams in the organisation and that does not aid clear reporting about this. Strategy and value creation will inevitably include matters of commercial sensitivity and of interest to competitors or regulators, but often that can be addressed by talking at the right level of detail. With difficult aspects such as this, some organisations claimed that their reports had evolved and improved by responding to feedback from stakeholders.

Among the good practice ideas suggested were:

- working cross-functionally with strategy and risk management to align reporting with strategy
- defining a purpose or mission statement that is clear and concise and that can form the basis of both strategic planning and integrated reporting
- considering inclusion of a value-added statement up front in the report to explain clearly what the organisation defines as value.

The report of the 2017 reviews also looks at the issue of linking strategy and performance to the capitals.

Most of the concerns raised here from preparers were the problems they had in measuring and quantifying the impact on the different capitals, especially the environmental and social outcomes of their business. At times they struggled to find indicators that really reflected the value-creation process and others lacked practical value. Some preparers therefore discussed the impacts in a qualitative way. Others were ambitious and tried not only to quantify but also to monetise the impacts. Some traced the issue back to the business model in showing how the organisation uses or affects the various capitals. Describing the business model on one page was challenging but presented a way through complexity to the heart of the matter. The description of the business model and the capitals was one that often evolved over time and different versions were produced in trying to improve it.

Good practice ideas in this area included:

- discussing only the capitals that are truly material and relevant to creating business outcomes
- trying to describe with management the business model as concisely as possible
- defining what the value of the different capitals means to the organisation, and although quantification may not always be practical that should not hold back discussion of how value is enhanced or reduced.

Reviewers were also asked to assess how well the two fundamental concepts of value creation and use of different capitals were applied in the report as a whole. On average, the explanations of how the company creates value for itself and how it creates value for others were both highly rated. Also an area of relative strength was that the reports provided information on the different capitals and how they underpin the ability to create that value. So it seems that integrating both value creation and the multi-capitals into strategy may be a specific, though very significant, gap in the application of those concepts

The **business model** is an area that the IIRC is contemplating addressing in any revision of the Framework in 2020. Though over the four years the requirement for describing the business model of the organisation is not in the top 10 areas for improvement, it is one where the quality rating seems to be declining. In 2018 we investigated whether this could be related to the preponderance in the sample of reports provided by financial services companies, which might find explaining their business model more difficult than other companies, but that did not seem to be the case. We have noted

above the problems of describing the business model succinctly and of describing the use or effect on the different capitals.

Our report on the 2018 reviews looked specifically at the reporting of the business model. Preparers interviewed also noted the problem of trying to encapsulate in an understandable and concise way what are sometimes large and complex businesses. Investors and others would not expect that the business model would change radically from one year to the next. But the preparers noted that their presentation in the integrated report had evolved over time and that different approaches were possible. Some looked at the IIRC's 'Examples' database for ideas and inspiration for improving it.

Linked to this is the requirement for the report to answer the question: 'what differentiates the organisation to give it competitive advantage?' On average, <IR> Business Network members were not so forthcoming on this matter. It could perhaps be seen as an issue of commercial confidentiality in some cases.

The Framework expects that the report should record **performance** and progress towards strategic objectives. This achieved average relative scores but that is a little disappointing given that the information about strategic targets and performance must be readily available and would be of particular interest to providers of financial capital and most other stakeholders. Like the strategy itself, however, the performance reporting is not always linked to the effects on the different capitals. Only 36% of the sample provided targets for the identified KPIs in full, 43% only for some and 21% provided no targets for any of their KPIs.

In order to understand strategy, performance and prospects it is crucial that an integrated report assesses the **risks** to which the organisation is exposed. From our reviews over the period this comes out as an area of relative strength in the reports reviewed, identifying the risks that could affect value creation over the shorter and longer term and how the company was mitigating them. Companies have got more accustomed over recent years to discussing risks, not only via the <IR> Framework but also as required by regulation or accounting standards.

On the other hand, some reports were less forthcoming about the **opportunities** that also presented themselves. This seems aligned with the requirements of investors and other providers of financial capital, who often seem more interested in understanding risks than perceived opportunities. In addition, opportunities may have more commercial sensitivity.

This was borne out in the report on the 2018 reviews. As regards opportunities, some of the preparing companies cited both less investor interest in them and commercial competitive concerns. There were also issues about over-promising investors about the potential of opportunities. These companies claimed that readers expected some degree of prudence and restraint and that this aided credibility. Some banks, for example, assessed and reported risk and opportunities together when discussing the different issues the business faced.

Good practice ideas included:

- reviewing reporting by other companies in the same sector to see whether the firm is achieving best practice
- considering viewing risks and opportunities as two sides of the same coin in managing and reporting them.

A final key element of great interest to stakeholders, following on from performance and risks, is management's perception of the **outlook** facing the business and what challenges and uncertainties are likely to arise in pursuing its strategy. This is an area where on average the reports could be improved. Indeed, a reluctance to provide meaningful forward-looking information is not restricted to integrated reports but can be seen in other forms of corporate reporting. It can reflect a natural caution by management or legal or regulatory restrictions.

