

International <IR> Framework - DRAFT

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PREFACE

The IIRC's long-term vision is a world in which integrated thinking is embedded within mainstream business practice in the public and private sectors, facilitated by Integrated Reporting (<IR>) as the corporate reporting norm. The cycle of integrated thinking and reporting, resulting in efficient and productive capital allocation, will act as a force for financial stability and sustainability.

<IR> aims to:

- Improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital
- Promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time
- Enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies
- Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

<IR> is consistent with numerous developments in corporate reporting taking place within national jurisdictions across the world. It is intended that the International <IR> Framework, which provides principles-based guidance for companies and other organizations wishing to prepare an integrated report, will accelerate these individual initiatives and provide impetus to greater innovation in corporate reporting globally to unlock the benefits of <IR>, including the increased efficiency of the reporting process itself.

It is anticipated that, over time, <IR> will be the corporate reporting norm. No longer will a business produce numerous, disconnected and static communications. This will be delivered by the process of integrated thinking, and the application of principles such as connectivity of information.

<IR> is consistent with developments in financial and other reporting, but an integrated report also differs from other reports and communications in a number of ways. In particular, it focuses on the ability of an organization to create value in the short, medium and long term, and in so doing it:

- Has a combined emphasis on conciseness, strategic focus and future orientation, the connectivity of information, and the capitals and their interdependencies
- Emphasizes the importance of integrated thinking within the organization.

Integrated thinking is the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term.

Integrated thinking takes into account the connectivity and interdependencies between the range of factors that affect an organization's ability to create value over time, including:

- The capitals that the organization uses or affects, and the critical interdependencies, including trade-offs, between them
- The capacity of the organization to respond to key stakeholders' legitimate needs and interests
- How the organization tailors its business model and strategy to respond to its external environment and the risks and opportunities it faces
- The organization's activities, performance (financial and other), and outcomes in terms of the capitals – past, present and future.

The more that integrated thinking is embedded into an organization's activities, the more naturally will the connectivity of information flow into management reporting, analysis and decision-making. It also leads to better integration of the information systems that support internal and external reporting and communication, including preparation of the integrated report.

EXECUTIVE SUMMARY

Integrated Reporting <IR> promotes a more cohesive and efficient approach to corporate reporting and aims to improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital.

The IIRC's vision is a world in which integrated thinking is embedded within mainstream business practice in the public and private sectors, facilitated by <IR> as the corporate reporting norm.

AN INTEGRATED REPORT

The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. An integrated report benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators, and policy-makers.

The Framework takes a principles-based approach. The intent is to strike an appropriate balance between flexibility and prescription that recognizes the wide variation in individual circumstances of different organizations while enabling a sufficient degree of comparability across organizations to meet relevant information needs. It does not prescribe specific key performance indicators, measurement methods, or the disclosure of individual matters, but does include a small number of requirements that are to be applied before an integrated report can be said to be in accordance with the Framework.

An integrated report may be prepared in response to existing compliance requirements, and may be either a standalone report or be included as a distinguishable, prominent and accessible part of another report or communication. It should include, on a comply or explain basis, a statement by those charged with governance accepting responsibility for the report.

GUIDING PRINCIPLES

The following Guiding Principles underpin the preparation of an integrated report, informing the content of the report and how information is presented:

- *Strategic focus and future orientation:* An integrated report should provide insight into the organization's strategy, and how that relates to its ability to create value in the short, medium and long term and to its use of and effects on the capitals.
- *Connectivity of information:* An integrated report should show a holistic picture of the combination, inter-relatedness and dependencies between the factors that affect the organization's ability to create value over time.

FUNDAMENTAL CONCEPTS

An integrated report aims to provide insight about the resources and relationships used and affected by an organization – these are collectively referred to as “the capitals” in this Framework. It also seeks to explain how the organization interacts with the external environment and the capitals to create value over the short, medium and long-term.

The capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organization. They are categorized in this Framework as financial, manufactured, intellectual, human, social and relationship, and natural capital, although organizations preparing an integrated report are not required to adopt this categorization or to structure their report along the lines of the capitals.

The ability of an organization to create value for itself enables financial returns to the providers of financial capital. This is interrelated to the value the organization creates for stakeholders and society at large through a wide range of activities, interactions, and relationships. When these are material to the organization's ability to create value for itself, they are included in the integrated report.

THE FRAMEWORK

The purpose of this Framework is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them. The Framework:

- Identifies information to be included in an integrated report for use in assessing the organization's ability to create value; it does not set benchmarks for such things as the quality of an organization's strategy or the level of its performance
- Is written primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organizations.

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- *Stakeholder relationships:* An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.
- *Materiality:* An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term.
- *Conciseness:* An integrated report should be concise.
- *Reliability and completeness:* An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.
- *Consistency and comparability:* The information in an integrated report should be presented (a) on a basis that is consistent over time, and (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value in the short, medium and long term.

CONTENT ELEMENTS

An integrated report includes eight Content Elements that are fundamentally linked to each other and are not mutually exclusive:

- *Organizational overview and external environment:* What does the organization do and what are the circumstances under which it operates?
- *Governance:* How does the organization's governance structure support its ability to create value in the short, medium and long term?
- *Business model:* What is the organization's business model?
- *Risks and opportunities:* What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?
- *Strategy and resource allocation:* Where does the organization want to go and how does it intend to get there?
- *Performance:* To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
- *Outlook:* What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
- *Basis of presentation:* How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

PART I - INTRODUCTION

1. USING THE FRAMEWORK

1A Integrated Report defined

- 1.1 An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.
- 1.2 An integrated report should be prepared in accordance with this Framework.

1B Objective of the Framework

- 1.3 The purpose of this Framework is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them.
- 1.4 This Framework is written primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organizations.
- 1.5 This Framework identifies information to be included in an integrated report for use in assessing an organization's ability of to create value; it does not set benchmarks for such things as the quality of an organization's strategy or the level of its performance.
- 1.6 In this Framework, reference to the creation of value:
- Includes instances when value is preserved and when it is diminished (see [paragraph 2.14](#))
 - Relates to value creation over time, i.e., over the short, medium and long term.

1C Purpose and users of an integrated report

- 1.7 The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. It therefore contains relevant information, both financial and other.

- 1.8 An integrated report benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators, and policy-makers.

1D A principles-based approach

- 1.9 This Framework is principles-based. The intent of the principles-based approach is to strike an appropriate balance between flexibility and prescription that recognizes the wide variation in individual circumstances of different organizations but enables a sufficient degree of comparability across organizations to meet relevant information needs.
- 1.10 This Framework does not prescribe specific key performance indicators (KPIs), measurement methods, or the disclosure of individual matters. Those responsible for the preparation and presentation of the integrated report therefore need to exercise judgement, given the specific circumstances of the organization, to determine:
- Which matters are material
 - How they are disclosed, including the application of generally accepted measurement and disclosure methods as appropriate. When information in an integrated report is similar to or based on other information published by the organization, it is prepared on the same basis as, or is easily reconcilable with, that other information.

Guidance

- 1.11 Text in this Framework that is not in bold italic type provides guidance to assist in applying the requirements. It is not necessary for an integrated report to include all matters referred to in the guidance.

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Quantitative and qualitative information

1.12 Quantitative indicators, such as KPIs and monetized metrics, and the context in which they are provided can be very helpful in explaining how an organization creates value and how it uses and affects various capitals. While quantitative indicators are included in an integrated report whenever it is practicable and relevant to do so:

- The ability of the organization to create value can best be reported on through a combination of quantitative and qualitative information (see also [paragraph 3.8](#) regarding the connectivity of quantitative and qualitative information).
- It is not the purpose of an integrated report to quantify or monetize the value of the organization at a point in time, the value it creates over a period, or its uses of or effects on all the capitals

(See also [paragraph 4.53](#) for common characteristics of suitable quantitative indicators.)

