

INSIGHTS FROM BUSINESS LEADERS

On the benefits of
integrated reporting

October 2021

Introduction

In September and October 2021, KPMG Australia interviewed board members and senior executives of organisations that are considered leaders in adopting integrated reporting in Australia. We specifically discussed how they have embedded 'integrated thinking' within their internal practices and internal business decision making as well as how they have addressed escalating climate and other ESG matters as part of their reporting.

Interviews have been undertaken with the following board and executive team members:

COMPANY	NAME	POSITION
CPA Australia	Merran Kelsall	President & Chairman
	Nicholas Diss	CFO
Intrepid Travel	Darrell Wade	Chairman and Co-Founder
Lendlease	Nicola Wakefield Evans	Independent Non-Executive Director and Chair of Board Sustainability Committee
	Simon Benson	Group Financial Controller
NAB	David Armstrong	Independent Non-Executive Director and Chair of Board Audit Committee and member of the Board Risk & Compliance Committee
	Greg Braddy	Deputy CFO
	Jason Laird	Executive Corporate Affairs
Transurban	Michelle Jablko	CFO
	Jessica O'Brien	GM, Corporate Affairs & Investor Relations

Detailed insights are included in the KPMG report 'Corporate Reporting – COVID-19, climate change and other ESG matters are driving organisations to make changes in business models, governance and decision making, whilst driving enhanced transparency – A review of corporate reporting trends in the year to 30 June 2021 across the ASX200'. This can be found online at [kpmg.com/au/betterbusinessreporting](https://www.kpmg.com/au/betterbusinessreporting).

This document includes the full transcripts of each interview.

CPA Australia

INTERVIEW WITH MERRAN KELSALL, CHAIRMAN AND NICHOLAS DISS, CFO

CPA Australia is one of the world's largest professional accountancy organisations with over 168,000 members. Its aim is to serve its members, promote integrity of the CPA designation, lead the future of the profession and impact policy and be active in advocacy.

WHEN DID YOU ADOPT INTEGRATED REPORTING(<IR>), AND WHY?

(ND) We were involved with the IIRC from the beginning. Our first integrated annual report was in 2013. We saw how <IR> aligned with how the organisation operated, but it really came into its own in 2017 when the members were questioning the value of the organisation. We found that the <IR> framework was the best one to enable us to express clearly how we create sustainable value for members.

TO WHAT EXTENT HAS <IR> ADOPTION DRIVEN MORE INTEGRATED THINKING?

(MK) The board was refreshed in late 2017 and had an immediate priority to regain member trust and put members 'at the heart of everything we do'. We were tasked in recruiting a new CEO and then engaging with our members to craft our new strategy. That meant we had to define and measure success and determine appropriate KPIs that would enable us to oversee management's delivery on those strategic promises to members.

(ND) With a clear understanding of the strategy, management applied Integrated Thinking to align strategic priorities with the business model and risks to deliver on the required 'member-value' outcomes (KPIs). It is key that the Board and management have a common understanding on how the organisation creates value and what is important to stakeholders before it is possible to adopt Integrated Reporting.

(MK) We have been working on breaking down internal barriers and silos, and so on complex projects we are seeing the difference that having cross-collaborative teams makes to the success of the outcomes.

(ND) For example, we brought together a large cross-organisational group working on ESG related matters, from policy advocacy to CPA Australia's own response. This group can provide a holistic view on how CPA Australia is contributing in this space, and what further actions are required.

WHAT HAVE BEEN THE MAJOR RECENT CHANGES TO YOUR REPORTING, AND WHY?

(MK) The key driver has been our focus on continuous improvement, accurate reporting on the Capitals and strong focus on absolute transparency to increase member trust and pride in the CPA designation.

(ND) From a tactical perspective we have had limited assurance on our report since 2019 to enhance its credibility. In 2020, we aligned our strategy and reporting to specific Sustainable Development Goals (SDGs) to make it more real from an ESG reporting perspective.

Our response to the COVID-19 pandemic to support our members, staff and other stakeholders provided us an opportunity to weave in a positive narrative to our reporting in 2020 which will continue in 2021.

WHAT HAS BEEN THE MEMBER FEEDBACK, AND WHAT ARE YOUR CURRENT PRIORITIES?

(MK) The feedback has been positive with respect to our focus on member value and transparency. We do an annual member engagement survey, and the answers give us the KPIs through which we measure strategic outcomes. We also do an annual materiality assessment which includes engagement and feedback from members.

The staff culture and engagement survey is another very important source of feedback.

(ND) We also get other direct feedback from members each year via email or at the AGM, on what matters to them and what else they would like reported, which we factor in.

We found that the <IR> framework was the best one to enable us to express clearly how we create sustainable value for members.



HOW HAVE YOU CHANGED YOUR UNDERLYING BUSINESS PROCESSES TO SUPPORT INTEGRATED THINKING?

(ND) Management developed an annual member engagement survey to check in with members and measure the organisation's success in executing on the Board driven strategy. The survey results together with monthly quantitative KPIs help management track progress and deliver on strategic outcomes.

(MK) The Board uses the strategic KPIs to assess the CEO and his direct reports' progress and performance. We share the KPIs on a regular basis with our Advisory bodies, the Divisional Council and the Council of Presidents. We also share our KPIs, what's important and performance with our staff at regular townhalls and externally including to members through our annual integrated report.

(ND) There has been a Board led initiative to ensure that all papers put up for Board consideration are systematically aligned with strategy and risk objectives before they can be considered. It ensures that the strategic focus is maintained.