In the report of the 2018 reviews, this issue was explored with some preparers. In some cases <IR> brought out fundamentally different approaches to reporting in general – should this be simply reporting the past or is the purpose to use the past to assess the future? Most argued that liability concerns for the directors ought not to hold back reporting of prospects. There were concerns about discussing possible actions and thereby being seen to be committed to them. The things that could go wrong have been discussed as risks, but the discussion about the outlook uses more specific terms to assess the likelihood that some of these risks will materialise. Arguably, discussion should avoid any cases where talking about risk situations might heighten their likelihood. Some utilities might find discussing the outlook in their integrated report easier than others, because they have to produce a forward plan for their regulator.

Good practice ideas included:

- considering a disclaimer paragraph in the report to manage expectations
- setting out timescales when discussing outlook – what do 'short term', 'medium term' or 'long term' mean for a given organisation?

Integrated reports should give insight into the nature of an organisation's **relationships with its key stakeholders** and how it responds to their legitimate needs and interests. The reviews of the reports rated this as relatively well done on average. Perhaps harder to understand, therefore, is that the basis of preparation of the report and determining the matters to be included are tackled less well. That assessment should be linked to what the stakeholders need and their interests.

The <IR> Framework requires those charged with governance to give a **statement of their responsibility** for the report and its compliance with the Framework. Throughout the four years this has been the aspect done least well. It is discussed in more detail below.

Considering some of the guiding principles for <IR>, **consistency** of the reporting over time is one area where the reports have shown improving scores and this is now an area of strength. Reviewers looked for performance with comparative figures and a continuity in the reporting of KPIs from one year to another. This is essential for users in identifying trends in performance. In addition, retaining the same performance measures from one year to another helps to give readers a sense that the report has a balance between the reporting of good and bad news and that KPIs that have turned negative have not then been dropped out. Consistency and comparability are both aspects that have shown an improving trend over the period of the reviews.

On average, the reviews did not rate highly the **connectivity** displayed by the reports. Connectivity seems to be an <IR> principle with which some companies struggle. The Framework and some users seem to interpret it as specifically the interconnection between the different capitals and how investment and good performance for one may positively or negatively affect others. Others view it more widely. The Framework states (paragraph 3.6) the objective of connectivity as:

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.

It considers that there should be connectivity in different forms, including between:

- content elements
- the past, present and future
- the six capitals
- financial and other information
- quantitative and qualitative information
- information for management and that reported externally.

So connectivity is a wide-ranging principle, but one that clearly goes to the heart of the concept of integration and so is therefore important in giving readers the holistic picture that is the objective of <IR>.

Preparers who were interviewed on this principle for the report on the 2016 reviews (ACCA 2016) raised issues from their experience. There may be a disconnection between non-financial indicators and financial ones because of time lags between them. In the same way, output measures may be ahead of outcome measures. Others experienced the problems of moving to integrated reports from separate sustainability and financial reports. Certainly, online and digital reporting platforms have the potential to link the integrated report to other reports and provide cross-references between different parts. Technology can get ahead of regulation, which in some cases restricts the formats in which reporting can be done.

Conciseness focuses the reader's attention on the most important aspects of the business by applying the materiality principle and not obscuring the significant information in a mass of less relevant material. Most readers want to have a succinct overall picture of the entity, at least as a starting point. Information on particular aspects and in greater detail could be referenced as linked reports – for example, the full financial statements.

Clearly there is a balance between keeping the report no longer than it need be and ensuring the completeness of the information and its comparability over time or with that of other organisations.

The reviews rated this as a relatively weak aspect. On the other hand, as noted above in Table 3 when we consider the number of pages in the reports, they have been getting smaller over the four years. So the perception that this is a 'weak' area may reflect the rising expectations of the reviewers.

The principle of conciseness and its challenges were discussed with some preparers as part of the report on the 2016 reviews. The problem of increasing demands for information from regulators or different stakeholders were noted. Some did not see fewer pages as the ultimate goal and were prepared to add length if better communication could be achieved. As with the discussion of connectivity above, the ability to link reports together digitally or use more innovative ways of presenting information could be part of the solution for reconciling the pressures for completeness and conciseness. The good practice ideas were along those lines, as well as about applying a robust materiality-determination process to limit what needs to be covered in the integrated report.



4. Particular issues from this year's reviews

Adoption of the TCFD recommendations

Since their publication in 2017, the Recommendations of the TCFD have gained increasing, and fairly rapid, acceptance among companies for their reporting, and support from investors and other stakeholders for their adoption. We have noted an increasing reference to them among the <IR> Business Network reports. Specific references to the recommendations were made in 19% of the reports we reviewed in 2018 and that has doubled to 38% in the current survey. We have indications from other sources and in a similar way with other initiatives that the intention of adopting may arise a year, at least, before the first public reporting takes place.

The TCFD recommendations come in four parts: governance; strategy; risks; and metrics and targets. Other studies of adoption (such as that by the TCFD itself and by the Financial Reporting Lab run by the Financial Reporting Council (FRC)) have shown that the first disclosures are

about strategy, risks and governance. This may be where companies begin and then move on to the metrics and targets (including the impacts of the different climate-change scenarios).

The <IR> Business Network reports reviewed do not entirely conform to this. All four areas of the TCFD recommendations were mentioned in most of the reports. Disclosures of the risks of climate change were the most common, with rather less said about the governance over climate issues or their impact on company strategy. In this survey, however, more closely aligned with these other studies of implementation, the metrics and targets were often of the business's impact on the atmosphere through greenhouse gas emissions and less often of the financial impact of the different climate-change scenarios on the business.