1E Form of report and relationship with other information

1.13 ***An integrated report should be a designated identifiable communication.***

1.14 An integrated report is intended to be more than a summary of information in other communications (e.g., financial statements, a sustainability report, analyst calls, or on a website); rather, it makes explicit the connectivity of information to communicate how value is created over time.

1.15 An integrated report may be prepared in response to existing compliance requirements. For example, an organization may be required by local law to prepare a management commentary or other report that provides context for its financial statements. If that report is also in accordance with this Framework it can be considered an integrated report. If the report is required to include specified information beyond that required by this Framework, the report can still be considered an integrated report if that other information does not obscure the concise information required by this Framework.

1.16 An integrated report may be either a standalone report or be included as a distinguishable, prominent and accessible part of another report or communication. For example, it may be included at

the front of a report that also includes the organization's financial statements.

1.17 An integrated report can provide an "entry point" to more detailed information outside the designated communication, to which it may be linked. The form of link will depend on the form of the integrated report (e.g., for a paper-based report, links may involve attaching other information as an appendix; for a web-based report, it may involve hyperlinking to that other information).

1F Application of the Framework

1.18 ***Any communication claiming to be an integrated report and referencing the Framework should apply all the requirements identified in bold italic type unless:***

- ***The unavailability of reliable information or specific legal prohibitions results in an inability to disclose material information***
- ***Disclosure of material information would cause significant competitive harm.*** (See [paragraph 3.51.](#))

1.19 ***In the case of the unavailability of reliable information or specific legal prohibitions, an integrated report should:***

- ***Indicate the nature of the information that has been omitted***
- ***Explain the reason why it has been omitted***
- ***In the case of the unavailability of data, identify the steps being taken to obtain the information and the expected time frame for doing so.***

1G Responsibility for an integrated report

1.20 ***An integrated report should include a statement from those charged with governance that includes:***

- ***An acknowledgement of their responsibility to ensure the integrity of the integrated report***
- ***That they have applied their collective mind to the preparation and presentation of the***

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integrated report

- *Their opinion or conclusion about whether the integrated report is presented in accordance with this Framework*

or, if it does not, it should explain:

- *What role those charged with governance played in its preparation and presentation*

- *What steps are being taken to include such a statement in future reports*
- *The time frame for doing so, which should be no later than the organization's third integrated report that references this Framework.*

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2. FUNDAMENTAL CONCEPTS

2.1 The fundamental concepts in this chapter underpin and reinforce the requirements and guidance in the Framework.

2A Introduction

2.2 An integrated report explains how an organization creates value over time. Value is not created by or within an organization alone. It is:

- Influenced by the external environment
- Created through relationships with stakeholders
- Dependent on various resources.

2.3 An integrated report therefore aims to provide insight about:

- The external environment that affects an organization
- The resources and the relationships used and affected by the organization, which are referred to collectively in this Framework as the capitals and are categorized in [Section 2C](#) as financial, manufactured, intellectual, human, social and relationship, and natural
- How the organization interacts with the external environment and the capitals to create value over the short, medium and long term.

2B Value creation for the organization and for others

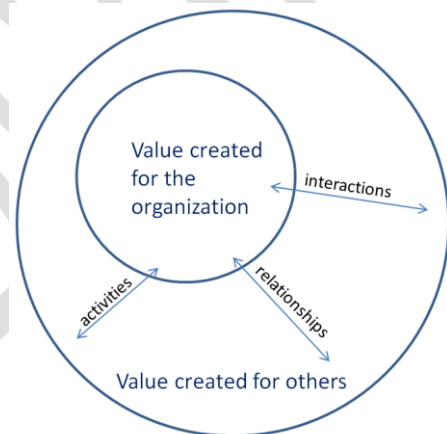
2.4 Value created by an organization over time manifests itself in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs. That value has two interrelated aspects – value created for:

- The organization itself, which leads to financial returns to the providers of financial capital
- Others (i.e., stakeholders and society at large).