(MK) On the investment side, we don't have a formal process to consider the impact of the business case on all our 'six capitals', but through the requirement to align the business case to strategy and risk, it is implied. This is an area for further development.

As a result of our recent challenges we have also been very focussed to date on the 'downside' of risk. However, we are now starting to change our conversation to make sure we don't miss emerging strategic opportunities.

HOW DO YOU ENSURE THE CREDIBILITY AND RELEVANCE OF YOUR INTEGRATED REPORT?

(MK) The Board likes the confidence that independent assurance can bring in assessing the work management is doing to deliver on strategy, as well as in testing the robustness of our systems, processes and reporting. I would like to think it increases members' confidence, trust and pride in the CPA designation.

(ND) Having independent assurance is fundamentally important. It really helps outside of finance where there is less understanding of the assurance process. The independent scrutiny has really helped build capability internally.

WHAT BUSINESS AND MARKET BENEFITS AND CHALLENGES HAVE YOU EXPERIENCED?

(ND) Organisational alignment is better. Everyone is clear on strategy and bought into our member centric priorities. One example at the start of COVID-19 was the move to on-line exams. Although this was a significant challenge, it was the right outcome for members.

Whilst we still have some silos, Integrated Reporting is improving the way we look at challenges and opportunities in a more holistic manner which is the true essence of Integrated Thinking.

(MK) Another example of COVID-19 innovation has been to pivot the annual congress to a virtual global congress. The easy decision would have been to cancel, but strategically that was not in the best interests of our members. The virtual global congress allowed us to engage high profile speakers and so actually attracted many more attendees. We did not specifically consider the impact across all six Capitals, but the decision was put through that kind of Integrated Thinking process.

(ND) The key is to know who your stakeholders are, and what they expect from you. Knowing that really informs your decision making, and then to some extent the Capitals will look after themselves.

(MK) The increases we have seen in member satisfaction from 2017 have been significant across all member segments and geographies. We are also tracking the increase in number of members and the number of associates taking exams to move to full CPA accreditation.

(ND) We have seen significant improvement in our employee culture surveys and engagement is higher. During the pandemic people are making choices based on the flexibility of employers, as much as pay, and CPA Australia embraces flexibility, which is helping us attract and retain high quality people.

(MK) The annual staff survey questions employee culture and engagement. Pre 2018, we had significant challenges with respect to capability, accountability and culture. This has been a huge area of focus and improvement in recent years.

During COVID-19, we have also focussed on staff wellness and member, particularly public practitioner, support. We developed and shared many tools and templates to assist with respect to both business, client and personal challenges.

Our CEO has been active in the media in driving government and other support for business. One strategy aligned KPI relates to positive media, especially around public advocacy, versus negative comments about the organisation.

WHAT ARE YOUR KEY TIPS FOR LEADERS STARTING ON THE <IR> JOURNEY?

(ND) There is a demand for increased transparency and the <IR> Framework supports this, and if you also get assurance over the integrated report, then you tick that transparency box. So, it's important to just start the journey.

The move to <IR> needs broad buy-in and education across all levels of the organisation on what it is and how it will deliver benefits. Most importantly it is critical to understand and agree your business model and how you create value – do this early.

Make changes to metrics and reporting internally first and test them before you release them externally.

Finally, a good first step is to assess your prior year report, benchmark it against the <IR> Framework and identify gaps to improve.

(MK) The move to Integrated Reporting must be driven by the Board and executive team, who then in turn drive it throughout the organisation. For us the aim is to be a 'purpose-led' organisation focussed on serving our members and the public interest.

It is important to have alignment in understanding how you create value for the organisation that is recognised by your members, staff, regulators and other stakeholders.

Intrepid Travel

INTERVIEW WITH **DARRELL WADE**, CHAIRMAN AND CO-FOUNDER

Intrepid Travel is a private company formed 32 years ago by two friends. Intrepid is now globally acknowledged as a leader in responsible travel. It was set up as a for Purpose and Profit business and is now the largest certified travel B Corp business, as well as the first global tour operator with emission targets verified by the Science Based Targets initiative.

HOW HAS INTEGRATED REPORTING DRIVEN INCREASED INTEGRATED THINKING ACROSS THE ORGANISATION?

Initially it was the reporting framework that made sense. It aligned with who we are as an organisation and gave us a good structure for telling that story. Then we used the framework for strategic planning and looking at our business through the lenses of each of our key stakeholders. It is now in our monthly processes with internal reporting aligned to performance across all our 6 capitals, with the same data being shared with the Board, executive and all staff globally. It is a key resource to support Purpose-led strategic alignment across the organisation.

HOW DID INTEGRATED THINKING HELP IN YOUR RESPONSE TO THE COVID-19 PANDEMIC?

The travel sector just stopped, so our initial focus was just getting travellers and staff safely home. Given we had thousands of people in about 80 different countries with borders and flight schedules changing by the hour this was an all-consuming task. We were also facing an existential crisis. Would the pandemic last three weeks, three months or three years? Our balance sheet was strong – but was it strong enough to survive? It was a stressful period, and we knew cash was more important than ever. We had to make some staff redundant, but those impacted staff actually appreciated the support and bore Intrepid no ill-will, in fact we are recruiting again, and some are coming back. We also scaled up our communications with staff through weekly CEO web updates on what we were doing to support all stakeholders, our challenges and successes – really

following an Integrated Thinking approach. Over this period, our staff engagement score has been higher than ever before.