Disclosures under the TCFD scheme have varied.

The TCFD has had a particular focus on financial institutions. **Itau Unibanco**, for example, kept its report concise by explaining to investors and other interested parties the relevant action that the bank had taken, as shown in the following extracts.

A STUDY ON THE IMPACT OF CLIMATE CHANGES IN OUR LOAN PORTFOLIO FOR THE CORPORATION SEGMENT IN THE MEDIUM AND LONG-TERM SCENARIO HAS BEEN CONDUCTED.

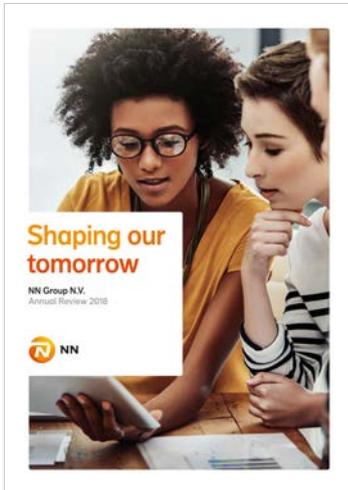
ITAÚ ASSET MANAGEMENT CONSIDERS CLIMATE CHANGES THEMES IN ITS ESG INTEGRATION METHODOLOGY IN THE ANALYSIS OF INVESTMENTS.

WE CONSIDER CLIMATE CHANGES IN THE PRICING OF OUR INSURANCE PRODUCTS (CORPORATE).

A STUDY FOR IDENTIFICATION OF BUSINESS RISKS AND OPPORTUNITIES VIS-À-VIS CHANGED IN THE CLIMATE GLOBAL STANDARDS, WITH PROJECTIONS FOR TEN YEARS, HAS BEEN CONDUCTED.

(See the Itau Unibanco Integrated Report 2018: 60)





Another such institution is the Dutch insurer **NN Group**. It devotes three pages to discussing its response to the TCFD's report. This covers all four areas of the recommendations. The report identifies the transition risks as the economy evolves in response to climate change. NN sees the principal risk here in relation to its investments, and this therefore needs to be reflected in its risk management strategy.

AT NN IP, ASSESSING THE MATERIALITY OF ESG FACTORS, SUCH AS CLIMATE CHANGE, IS AN INTEGRAL PART OF THE INVESTMENT PROCESS, WHERE THE ANALYSTS IDENTIFY MATERIAL RISKS AND OPPORTUNITIES WITHIN THE INVESTMENT CASE. IN SO DOING, THEY MAKE USE OF INFORMATION FROM ESG RESEARCH PROVIDERS, INCLUDING SUSTAINALYTICS, MSCI, BLOOMBERG AND ISS-ETHIX CLIMATE SOLUTIONS.

IN ADDITION TO ANALYSING INDIVIDUAL INVESTMENT-LEVEL RISKS, WE PERFORM ANALYSIS AT A PORTFOLIO LEVEL TO ASSESS POTENTIAL CLIMATE RISKS, AND INFORM THE CREATION AND IMPLEMENTATION OF A BROADER CLIMATE CHANGE STRATEGY. AN EXAMPLE BEING THE CALCULATION OF THE CARBON FOOTPRINT OF OUR PROPRIETARY INVESTMENTS.

The physical risks are noted as an issue for NN's property and motor insurance business. The reserves held to cover exceptional weather events linked to climate change are noted as well as the ability of relatively short-term insurance to adjust to reflect such events.



NN also reports the opportunities that it expects from climate change for:

- its investment portfolio
- encouraging improvements in resilience to the physical risks among its insured customers
- enhancing NN's reputation by being seen to be active on climate change issues.

NN has not published its own scenario analysis but has contributed to an industry-wide study from the chief risk officers of insurers in the Netherlands.

(See the NN Group Annual Review 2018: 62–65)

Enel, an electricity generator and distributor based in Italy, has made a clear commitment to the objectives of the Paris Agreement (COP21) and to disclosures under the TCFD recommendations. It reports under all four components.

A vital KPI for Enel is the carbon dioxide (CO₂) emissions per kilowatt hour equivalent (kWh_{eq}) of electricity produced, by which the company is measuring progress towards full decarbonisation by 2050. In its discussion of the governance of its response to climate change, Enel refers to the link between climate change and remuneration incentives:

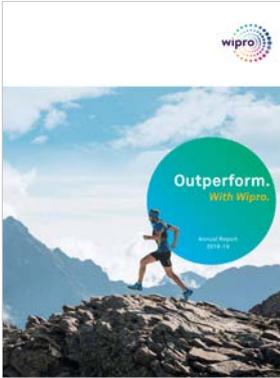
A LONG-TERM VARIABLE COMPONENT THAT, BEGINNING IN 2018, INCLUDES A CLIMATE-RELATED TARGET FOR THE REDUCTION OF CO₂ EMISSIONS PER kWh_{eq} FOR THE ENEL GROUP OVER THE NEXT THREE YEARS, WHICH ACCOUNTS FOR 10% OF TOTAL LONG-TERM VARIABLE REMUNERATION.