2.5 Providers of financial capital are interested in the value an organization creates for itself. They are also interested in the value an organization creates for others when it affects the ability of the organization to create value for itself, or relates to a stated objective of the organization (e.g., an explicit social purpose) that affects their assessments.

2.6 The ability of an organization to create value for itself is linked to the value it creates for others. As

illustrated in [Figure 1](#), this happens through a wide range of activities, interactions, and relationships in addition to those, such as sales to customers, that are directly associated with changes in financial capital. These include, for example, the effects of the organization's business activities and outputs on customer satisfaction, suppliers' willingness to trade with the organization and the terms and conditions upon which they do so, the initiatives that business partners agree to undertake with the organization, the organization's reputation, conditions imposed on the organization's social licence to operate, and the imposition of supply chain conditions or legal requirements.



[NOTE: DIAGRAM TO BE PROFESSIONALLY DONE]

Figure 1: Value created for the organization and for others

2.7 When these interactions, activities, and relationships are material to the organization's ability to create value for itself, they are included in the integrated report. This includes taking account of the extent to which effects on the capitals have been externalized (i.e., the costs or other effects on capitals that are not owned by the organization).

2.8 Externalities may be positive or negative (i.e., they may result in a net increase or decrease to the value embodied in the capitals). Externalities may ultimately increase or decrease value created for the organization; therefore providers of financial capital need information about material externalities to assess their effects and allocate resources accordingly.

2.9 Because value is created over different time horizons and for different stakeholders through different capitals, it is unlikely to be created through the

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maximization of one capital while disregarding the others. For example, the maximization of financial capital (e.g., profit) at the expense of human capital (e.g., through inappropriate human resource policies and practices) is unlikely to maximize value for the organization in the longer term.

the net effect is an increase or decrease (or neither, i.e., when value is preserved) will depend on the perspective chosen; as in the above example, employees and employers might value training differently. In this Framework, the term value creation includes instances when the overall stock of capitals is unchanged or decreased (i.e., when value is preserved or diminished).

2C The capitals

The stock and flow of capitals

- 2.10 All organizations depend on various forms of capital for their success. In this Framework, the capitals comprise financial, manufactured, intellectual, human, social and relationship, and natural, although as discussed in [paragraphs 2.17 -2.19](#), organizations preparing an integrated report are not required to adopt this categorization.
- 2.11 The capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organization. For example, an organization's financial capital is increased when it makes a profit, and the quality of its human capital is improved when employees become better trained.
- 2.12 The overall stock of capitals is not fixed over time. There is a constant flow between and within the capitals as they are increased, decreased or transformed. For example, when an organization improves its human capital through employee training, the related training costs reduce its financial capital. The effect is that financial capital has been transformed into human capital. Although this example is simple and presented only from the organization's perspective,¹ it demonstrates the continuous interaction and transformation between the capitals, albeit with varying rates and outcomes.
- 2.13 Many activities cause increases, decreases or transformations that are far more complex than the above example and involve a broader mix of capitals or of components within a capital (e.g., the use of water to grow crops that are fed to farm animals, all of which are components of natural capital).
- 2.14 Although organizations aim to create value overall, this can involve the diminution of value stored in some capitals, resulting in a net decrease to the overall stock of capitals. In many cases, whether

Categories and descriptions of the capitals

2.15 For the purpose of this Framework, the capitals are categorized and described as follows:

- Financial capital – The pool of funds that is:
 - available to an organization for use in the production of goods or the provision of services
 - obtained through financing, such as debt, equity or grants, or generated through operations or investments.
- Manufactured capital – Manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services, including:
 - buildings
 - equipment
 - infrastructure (such as roads, ports, bridges, and waste and water treatment plants).