With respect to customers, we got things wrong initially, as explained in our integrated report, with respect to both repatriations and refunds. We fixed that within 4 weeks through a dedicated team and improved communications. Now our customer NPS is higher than it has ever been.

We had two rounds of emergency payments to specific partners and suppliers who were doing it tough. The amounts were not large and at the discretion of local office managers. There were about 200 such payments. In most cases, our teams could only keep in contact and empathise with their local partners and suppliers.

We were thinking about the many communities we impact that depend on the travel industry, especially in developing nations, but providing more support was beyond our financial resources. We did try and raise funds for them through the Intrepid Foundation, but little was raised. We could not galvanise our Intrepid community to help at that difficult time. The reality is everyone was doing it tough and worried about their future security.

Recently, the Foundation has successfully worked with UNICEF Australia in its campaign to raise money to drive vaccine equity for developing nations. Over two-thirds of Intrepid's destinations fall into this category, especially in Africa and South America, and travel to these places will not rebound as we want if their populations stay unvaccinated. They will be deemed unsafe by our customers. We also want our staff and tour leaders to have access to vaccines. So, we are applying Integrated Thinking in driving this initiative, but we also realise the vested self-interest.

We also scaled up our communications with staff through weekly CEO web updates on what we were doing to support all stakeholders...our staff engagement score has been higher than ever before.

WHAT HAS BEEN YOUR STAKEHOLDER FEEDBACK, AND WHAT ARE YOUR CURRENT PRIORITIES?

The integrated report is our leading piece of brand positioning – it is super critical. For example, when we prepared our first report in 2016, I sent it to a New York investment banker who said it spoke volumes to the quality of business we are. He said “a report like that demonstrates serious competency to the investment community. In fact, I’ve completed three travel transactions in the past 6 months and if I had had the quality of information available that Intrepid has shown, I would have achieved a higher sales multiple than I did.”

Last year Genairgy, a private French company (whose founder and CEO is an ongoing shareholder and director in Decathlon, one of the world’s largest sports equipment retailers) was looking for a global travel supplier with good sustainability practices that could be vertically integrated with their existing businesses (i.e., hiking gear and bicycle supplies with walking and cycling holidays). They were looking in Europe and North America but when they saw Intrepid’s integrated report, they approached us. The CEO pursued us because of our Purpose-led and responsible travel approach, as explained in our report, which aligned with their own business values. In the negotiations and their valuation, Genairgy focused on what our business had been in 2019 and what our prospects were post COVID-19. They wanted a long-term partnership. It was perfect, and our integrated report was the door-opener.

More recently, a major global accommodation group has approached us. Their CEO had seen our integrated report and wanted to understand and partner with an organisation that was so well connected with the environment and communities that it impacted. They saw this as a missing piece in their business practices. They also want to connect Intrepid to their loyalty program (100 million customers) as part of this partnership.

In summary, when we talk to someone the first thing we do is send them our integrated report. It clearly outlines our strategy, the logic behind that strategy and how we go about implementing it. It creates a positive feedback loop and builds trust. We started on the Integrated Reporting journey for internal purposes, but it is now a key part of maintaining and building our external relationships.

HOW HAVE YOU CHANGED YOUR UNDERLYING BUSINESS PROCESSES TO SUPPORT INTEGRATED THINKING?

Besides the strategic planning process and internal performance reporting, we are also making changes to introduce equity as part of our long-term reward system. We have used equity to support salary sacrifices in tough times, including at the start of the pandemic, but we see it now as an important part of our strategy to ensure staff continue to apply Integrated Thinking and focus on long term sustainable value creation.

HOW DO YOU ENSURE THE CREDIBILITY AND RELEVANCE OF YOUR INTEGRATED REPORT?

We are currently going through the B Corp re-certification audit, which assesses each of our businesses’ performance as a sustainable operator; and our emission targets have been verified by the Science Based Targets initiative. Our financial auditor reviews our integrated report but only audits the financials. The rest of the report is reviewed at the Board and Executive thoroughly before it is released.

WHAT BUSINESS AND MARKET BENEFITS AND CHALLENGES HAVE YOU EXPERIENCED?

The adoption of Integrated Reporting has benefited Intrepid from the Board down in providing a way to better think things through as well as report transparently around that thinking. Integrated Reporting helps to connect things. Unquestioningly, thinking through an integrated, multi-stakeholder view is the way to go when making business decisions. Especially for the long term which is where our interest lies.

WHAT ARE YOUR KEY TIPS FOR LEADERS STARTING ON THE <IR> JOURNEY?

Firstly, I would say, this is happening so get ready. We are getting standardisation of sustainability practices and more demands for ESG information. More importantly, Integrated Reporting, underpinned by Integrated Thinking, provides a better framework for running your business. It helps you focus on what is important and what will make you a better organisation, with the integrated report providing an understandable narrative to support driving change and enhancing performance.

Finally, I would say that Integrated Reporting can’t be greenwashing – the reports need to be honest and with some verification; but when done well it builds trust and if your staff, customers, suppliers and partners trust you, you can create more impact. We have found that this trust has been well tested during the pandemic and we are back again starting to re-build together with our key stakeholders, who have all remained engaged and loyal.

Lend Lease

INTERVIEW WITH **NICOLA WAKEFIELD EVANS**, NON-EXECUTIVE DIRECTOR AND CHAIR OF THE BOARD SUSTAINABILITY COMMITTEE AND **SIMON BENSON**, GROUP FINANCIAL CONTROLLER

Lendlease is a globally integrated real estate group, listed on the ASX, with core expertise in shaping cities and creating strong and connected communities. Headquartered in Sydney, but focused on select global 'gateway' cities, Lendlease has created award winning urban and lifestyle precincts and living options for many stages of life for more than 60 years.