Enel also looks at the risks and opportunities and strategic actions of mitigation and adaptation over periods of three years, three to five years and more than five years, driven by possible regulatory changes, financial evolution towards green bonds, or example, and developments in technology shaping both demand and supply. These are linked to parts of Enel's strategy including:

- decarbonisation
- financial
- developing renewable energy
- developing electric mobility
- digitalisation of assets.

(See Enel Annual Report 2018:162–69)





Wipro reports on all four elements of the TCFD recommendations. It sets out its objectives in describing ecological sustainability governance.

SUSTAINABILITY GOVERNANCE AT WIPRO IS FORMED BY OUR STRATEGIC CHOICE TO WORK ACROSS BOTH DIMENSIONS – BUSINESS RESPONSIBILITY AND SOCIAL RESPONSIBILITY. BUSINESS RESPONSIBILITY IS ABOUT ENSURING THAT THE ECOLOGICAL FOOTPRINT OF ITS OPERATIONS IS MINIMIZED AND ABOUT THE ORGANIZATION FULFILLING ITS ESSENTIAL REGULATORY DUTIES, AND RUNNING ITS BUSINESS WITH INTEGRITY. THE SECOND DIMENSION OF SOCIAL RESPONSIBILITY IS ABOUT LOOKING BEYOND THE BOUNDARIES OF [THE] ORGANIZATION AND CONTRIBUTING TOWARDS DEVELOPMENT OF THE LARGER COMMUNITY.



Wipro describes the different roles of the board of directors and other committees and groups. The management approach and policies cover both business responsibility and social responsibility.

The risk assessment from climate change uses the Intergovernmental Panel on Climate Change (IPCC) scenarios through to 2030 and 2050. Wipro has modelled in detail the impact on temperature and rainfall on the different locations of its business in India and other countries round the world. For Wipro, the main impacts of higher temperatures are on energy costs for its premises and on employee productivity. The increased rainfall may or may not help with water supplies in what are already water-stressed areas. Outside India, the main impacts are likely to be business disruption from extreme weather events. These impacts and risks, while identified, are not quantified.

This contrasts with Wipro's disclosures of greenhouse gas (GHG) emissions, where there are Scope 1, 2 and 3 totals reported showing the trend over the last three years and giving targets for the future. Scope 1 covers its direct emissions, which as a computer services company are fairly small. Scope 2 brings in the emissions from those supplying the power for the business. Scope 3 is the largest in absolute terms and includes, as the most significant components, the emissions from the suppliers of goods and services, and emissions from Wipro's own business travel and from their employees' commuting to work.

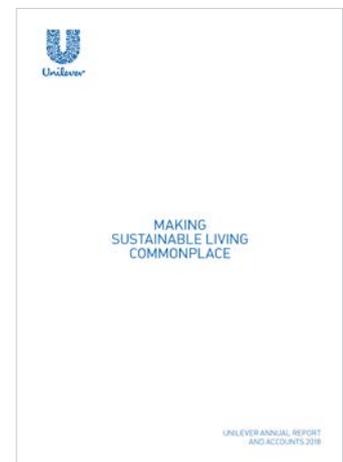
For the different sources of their carbon footprint, Wipro has mitigation measures in place.

(See Wipro Annual Report for 2018/2019: 56–59)

Unilever devotes over four pages of its report to a detailed assessment of climate change. It also discloses the Scope 1, 2 and 3 GHG emissions, which shows that although it is a manufacturing business its Scope 1 and 2 emissions are less than 2% of its Scope 3 emissions (consumer, ingredients, packaging and distribution uses). Targets of halving Scope 3 and reducing Scope 1 and 2 to zero by 2030 are given.

Unilever also goes further than many by including a discussion of the financial impact of two scenarios – 2°C degree and 4°C warming – identifying carbon pricing and deforestation regulation with the first 2°C and water stress, extreme weather and a reduction in GDP growth with the second. Without monetising the impacts, Unilever gives the following assessment.

OUR ANALYSIS SHOWS THAT, WITHOUT ACTION, BOTH SCENARIOS PRESENT FINANCIAL RISKS TO UNILEVER BY 2030, PREDOMINANTLY DUE TO INCREASED COSTS. HOWEVER, WHILE THERE ARE FINANCIAL RISKS WHICH WOULD NEED TO BE MANAGED, WE WOULD NOT HAVE TO MATERIALLY CHANGE OUR BUSINESS MODEL. THE MOST SIGNIFICANT IMPACTS OF BOTH SCENARIOS ARE ON OUR SUPPLY CHAIN WHERE COSTS OF RAW MATERIALS AND PACKAGING RISE, DUE TO CARBON PRICING AND [A] RAPID SHIFT TO SUSTAINABLE AGRICULTURE IN A 2°C SCENARIO AND DUE TO CHRONIC WATER STRESS AND EXTREME WEATHER IN A 4°C SCENARIO. THE IMPACTS ON SALES AND OUR OWN MANUFACTURING OPERATIONS ARE RELATIVELY SMALL.



(See Unilever Annual Report and Accounts 2018: 40–43)

Boundaries of the reporting

From previous reviews we thought that the boundaries of the integrated reports have not always been well reported, and so this year's review included a specific question on this topic.

The <IR> Framework requires that the report should identify which entities have been included within the boundary and how that boundary has been determined. The reviews of this year's report found that this is an area where the relative scores were among the lowest (25th out of 31). In some cases the report did not cover the issue at all – it may be perceived as a rather technical matter or perhaps too obvious to merit inclusion.