Manufactured capital is often created by other organizations, but includes assets manufactured by the reporting organization for resale or when they are retained for its own use.

- Intellectual capital – Organizational, knowledge-based intangibles, including:
 - intellectual property, such as patents, copyrights, software, rights, and licences
 - "organizational capital" such as tacit knowledge, systems, procedures and protocols.
- Human capital – People's competencies, capabilities and experience, and their motivations to innovate, including their:
 - alignment with and support for an organization's governance framework, risk management approach, and ethical values
 - ability to understand, develop and implement an organization's strategy
 - loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.

¹ Other perspectives include the increase to the trainer's financial capital due to the payment received from the employer, and the increase to social capital that may occur if employees use newly acquired skills to contribute to community organizations (see also [paragraph 4.56](#) regarding complexity, interdependencies and trade-offs).

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- Social and relationship capital – The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes:
 - shared norms, and common values and behaviours
 - key stakeholder relationships, and the trust and willingness to engage that an organization has developed and strives to build and protect with external stakeholders
 - intangibles associated with the brand and reputation that an organization has developed
 - an organization’s social licence to operate.
 - Natural capital – All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization. It includes:
 - air, water, land, minerals and forests
 - biodiversity and eco-system health.
- 2.16 Not all capitals are equally relevant or applicable to all organizations. While most organizations interact with all capitals to some extent, these interactions might be relatively minor or so indirect that they are not sufficiently important to include in the integrated report.

Role of the capitals in the Framework

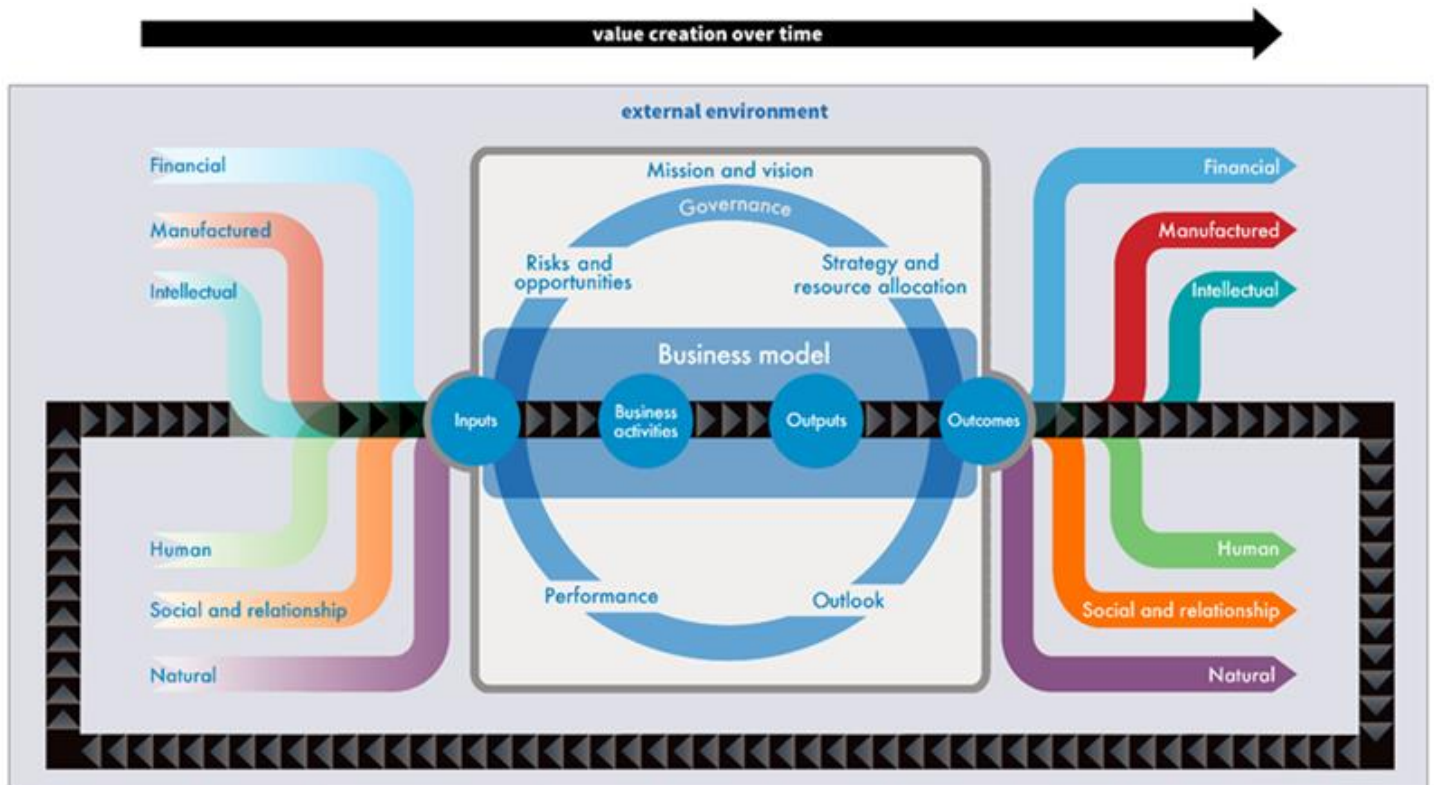
- 2.17 This Framework does not require an integrated report to adopt the categories identified above or to be structured along the lines of the capitals. Rather, the primary reasons for including the capitals in this Framework are to serve:
- As part of the theoretical underpinning for the concept of value creation (see [Section 2B](#))
 - As a guideline for ensuring organizations consider all the forms of capital they use or affect.
- 2.18 Organizations may categorize the capitals differently. For example, relationships with external stakeholders and the intangibles associated with brand and reputation (both identified as part of social and relationship capital in [paragraph 2.15](#)), might be considered by some organizations to be separate capitals, part of other capitals or cutting across a number of individual capitals. Similarly, some organizations define intellectual capital as