TO WHAT EXTENT HAS <IR> ADOPTION DRIVEN MORE INTEGRATED THINKING?

(SB) In Lendlease there has always been a focus on health & safety, and sustainability. It is a part of our DNA and core to how we do business. This made the transition to apply Integrated Reporting in 2016 easier. The processes to incorporate Integrated Thinking into our decision making are continually being improved. Consideration of all our health & safety, and sustainability focus areas, as well as the financials, are key in the development of our Group, Regional and Business Unit strategies. Performance in these areas are regularly reported to the Executive and board and included in our capital investment considerations.

Other Integrated Reporting focus areas relating to Customers and People are engrained within our operations and embedded in our broader business reporting. In addition, there is clear alignment to the level of oversight with the way the board committees are set up, for example the Sustainability Committee's focus on health & safety and sustainability.

(NWE) The board has visibility on all aspects of big projects, including sustainability, which it is asked to approve, from the outset. There is the same level of consideration on sustainability in the investment process for a smaller project, like the St George housing project in Redfern, as for a major urban re-development like Barangaroo.

The board does not receive reported metrics for every project, just the major ones, but it does get regular reporting on performance against committed targets.

A tool is in development to enable systemised capture and reporting on each project's performance measures. Performance across all focus areas is still embedded in the global leadership team (GLT) and board monitoring and approval processes.

(SB) The Quarterly Business Reviews provide an overview of progress v strategic initiatives and include all sustainability performance metrics. There is also functional reporting and management assurance to the board sustainability committee.

HOW HAVE YOU CHANGED YOUR UNDERLYING BUSINESS PROCESSES TO SUPPORT INTEGRATED THINKING?

(SB) As a collective we think about the impact of decisions across all focus areas and the related financial and non-financial targets. You will see in the company remuneration report that incentives for the CEO and GLT for 'non-financial' performance metrics are tied to the areas of focus identified in our Integrated Report. These metrics flow down through the business into business unit and individual performance goals through our Human Capital Management systems.

(NWE) The board set the KPIs for the CEO and GLT, and then expect that the non-financial measures are cascaded to the regional leadership team and so on.

It is the reporting back against these measures that gives us assurance that leadership are taking accountability for and delivering on our safety, climate, and other sustainability commitments.

There have been many internal process changes driven by our recent commitment to Mission Zero, our leading work in implementing the TCFD requirements, and our Social Value commitment (\$250m by 2025). We are reporting against and/or complying with many standards and frameworks and it is important to stand back from time to time to make sure the reporting focus is on the right things and meeting stakeholder needs and expectations.

(SB) We do this each year through our External Reporting PCG, the group that is responsible for pulling our market documents and reports together.

WHAT HAVE BEEN THE MAJOR RECENT CHANGES TO YOUR REPORTING AND WHY?

(SB) We look to maintain a balance between the volume and the quality of information that is presented in our integrated annual report. We provide a wealth of data points for our investors, but not all are included in our integrated report. It is important that our investors understand the key areas of value, like our TCFD and climate work, from the integrated report, but know that there is more detailed information on-line or in other reporting, if required.

The integrated reporting lens is applied to other presentations including the CEO's investor pack and other market briefings. These presentations identify where we do well in meeting our ESG and other commitments, where we have had challenges and what we are doing to overcome them.

(NWE) A big change has been our TCFD reporting, and you can see that evolution through the last three integrated reports. We were one of the first ASX listed companies to look at scenarios to enable us to commit to our Mission Zero targets.

In doing this we have really beefed up the board's oversight of operations to satisfy ourselves that these key strategic objectives are being delivered across the group. The board has undertaken virtual site visits and met with large segments of the global workforce to confirm strategic alignment and understand challenges. This is reflected in our reporting where we have refreshed our disclosures about what the board does. We are also meeting with more investors and other key stakeholders to understand their needs and better explain our value creation story.

WHAT HAS BEEN YOUR SHAREHOLDER AND OTHER STAKEHOLDER FEEDBACK?

(NWE) The integrated report is a key part of our communications program. It helps explain how we manage environmental and social priorities across our business, despite the ever-changing external environment. It can be used to counter any specific economic or social activism as it provides a balanced picture. Our reporting explains better how we are addressing diversity & inclusion as well as explaining the work we are doing to drive our RAP¹ commitments.

We have received very good feedback on our overall reporting in particular our sustainability reporting.

HOW ARE YOU ENSURING THE CREDIBILITY AND RELEVANCE OF YOUR EXTENDED EXTERNAL AND INTERNAL REPORTING?

(NWE) This has been a big issue for the board with respect to the Mission Zero and Social Value commitments where we have requested external assurance to ensure we meet the targets with no surprises at the end date.

We also get independent assurance on our environmental and health & safety measures. Where we are not getting external assurance, we have in place a robust and well documented management verification process. Verification and assurance are very important to me in my role as a Director. I like to understand that management is getting that assurance where it is required, and if we are relying on management we have a proper documented verification process and policy that we follow.

(SB) The management verification process is rigorously followed for the integrated annual report. This is critical not only for reporting to shareholders, but also because disclosures in that report are the foundation used globally for marketing collateral and other business purposes. The integrated annual report is the source of truth that we use throughout the business, and the verification process is very robust.