Certainly, for some where disclosure was made it is very straightforward and follows the financial reporting boundary for consolidation. So ABN AMRO states: 'Unless otherwise stated, this Review covers ABN AMRO Group N.V. including all businesses and consolidated entities worldwide'.

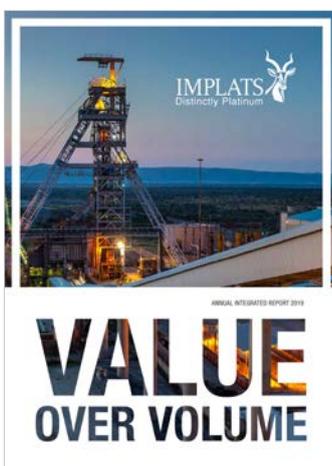
But clarity on the issue of the boundary must be worth achieving because it may not always be as straightforward. An example is the issue of joint arrangements and associates. These are not fully included in the financial statement consolidation, but are only accounted for using the equity accounting method. For example, **IMPLATS** has interests of 50% or less in two other significant platinum producers. It explains that IMPLATS' reporting boundary is based on a materiality determination process and in response to stakeholders' concerns.

ArcelorMittal, on the other hand, excludes joint ventures and associates because of the lack of operational control. It illustrates other complications. When there have been changes in the composition of the group, the financial information was available but the non-financial was not. ArcelorMittal also excludes, 'any sites from our organisational perimeter from the date on which they were idled'.

The scope and boundary of reporting are very significant for the reporting of climate change issues. Reporting sufficiently on the carbon footprint of a business, for example, may well require not being restricted to the footprint of the organisation's own direct GHG emissions but instead looking at its business viewed from end-to-end and as a whole, bringing into account the emissions ranging from those of its supply chain to the effects of its customers' use of the product or service. Wipro and Unilever (see above) have illustrated this with their Scope 1, 2 and 3 disclosures.

The boundary issue may be more complex than at first thought. Not being precise about boundaries when related decisions could have a material effect may undermine trust in the balance and completeness of reporting. The widening of the boundary of the reporting to allow for an overall assessment of the impact of a business would seem to be inherent in a multi-capital approach and therefore necessary for all integrated reports. It may be most developed in relation to the carbon footprint, but should be applicable to the other capitals as well.

There is an inevitable difference here between financial reporting and <IR> and this needs to be borne in mind when common conceptual frameworks are discussed.



ON REQUEST FROM INVESTORS AND ANALYSTS, OPERATING STATISTICS FOR EACH OPERATION HAVE BEEN RE-INCLUDED IN THE OPERATIONAL REPORTS. THIS INFORMATION WAS PREVIOUSLY REMOVED FROM THIS REPORT.

NON-FINANCIAL INFORMATION AFFECTING STAKEHOLDERS AND THE ABILITY OF THE GROUP TO CREATE VALUE OVER TIME IS REPORTED ON IN THIS INTEGRATED ANNUAL REPORT.

B-BBEE REPORTING HAS BEEN INCLUDED IN THE SUSTAINABILITY REPORT.

THE FINANCIAL INFORMATION PRESENTED HERE HAS BEEN PREPARED BY APPLYING IFRS CONSOLIDATION TECHNIQUES TO REPORT ON ASSOCIATES, BUT IN THE OPERATING SECTIONS ASSOCIATES ARE REPORTED AT 100%.

(Impala Platinum Annual Integrated Report 2019: 5)



Responsibility statements

The <IR> Framework in paragraph 1.20 requires that:

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*
- *An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report*
- *Their opinion or conclusion about whether the integrated report is presented in accordance with this Framework.*

As noted above, over the four years that these surveys have been carried out this requirement of the <IR> Framework has been consistently the least well done.

In many cases no responsibility statement of any sort is included and in others the sign off may fall short of meeting all the elements set out above. This requirement is a matter where the IIRC is likely to suggest changes to the <IR> Framework, and has been the subject of its focused engagement and is likely to be included in the main consultation later in 2020.

There are, however, examples of good practice among the <IR> Business Network's reports. The following are extracts from some of the reports reviewed.



Standard Bank Group

STATEMENT OF THE BOARD OF THE STANDARD BANK GROUP LIMITED.

GROUP EXECUTIVE COMMITTEE MEMBERS HAVE APPROVED THE ANNUAL INTEGRATED REPORT'S CONTENT, AND THE GROUP AUDIT COMMITTEE REVIEWED AND RECOMMENDED THE REPORT TO THE BOARD OF DIRECTORS FOR APPROVAL.

THE BOARD ACKNOWLEDGES ITS RESPONSIBILITY TO ENSURE THE INTEGRITY OF THE REPORT AND HAS APPLIED ITS COLLECTIVE MIND TO THE PREPARATION AND PRESENTATION OF THE INTEGRATED REPORT. THE BOARD IS OF THE OPINION THAT THE REPORT IS MATERIALLY PRESENTED IN ACCORDANCE WITH THE [<IR>] FRAMEWORK IN THAT IT ADDRESSES ALL MATERIAL ISSUES THAT HAVE A BEARING ON THE GROUP'S CAPACITY TO CREATE VALUE OVER THE SHORT, MEDIUM AND LONG TERM. THE REPORT WAS UNANIMOUSLY APPROVED BY THE BOARD ON 6 MARCH 2019 AND IS SIGNED ON ITS BEHALF BY...



