

INTEGRATED REPORTING <IR>

Integrated Reporting

How <IR> provides insight into
business strategy and prospects

In association with



What is <IR>?

Put simply, it's an **evolution of corporate reporting**



An integrated report **concisely** communicates the ways in which an organization's activities lead to **value creation** for shareholders

<IR> can give investors...



A better link between performance information and the drivers of business value



A clearer picture of management progress in implementing strategy



Better insight into the underlying health of the business

The Framework



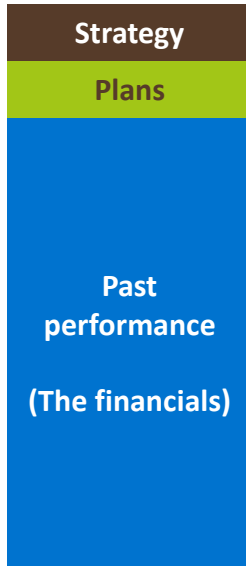
The International <IR> Framework is a tool to help companies deliver **better corporate reports**. It supports reporters in their efforts to **articulate their strategy and performance** more clearly.

The reporting gap

Filling the gap



Report content



Regulation and reliability have led corporate reporting to **focus on past financial performance**, but there's **much more to business value** than that.

There's a **gap** between what investors need to know about **business plans and long-term strategy** and what corporate reports are telling them.

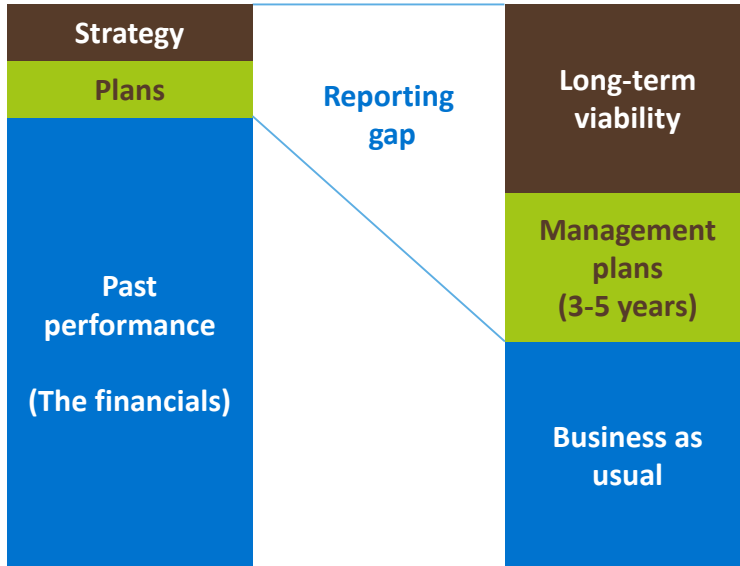
Filling the gap



Report content



Enterprise value



Many companies are trying to narrow the gap.

<IR> can help by providing better information on the Board's view of strategy and operational performance.

What's missing from corporate reports?



Strategy

44% do not look beyond
short-term initiatives



Business model

Only
58% identify knowledge
and expertise as a
key element



Performance

Only
17% tell you whether the
business is winning or
retaining customers

Source: KPMG Survey of Business Reporting
Analysis of larger listed companies

What can an integrated report offer?

<IR> asks companies to report relevant KPIs on the long-term business drivers **most important** to them...



The product base



Company know-how



The staff base



Brand and market positioning



The customer base



Productivity



Wider stakeholder relationships

... rather than reporting on every matter

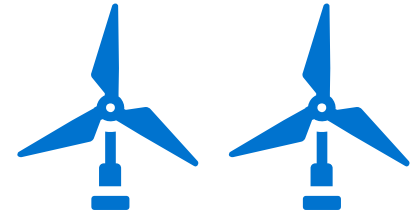
What could that mean in practice?



A **telecoms company** might provide information on how its **core customer base** has developed over time



A **consulting business** might show the extent to which it's maintained the right balance of **staff experience and retention**



A **power company** might report on **capacity headroom** in the context of its growth plans

If it's important to the future of the business, <IR> asks companies to report on it

<IR> can help close the reporting gap

The **average length** of an annual report is



204 pages

This is more than enough space to convey **all the information** that investors need

Source: KPMG Survey of Business Reporting
Analysis of larger listed companies

Reporting is evolving

<IR> can drive it forwards

Reporting is already moving
beyond the basics

Compliance-focused

Financial and specific CSR KPIs

Factual information about past
performance

Part of the performance
story

<IR> provides the
push to get to 'good'

Business-focused

Financial and operational KPIs

Factual information relevant to
understanding prospects

The whole performance
story

<IR> views traditional corporate reporting through a new lens, making it **more investor-relevant**



How does this fit with investors calls for change?

Investors have affirmed the need for an integrated approach

“We are asking that every CEO lay out for shareholders each year a **strategic framework for long-term value creation.”**

Larry Fink,
CEO, BlackRock

“Efforts by the International Integrated Reporting Council to develop a framework for reporting value creation seem very much in line with what Mr Fink is suggesting.”

Sandra Peters,
Head of Global Financial Reporting Policy,
CFA Institute

Next steps

What can investors do?



Raise their expectations of what corporate reporting should be covering

Talk to companies about how they can deliver on those expectations



Engage with regulators and standard-setters on how reporting requirements can support this

Find out more



integratedreporting.org



kpmg.com/betterbusinessreporting

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Progress through reporting

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