WHAT BUSINESS AND MARKET BENEFITS HAVE YOU EXPERIENCED?

(NWE) Lendlease has benefitted hugely from its move to integrated reporting. We had to change some systems and processes when we introduced it in 2016, but those changes and the underlying thinking has enabled us to easily pivot to address TCFD and establish the carbon and social impact targets.

1 Reconciliation Action Plan

The integrated report allows us to tell Lendlease's story better to our key stakeholders. It is very easy to think we are just a construction company and property developer, without going behind that to understand our purpose and what we do to make the world a better place. Our purpose and focus on sustainability goes back to our founder Dick Dusseldorp and is core to our business.

Integrated reporting has allowed us to manage our business and report on these important matters in quite a rigid framework which is beneficial. It forces you to think about your processes, to think about what's important, and to think about how you tell your story. We have benefitted from preparing an integrated report.

WHAT ARE YOUR KEY TIPS FOR BUSINESS LEADERS WHO ARE YET TO START THEIR CHANGE JOURNEY?

(NWE) Moving to adopt integrated reporting looks hard, as you have to rethink how you report and what to include, however, it is beneficial as you are really doing an audit of your business to enable you to tell your story better. I loved being part of that process as we prepared our first report in 2016. It was an interesting process

and it enabled me to understand the business better as a non-executive director. We had to be so thorough on each element to ensure we conformed with the <IR> principles. It was a beneficial process and since then we have won awards and accolades showing that we do tell our story better. For a modern organisation you have to tell more than just the financials.

(SB) Integrated reporting ties in our story better, and not just externally. It is just as important internally. You can give an employee the report and they will understand our strategy, how we create value and what is important to us as a company.

That process at the beginning in thinking through what was important to the business and how to measure and report on it did crystallise our thinking across the whole business. For me, the integrated report is the 'true north' because you can always go back to the report as a good grounding spot for all decision making.



NAB

INTERVIEW WITH **DAVID ARMSTRONG**, NON-EXECUTIVE DIRECTOR, CHAIR OF THE AUDIT COMMITTEE AND MEMBER OF THE BOARD RISK & COMPLIANCE COMMITTEE, **GREG BRADY**, DEPUTY CFO, AND **JASON LAIRD**, EXECUTIVE CORPORATE AFFAIRS

NAB is a financial services organisation with more than 34,000 colleagues, operating through a network of more than 850 branches, with over 639,000 shareholders and serving approximately nine million customers. The majority of the Group's financial services businesses operate in Australia and New Zealand, with branches located in Asia, the United Kingdom (UK) and the United States (US).

TO WHAT EXTENT HAS <IR> ADOPTION DRIVEN MORE INTEGRATED THINKING?

(GB) NAB was a pilot company from 2011 during the development of the <IR> framework by the IIRC. Since then, there has been a continual maturing in our thinking and the practices we put in place internally. Jason and I sponsor a 'virtual' reporting team, which includes representatives from many parts of the organisation. Although we have not changed reporting lines of the team, we work together across functions in an integrated way as one team.

(JL) The reporting is relatively seamless, with the team working well as a single entity.

(DA) It would be an overreach to say that integrated reporting has driven any change in how we think about strategy, but it has certainly supported how we tell our story better.

(JL) Integrated reporting has helped to narrow the gap between financial and non-financial reporting communities within the bank and how we organise ourselves to prepare the integrated report.

(GB) There has also been an evolution in the types of things that stakeholders focus on, including since the Banking Royal Commission, our impact on the community, our conduct and other ESG matters. The integrated report assists us in telling that more integrated story.

WHAT HAVE BEEN THE MAJOR RECENT CHANGES TO YOUR REPORTING, AND WHY?

(GB) If you think about the recent disasters, the bushfires, floods, drought and COVID-19, our people have been proud of the organisation's response. We are more joined up internally, integrated thinking is mainstream and so this enabled us to quickly develop a cross-business response. Thinking about ESG is just part of doing business, it is mainstream.

(DA) A shift has taken place in what is important to our shareholders. There has been a move from disclosures that reflect the issues of the day, to one where we are applying deeper thinking and responding to ESG matters more broadly. We are not giving weight to the loudest voices, but as we mature in our ESG journey, we are putting more time into considering the impact of the wider gambit of ESG, rather than just the environmental elements. Since the Royal Commission, there has also been an increased focus on governance over and reporting on interactions with our customers.

HOW HAVE YOU DEVELOPED YOUR REPORTS PORTFOLIO, AND WHAT ACTIONS ARE YOU TAKING TO FURTHER IMPROVE IT?

(GB) Our strategy from 2011 was a 'core and more approach'. The core Annual Review was our integrated report and then there were a portfolio of other detailed reports to meet specific requirements. However, more recently our thinking has moved, and we see the clear benefit of having fewer and a more integrated portfolio of reports which we are currently working through.

(DA) The board is supportive of management's proposed change to the reports portfolio, but also realise the practical issues. Currently the reporting process is highly industrialised across the whole portfolio. If the end game of the proposed changes is to get one integrated report out with the results announcement, i.e., within a month of year end, then it's ok for the core finance numbers, but hard for parts of the portfolio such as finalising the remuneration report and associated disclosures. Then there is the ESG data which needs to be captured and considered by management and the board to determine what is reported. This all has to happen in a very short timeframe and has been the reason for delays in the past.

(JL) Traditionally report production has been a mechanical process, but the concept of integrated reporting requires more consideration to better explain what the organisation is and what it stands for. The report is now more meaningful and understandable for our retail shareholders, staff, and the broader community. It is not simply a compliance document. The beauty of an integrated report is that it requires a cross functional effort to determine what we say in a succinct and meaningful way. The reader does not have to wade through a long compliance report.