(Standard Bank Group Annual Integrated Report 2018: 5)



Novo Nordisk

TODAY, THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT APPROVED THE ANNUAL REPORT OF NOVO NORDISK A/S FOR THE YEAR 2019. THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT ARE JOINTLY RESPONSIBLE FOR ENSURING THE INTEGRITY AND QUALITY OF THE REPORT. THE ANNUAL REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK.

(Novo Nordisk Integrated Report 2019: 106)



ING Groep

OUR APPROACH TO INTEGRATED REPORTING

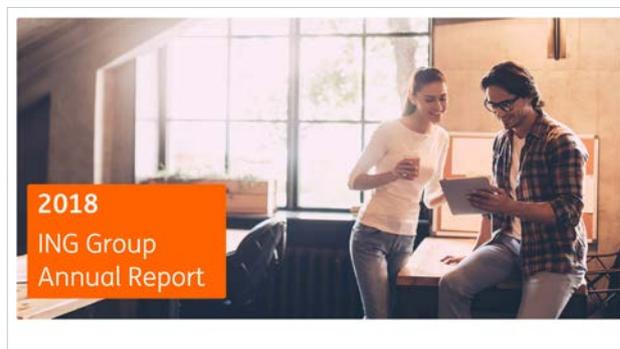
AN INTEGRATED REPORT CONTAINS INFORMATION ON AN ORGANISATION'S ECONOMIC, SOCIAL AND ENVIRONMENTAL PERFORMANCE. BY DISCLOSING OUR FINANCIAL AND NON-FINANCIAL RESULTS, STRATEGY, GOVERNANCE, EXTERNAL DEVELOPMENTS AND THE RISKS AND OPPORTUNITIES WE FACE, WE AIM TO ENABLE OUR STAKEHOLDERS TO ASSESS HOW WE CREATE VALUE IN THE LONG RUN. OUR AMBITION IS TO FURTHER INTEGRATE FINANCIAL AND NON-FINANCIAL INFORMATION IN A CONCISE AND CONNECTED REPORT.

GOVERNANCE AND RESPONSIBILITY

THE CONTENTS OF ING'S INTEGRATED ANNUAL REPORTS ARE COMPILED WITH ACTIVE INPUT FROM BUSINESS EXPERTS, VETTED BY SENIOR MANAGERS, DISCUSSED AND APPROVED ANNUALLY BY MEMBERS OF THE MANAGEMENT BOARD BANKING, EXECUTIVE BOARD AND SUPERVISORY BOARD. THE FINAL APPROVAL IS GIVEN BY THE SUPERVISORY BOARD.

THE FRAMEWORK OF THE INTERNATIONAL INTEGRATED REPORTING COUNCIL (IIRC) SERVED AS A REFERENCE IN DRAWING UP THE CONTENT FOR THIS REPORT, INCLUDING FOR OUR VALUE CREATION MODEL. MOVING TO THE CORE OPTION WILL ALLOW US TO FOCUS ON IMPROVING OUR REPORT INTEGRATION AS PER THE IIRC FRAMEWORK.

(ING Groep Annual Report: 80)



From these examples we can see that these companies are choosing slightly different wording to meet the requirement.

Of these, Standard Bank most closely follows the wording of the <IR> Framework, including a clear statement that the report complies with it. This report includes, in addition, some indication of the governance over the report and specifically takes responsibility for the inclusion of all material issues.

Novo Nordisk also makes a clear statement of compliance with the Framework and again gives some indication of the governance of the preparation of the report.

ING Groep similarly explains the responsibility of different levels of management in approving the content. Its approach refers to the main content of the report and explains the link to value creation. Nonetheless, the statement of compliance with the <IR> Framework is less absolute and other parts indicate that ING considers that it is still moving towards greater compliance.

All the examples here make clear that the reports have been approved by the most senior management of the business.

Why is providing a statement of responsibility a problem area? We can only give some thoughts and observations on this question.

In some jurisdictions, specific responsibility for annual reports, whether integrated or not, may not be an existing legal requirement or expectation.

There may be elements of the wording of the requirements of Paragraph 1.20 that are problematic, for example:

- the term '**collective mind**' is an unusual one and arguably already implicit in the approval of the report by a board
- the phrase '**those charged with governance**' may have raised issues and, as can be seen, some elements of the governance of the preparation of the report have been included as an addition by the example companies above
- there may be a lack of understanding over what '**the integrity of the integrated report**' means – does this refer to its being fully integrated with completeness and connectivity or does it refer to 'integrity' in the sense of 'truthfulness and honesty'?

It may be the particular wording of the statement of compliance with the <IR> Framework which is the problem – as perhaps ING demonstrates. On the other hand, we have noted in Table 1 above that 83% of the reports examined use some form of words to indicate that the report follows the principles of the <IR> Framework.

83% OF THE REPORTS
EXAMINED USE SOME
FORM OF WORDS TO
INDICATE THAT THE REPORT
FOLLOWS THE PRINCIPLES
OF THE <IR> FRAMEWORK.

