Integrated Reporting

How <IR> provides insight into business strategy and prospects
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

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?

44% do not look beyond short-term initiatives

Only 58% identify knowledge and expertise as a key element

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
- The staff base
- The customer base
- Wider stakeholder relationships
- Company know-how
- Brand and market positioning
- Productivity

... 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
INTEGRATED REPORTING IR

Progress through reporting