(DA) A practical consideration is that the draft integrated report cannot just surface at year end, as it will then be too late to make considered changes. There needs to be considerable upfront effort earlier in the year to determine what needs to be reported.

(GB) The audit profession has a role to play in what parts of the report gets audited but going forward there is likely to be more.

(DA) Barclays has a good example where details on the credit provisioning appears in a risk section outside of the audited financial statements. There are changes in determining what is actually reported in the audited accounts and what is not in those accounts that may require audit.

WHAT HAS BEEN THE SHAREHOLDER AND OTHER STAKEHOLDER FEEDBACK, AND WHAT ARE YOUR CURRENT PRIORITIES?

(GB) Investors say that the necessary information is largely there, but because it is spread across several reports they do have to piece aspects together. As noted earlier we are working on this feedback to reduce our reports portfolio. It is giving us a great opportunity to better tell our whole story, aligned to our purpose and strategy, in an integrated way.

We also get feedback on our reporting from a number of interviews and surveys and the feedback is generally good and we are meeting the information needs of our various stakeholders.

HOW HAVE YOU CHANGED YOUR UNDERLYING BUSINESS PROCESSES TO SUPPORT INTEGRATED THINKING?

(GB) We develop the integrated report through various inputs, including stakeholder interviews, to determine material themes, which then flow into the board and management's strategy process. Everything is then considered in a more integrated manner and linked back to the overall purpose of the organisation. That is the top-down process.

What is important from the top-down process feeds through into determination of the group scorecard. With clear priorities from leadership, metrics are developed and used in the group scorecard to demonstrate how the organisation operates in a more integrated way. We can then ensure we are getting the balance right in how we are achieving these strategic outcomes. The measures on the scorecard are then linked to the incentive framework. However, there is still work to do in how development of the report, and the underlying data, can drive more integrated thinking across the organisation.

Our strategy from 2011 was a 'core and more approach'.

(DA) Implicit in the question is the need to change how we think. This has not changed as we are driven by purpose and develop our strategy with a focus on where we want to play. Integrated reporting provides the framework to assist us in telling our story better and the activities required to develop that story.

(GB) The group scorecard covers matters that are the responsibility of all management and staff and forms the basis for individual scorecards from the CEO to the bankers. It is fully aligned to the key strategic priorities. From an underlying process perspective, one area we continually focus on is the underlying risk and control framework. Controls over financial data are strong and over non-financial reporting are improving, but more work is being done. It is much harder to 'reconcile' some of these non-financial disclosures and so it will take time. This will make reporting at year end easier and timelier and should provide improved quality data for management purposes throughout the year.

HOW DO YOU ENSURE THE CREDIBILITY AND RELEVANCE OF YOUR INTEGRATED REPORT?

(DA) We have in place a rigorous process to determine what information to have audited and what information to rely on management controls and sign off. There are various control groups looking at non-financial processes and issues, and any actions we take to have things audited is based on this feedback.

We are not keen on getting third party support to solely carry out agreed upon procedures as the output does not necessarily provide comfort, we prefer to get the internal processes and controls rights. What we have adopted is a hybrid model with our external auditors doing deep dives into specific areas and providing comprehensive assessments, which we find more valuable than a 'tick and tie' approach.

(GB) We have implemented a risk process on specific non-financial information in the report. This process considers matters such as the quality of the source data, prior control issues etc. which helps us determine where to focus independent assurance. We target a deeper level of assurance on specific issues rather than across the whole report.



WHAT BUSINESS AND MARKET BENEFITS AND CHALLENGES HAVE YOU EXPERIENCED?

(JL) One of the biggest challenges, as discussed, is the intensity of delivery at a very busy point in time with results, AGM, and other year-end matters to deal with. It is a period of ramp-up in workload with no increase in the number of people. ESG is an area of increased focus, as the executive and board need to stand behind what is said. We have to be confident in what we say and the level of detail in how we say it. There is an increasing maturity in what we are sharing externally. We know that it will get a lot of attention when it is released, but it does show that we are doing the right things as a business.

(DA) There may be greater clarity in how we tell our story, and more oversight over ESG information, but reporting on non-financial data provides more optionality, which does provide complications. What is written by one person may not align with the thinking in other parts of the business. This is a challenge for the board, which is ultimately responsible, and they need to be taken on journey to understand and respond to these options and that can take time. For example, the board drove increased industrialisation of the year-end financial reporting so that the results could be released much earlier. It took three years to take 10 days out of the year end reporting cycle. Financial reporting is 95% non-judgemental. There is considerably more judgement required to determine what non-financial information to report to support the real information needs of stakeholders. That takes time and deeper understanding of the material matters raised for potential disclosure.

(JL) There is a need for a clear timetable so the board can see and discuss the ESG matters early and make their judgements. Boards and executive do not want to be making these judgements only at year end.

(DA) To that point, there does need to be a process to bring judgemental areas forward for discussion with the board in the annual timetable.

There has been a lot more board ESG education sessions, which are good forums for the board to listen to experts, sometimes with differing views, and explore options and thereby come to a landing on what the next steps should be. These sessions have focussed on specific topics – beyond the E in ESG. It has been a healthy and useful exercise. It has provided input into strategy and our direction and is helping us make more informed decisions.