”



Conclusion

We have noted above the inherent limitations of general conclusions from these reviews. That said, there is some evidence in these reports by <IR> Business Network members over a four-year period, from 2016, of significant progress in certain aspects of integrated reporting particularly in the:

- recognition of the concept and the term and the Framework
- reference to other, often complementary, protocols
- conciseness of the reports
- identification of the intended audience
- external assurance of the reporting
- take-up of the TCFD recommendations.

Nonetheless, the average quality of the reporting judged against its compliance with the <IR> Framework shows a decline or, at best, no sign of progress, although it should be noted that with new businesses participating in the Report Critique project each year, this is not necessarily a like-for-like comparison. Furthermore, the Report Critique project is enabling the IIRC to highlight the key areas for improvement that businesses need to address. The aspects that have been well done and those that have provided more of a challenge have tended to be fairly consistent over the period. Some of the challenges seem capable of being remedied more easily – the responsibility statements or explanation of the basis of preparation, for instance. Perhaps harder, but much more fundamental to better reporting, is setting out a clear explanation that links the strategy and performance measures together, to the value creation over the shorter and longer term and to the different capitals that an organisation may depend on. Reports could also provide better forward-looking information in the form of targets for KPIs and the outlook facing the business.

Appendix 1:

Average ratings from the 2018 <IR> Business Network Report Critique project

For each of the 48 corporate reports reviewed, <IR> Specialist Panel reviewers rated the quality of reporting against each aspect of the <IR> Framework. Ratings were on a scale of 1 to 5, where 1 = does not satisfy the <IR> Framework guidance at all, and 5 = fully satisfies the guidance.

The reports reviewed relate to accounting periods ended up to and including 31 March 2019.

The <IR> Specialist Panel includes reviewers from BDO, Incite, Koan, Greymatter Finch, PETRANIX, LLYC, Universitàdi Bari, Mazars, DKV Seguros, SMS, NBA, Enact, Deloitte, MIB Trieste School of Management, L'OIBR, Malaysian Institute of Accountants, PwC UK, Deakin University, Black Sun, AICL Communications, the IIRC and ACCA.

Some organisations in the sample have not yet reported externally using the <IR> Framework's principles but may be somewhat aligned with it on the basis of their current practices and regulatory requirements. The individual reviews are used to inform companies on progress to date and opportunities for improvement.

The right-hand column below provides the average ratings across the sample of 48 reports for each guiding principle, content element and fundamental concept of the <IR> Framework. Alongside the 2019 average ratings, the relative rankings for 2019 and the previous three years are shown in separate columns.

For each year, the areas where the overall reporting quality is strongest are indicated in green font. The areas where overall reporting quality is weakest are indicated with red font.

In order to provide insights into specific areas of strengths and challenges, some guiding principles, content elements and fundamental concepts were disaggregated in the most recent reviews. Where this is the case, the related 2016 average rating is indicated with an asterisk (*).

It should be noted that the ratings given are subjective in nature and, although the reviews have been moderated by ACCA and the IIRC, judgements vary from one reviewer to another.

FRAMEWORK PARAGRAPH REFERENCE	<IR> FRAMEWORK TEXT	2016 RELATIVE RANK (1 = highest score, 24 = lowest score)	2017 RELATIVE RANK (1 = highest score, 31 = lowest score)	2018 RELATIVE RANK (1 = highest score, 30 = lowest score)	2019 RELATIVE RANK (1 = highest score, 30 = lowest score)	2019 AVERAGE RATING
RESPONSIBILITY FOR AN INTEGRATED REPORT						
1.20	<ul style="list-style-type: none"> An integrated report should include a statement from those charged with governance that includes: <ul style="list-style-type: none"> - an acknowledgement of their responsibility for ensuring the integrity of the integrated report - an acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report - their opinion or conclusion about whether the integrated report is presented in accordance with this Framework 	24	31	30	30	2.5
GUIDING PRINCIPLES						
Strategic focus and future orientation						
3.3	<ul style="list-style-type: none"> An integrated report should provide insight into the organisation's strategy... 	2	5	8	3	3.71
3.3	<ul style="list-style-type: none"> ...and how that relates to its ability to create value in the short, medium and long term... 	18*	22	24	27	3.02
3.3	<ul style="list-style-type: none"> ...and to its use of and effects on the [six] capitals. 	18*	25	27	29	2.88
Connectivity of information						
3.6	<ul style="list-style-type: none"> An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between factors that affect the organisation's ability to create value over time. 	16	18	11	21	3.23
Stakeholder relationships						
3.10	<ul style="list-style-type: none"> 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. 	7	14	6	12	3.46
Materiality						
3.17	<ul style="list-style-type: none"> 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. 	9	25	19	14	3.40
Conciseness						
3.36	<ul style="list-style-type: none"> An integrated report should be concise. 	21	21	14	23	3.21
Reliability and completeness						
3.39	<ul style="list-style-type: none"> An integrated report should include all material matters, both positive and negative, in a balanced way and without material error. 	14	12	19	18	3.33
3.44	<ul style="list-style-type: none"> A balanced integrated report has no bias in the selection or presentation of information. Information in the report is not slanted, weighted, emphasised, de-emphasised, combined, offset or otherwise manipulated to change the probability that it will be received either favourably or unfavourably. 	-	15	-	-	Not separately assessed this year
Consistency and comparability						
3.54	<ul style="list-style-type: none"> The information in an integrated report should be presented on a basis that is consistent over time... 	22	5	7	7	3.60
3.54	<ul style="list-style-type: none"> ...and in a way that enables comparison with other organisations, to the extent that is material to the organisation's own ability to create value over time. 	23	20	10	14	3.40