(GB) Another challenge has been the definition of materiality across various frameworks and how that works at the process level in determining what to report. There is a balance to apply the broader integrated reporting principles but at the same time collate quality data from the underlying processes and controls.

(DA) Recent changes by the IIRC to the <IR> Framework have been helpful, especially with respect to a focus more of the process and controls in place to approve the integrated report, rather than specific mandatory sign offs.

WHAT ARE YOUR KEY TIPS FOR LEADERS STARTING ON THE <IR> JOURNEY?

(JL) Use the adage 'Be, Do, Say' that is explain what the company wants to be, what you need to do to be that company, and what you want to say as a result. The issue is when people miss the first two steps and go straight to the 'say'. It is crucial to getting value from integrated reporting that you get the first two steps right before you report.

(DA) The focus must be on making the report meaningful and true, rather than just doing a new report. The process will mature over time.

(GB) There is no secret sauce, but there has certainly been benefits in having two senior executives from different functions co-sponsoring the program of work, pulling the multi-group 'virtual' reporting team together, setting the expectations, and driving collaboration. This level of executive guidance is critical in how the reporting comes together.

(DA) There is significant effort required for a large organisation as many of the required staff have their year mapped out around current duties (budget, half year, year-end) and know when there are gaps to take holidays. Care needs to be taken in planning the move to adopt integrated reporting to ensure that capacity is made available. It may be advisable to do a dry run, without reducing the reporting portfolio completely in one year.

Transurban

INTERVIEW WITH MICHELLE JABLKO, CFO AND JESSICA O'BRIEN, GENERAL MANAGER, CORPORATE AFFAIRS & INVESTOR RELATIONS

Transurban is one of the world's largest toll road developers and operators. Its business is to get people where they want to go as quickly and safely as possible. They own 21 toll roads in Australia, the United States and Canada. They have 6.7 million customers in Australia, and 3.2 million in North America.

TO WHAT EXTENT HAS <IR> ADOPTION DRIVEN MORE INTEGRATED THINKING?

(MJ) The <IR> Framework aligns with the integrated way we think about the business. At Transurban we present our integrated report in our own way. We focus on how we deliver strategy through our six stakeholder groups. What we report has been developed through listening and responding to these key stakeholder groups.

The use of our six stakeholder groups as a lens for reporting has provided us with a common language internally and externally. It also helps when we think about new opportunities. For example, in determining our response to COVID-19, and looking through the staff and customer lenses, in effect applying integrated thinking, we identified a need which resulted in the toll credit program. Since it was developed and rolled out it has been included in BAU operations as part of our customer hardship program.

Similarly, we looked at how we could support the vaccine roll-out within our 6.7 million customers. We set up a competition offering customers the chance to win an electric vehicle or toll credits. This has not only helped drive vaccinations but is clearly aligned with our strategy to get people moving again and increasing the take up of electric vehicles. Adoption of integrated reporting has enabled us to combine things, it provides an integrated view when we look at our business.

(JOB) We started our <IR> journey in 2017 with 'project listen'. The project involved developing a social licence strategy to be more balanced in our consideration of each of our stakeholders. Initially we had to identify who our stakeholders were and then we undertook a perception study to ascertain where the company was meeting or missing the mark. We then worked across two streams concurrently making the required changes internally based on the feedback and aligning that to what we were saying externally. We did not prepare and issue our first integrated annual report until FY19 because we wanted to be sure that what we were reporting externally was aligned to how we were really working internally. The <IR> framework provides a helpful framework to apply how we think about every decision and its potential impact across our six stakeholder groups, and then how we report it.

(MJ) Another good example was the competitive tender we put forward for the Maryland express lanes project that we recently won. A big factor that helped us win was our holistic approach to the project, looking at the requirements through the eyes of each stakeholder. In particular it was our progressive approach to community engagement that set us apart from our competitors to ultimately be successful. It was what the relevant government department wanted and had been a specific concern for them.

Listening, talking about what we are doing to support all stakeholder and then reporting on it keeps us accountable.

WHAT HAVE BEEN THE MAJOR CHANGES TO YOUR REPORTING AND WHY?

(MJ) Transurban is an early reporter, getting all our reports out on one day in August. We certainly started with stakeholder engagement, but our report is a 'live document'. We have not set up a template that we can 'set and forget'. The framework has really helped us respond to and adapt to change within the company and in our reporting, for example our response to COVID-19.

(JOB) Changes over the last two years have actually been quite minimal. We did so much work up front to get our reporting framework right. Prior to FY19, bringing together the information for the annual financial report was a functional process, as it was for our sustainability report produced by a separate team with a different timeline. We developed our reporting framework through lots of engagement with investors, the primary audience for our integrated annual report, as well as sustainability groups, analysts, and internal stakeholders in the period FY18 to our first report in FY19. It has meant that when we are hit by significant events like COVID-19, we have the framework to assess the impact on our stakeholders, the relevant risks for them and the company and respond accordingly through action and how we report. It also provides structure for us to address market requests to consider and respond, for example to the TCFD Recommendations

There was a huge effort and program of work in year 1 (FY19) and pulling the report together each year is a big job, but it has also provided us with a framework that is dynamic and able to handle change.

(MJ) Although it provides a good structure, it is always important to step back from the report. There is a need to re-look at what is being reported to make sure it is not repetitive and deals with current matters. It must be fit for purpose and a living, breathing document.

WHAT HAS BEEN THE STAKEHOLDER FEEDBACK, AND WHAT ARE YOUR CURRENT PRIORITIES?

(MJ) The feedback we have received from investors who are looking at the longer term is that the report meets their needs. Focussing on the 6 stakeholders in our reporting makes sense in the context of our business. From our partners perspective, it is considered to be a comprehensive report on what our business is and seeks to achieve. Feedback is also really positive from our Directors and employees.

(JOB) Feedback from each stakeholder group has been really positive. They can see that it is not a tick-the-box compliance document, but a report that is sincere in explaining what each part of our business is doing to create value, and how we make decisions every day focussed on our strategy in the context of what is important for our stakeholders. We are authentic. Internally we are a data driven organisation, and this shines through in our report and how we think in this multi-dimensional way to deliver what's best for the company and our stakeholders.

HOW HAVE YOU CHANGED YOUR UNDERLYING BUSINESS PROCESSES TO SUPPORT INTEGRATED THINKING?

(MJ) It was happening anyway; the report is just an output of how we think about the business. We have seen an increase in recent years of executive incentives being based on ESG factors and these factors are being transparently reported on in the remuneration report. This was happening anyway and was not driven specifically by our move to apply the principles of integrated reporting when developing our annual Corporate Report, but the report now does shine a light on the importance of these factors in what we are doing.

(JOB) Although reporting has not led how we do business, moving to adopt the framework brought all those activities and thinking into one report. It helped bring the disparate areas of our business together to consider holistically what is important to manage, measure and report on.

(MJ) If you think about our part in the vaccine roll-out, we did that in an authentic way to our business strategy with a clear intension to support our customers, staff and communities but also linked to our purpose to strengthen communities through transport and our efforts to drive the take up of electric vehicles.

TRANSURBAN REFERENCES MANY SUSTAINABILITY FRAMEWORKS IN THE CORPORATE REPORT, WHO IS THE PRIMARY AUDIENCE?

(MJ) Our primary audience for the report is our investors, but it is clearly important for a wider audience. What is important to those investors is that we are building a sustainable business that is a trusted partner of the communities we serve. That has been a key driver of our business.

(JOB) When we began planning our FY19 report, we went back to first principles to determine the primary and secondary audiences for the Corporate Report. Up until we started that work there was not a good understanding that the sustainability report was largely being produced for investors. And our traditional annual report was speaking to investors.

But when we combined the two reports into our new Corporate Report we wanted it to be accessible to other audiences too. In order to do this, we are not just including information required by investors but also case studies that bring what we are doing to life for a broader audience.

We also think it's important to use and reference the common frameworks like GRI, the <IR> Framework, the SDGs etc to not only clarify our own thinking and look at our business through different lenses, but they are also helpful in enabling our investors and others to compare our reports to others when doing their analysis.

(MJ) It does provide confidence to investors, banks and others looking at the company if they compare us across a common framework to others; however, that is not the complete exercise. We do look beyond the frameworks and report on other matters that we think impact on our business and are important to our stakeholders. For example, the carbon emissions of our customers are not captured in Scope 3, but we are working on how we help reduce those emissions, hence the electric vehicle strategy, which is in addition to the base requirements in any framework.

HOW DO YOU ENSURE THE CREDIBILITY AND RELEVANCE OF YOUR INTEGRATED REPORT?

(JOB) We get external assurance on our GRI and SASB metrics. We get feedback through our listening program on what is material and have received external advice on determining what level of assurance is required. We also have a well-documented management verification process that is applied to all reported content before it is released externally. Every statement is signed off by the responsible executive, attaching appropriate supporting evidence. At this stage our report applies the principles of integrated reporting, so we don't assure the 'integrated report', but that does not mean we will not apply the framework and have the report assured in accordance with the <IR> Framework in future.

WHAT BUSINESS AND MARKET BENEFITS AND CHALLENGES HAVE YOU EXPERIENCED?

(MJ) The main benefit for our providers of financial capital, equity investors, debt providers and banks, is that our integrated Corporate Report gives them lots of confidence in the value we are creating through execution of our strategy. The benefits for both governments and communities, like the Maryland project tender, is that what we say we are doing in our integrated Corporate Report is actually what we are delivering all the time. With respect to our people, the report gives them a lot of pride in the company that they work for, and it also provides them with a succinct way to talk about our business.

(JOB) With respect to challenges, developing the integrated report required us to reach deeper into the organisation to bring together the complete holistic business story. So, there were challenges in internal engagement and it took time to gather the required information and then some sophistication in pulling it together into one report. However, the process we went through was very valuable for those broader groups involved in its development and the report is much more meaningful for all users than the previous functional financial report. The report requires good coordination across the business and provides a much deeper perspective. The report has helped our people feel more aligned to strategy and helped them see how the things they do contribute.

WHAT ARE YOUR KEY TIPS FOR LEADERS STARTING ON THE <IR> JOURNEY?

(MJ) Two points, firstly make sure it makes sense for your business. In other words, the way you report should be the way you are running your business. Secondly start with listening to your stakeholders. Then keep bringing back what you are doing to those two points 'what makes sense for the business' and 'what makes sense for your stakeholders', then your reporting will keep you accountable to that and help you tell the story, and it won't be something you do to the side. That is a risk that you come up with a great document to the side that is not reflective of what you are really doing. So, start at the core would be my advice.

(JOB) The pre-work is almost more important than pulling the report together. So as much as people can, really make sure they are quite methodical in their approach to listening to their stakeholders externally, understanding how it is going to be most effective for your business, and how it resonates with your business in particular. All that pre-work is so critical to being successful on the other side. Don't rush this part, make sure it's given due thought and it will really make the rest of the process successful and smooth.



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