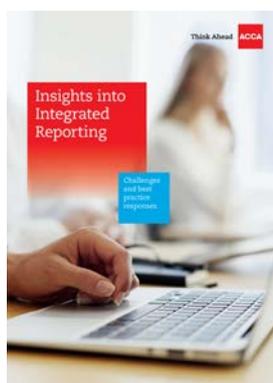
FRAMEWORK PARAGRAPH REFERENCE	<IR> FRAMEWORK TEXT	2016 RELATIVE RANK (1 = highest score, 24 = lowest score)	2017 RELATIVE RANK (1 = highest score, 31 = lowest score)	2018 RELATIVE RANK (1 = highest score, 30 = lowest score)	2019 RELATIVE RANK (1 = highest score, 30 = lowest score)	2019 AVERAGE RATING
CONTENT ELEMENTS						
Organisational overview and external environment						
4.4	• An integrated report should answer the question: What does the organisation do...	1*	1	1	1	4.13
4.4	• ...and what are the circumstances under which it operates?	1*	2	2	2	3.92
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?	14	25	16	9	3.52
Business model						
4.10	• An integrated report should answer the question: What is the organisation's business model?	10	13	19	21	3.23
Risks and opportunities						
4.23	• An integrated report should answer the question: What are the specific risks ... that affect the organisation's ability to create value over the short, medium and long term...?	13*	10	13	8	3.56
4.23	• What are the specific ... opportunities that affect the organisation's ability to create value over the short, medium and long term...?	13*	24	29	26	3.13
4.23	• ... and how is the organisation dealing with them?	12	11	18	13	3.44
Strategy and resource allocation						
4.27	• An integrated report should answer the question: Where does the organisation want to go...?	5*	7	9	4	3.6
4.27	• ...and how does it intend to get there?	5*	15	17	11	3.47
4.29	• What differentiates the organisation to give it competitive advantage and enable it to create value?	8	19	25	19	3.29
Performance						
4.30	• An integrated report should answer the question: To what extent has the organisation achieved its strategic objectives for the period...?	11	15	22	16	3.38
4.30	• ...and what are its outcomes in terms of effects on the capitals?	20	22	23	28	2.94
Outlook						
4.34	• 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?	17	28	26	24	3.19
Basis of preparation and presentation						
4.40	• An integrated report should answer the question: How does the organisation determine what matters to include in the integrated report...?	18*	29	15	19	3.29
4.40	• ...and how are such matters quantified or evaluated?	18*	30	27	25	3.15

FRAMEWORK PARAGRAPH REFERENCE	<IR> FRAMEWORK TEXT	2016 RELATIVE RANK (1 = highest score, 24 = lowest score)	2017 RELATIVE RANK (1 = highest score, 31 = lowest score)	2018 RELATIVE RANK (1 = highest score, 30 = lowest score)	2019 RELATIVE RANK (1 = highest score, 30 = lowest score)	2019 AVERAGE RATING
FUNDAMENTAL CONCEPTS						
Value creation for the organisation and for others						
2.4 – 2.9	• Overall, does the report explain how the organisation creates value for itself...?	3	2	4	5	3.67
2.4 – 2.9	• ...and others?		4	5	6	3.63
The capitals						
2.10 – 2.19	• Overall, does the report provide information on the capitals (ie Financial, Manufactured, Intellectual, Human, Social and Relationship, Natural) that the organisation uses or affects and that underpin its ability to create value?	5	8	3	10	3.48
Value creation process						
2.20 – 2.29	• The value creation process [aligns] with the Content Elements	-	9	12	17	3.36

Appendix 2:

ACCA's Insights into integrated reporting series

Each of these reports examined the reporting practices of organisations in the IIRC's <IR> Business Network. They highlighted the progress made towards integrated reporting observed in the past year, discussed the challenges that preparers face and gave practical recommendations to guide more organisations on the path to integrated reporting. They included good practice ideas and practical approaches based on extracts from reports.



Insights into Integrated Reporting: Challenges and Best Practice Responses

A report of the 2016 reviews and its contents covered:

- Benefits of <IR>
- How well are integrated reporters doing?
- Spotlight on value creation
- Spotlight on five principles
- Connectivity
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability
- Advice for new adopters.



Insights into Integrated Reporting 2.0: Walking the Talk

This was a report of the 2017 reviews and it covered:

- Benefits of integrated reporting
- What progress have integrated reporters made this year?
- Adoption challenges and talking points
- Linking strategy and performance to the capitals
- Tying strategy to value creation over the short, medium and long term
- Outlook
- Basis of preparation
- Materiality through the lens of value creation.



Insights into Integrated Reporting 3.0: The Drive for Authenticity

This was the report on the 2018 reviews and covered:

- Complying with multiple frameworks
- Progress by integrated reports this year
- The drive for authenticity
- Reliability and completeness – balance
- Reporting performance against strategic objectives
- Explaining how organisations are dealing with risks and opportunities
- Reporting on the business model.

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