comprising what they identify as human, “structural” and “relational” capitals.

- 2.19 Regardless of how an organization categorizes the capitals for its own purposes, the categories identified in [paragraph 2.15](#) are to be used as a guideline to ensure the organization does not overlook a capital that it uses or affects.

2D The value creation process

- 2.20 The value creation process is depicted in [Figure 2](#). It is explained briefly in the following paragraphs, which also identify how the components of [Figure 2](#) (underlined in the text) align with the Content Elements in [Chapter 4](#).
- 2.21 The external environment, including economic conditions, technological change, societal issues and environmental challenges, sets the context within which the organization operates. The mission and vision encompass the whole organization identifying its purpose and intention in clear, concise terms. (See [Content Element 4A Organizational overview and external environment.](#))
- 2.22 Those charged with governance are responsible for creating an appropriate oversight structure to support the ability of the organization to create value. (See [Content Element 4B Governance.](#))
- 2.23 At the core of the organization is its business model, which draws on various capitals as inputs and, through its business activities, converts them to outputs (products, services, by-products and waste). The organization’s activities and its outputs lead to outcomes in terms of effects on the capitals. The capacity of the business model to adapt to changes (e.g., in the availability, quality and affordability of inputs) can affect the organization’s longer term viability. (See [Content Element 4C Business Model.](#))
- 2.24 Business activities include the planning, design and manufacture of products or the deployment of specialized skills and knowledge in the provision of services. Encouraging a culture of innovation is often a key business activity in terms of generating new products and services that anticipate customer demand, introducing efficiencies and better use of technology, substituting inputs to minimize adverse social or environmental effects, and finding alternative uses for outputs.



[NOTE: DIAGRAM STILL BEING WORKED ON] Figure 2: The value creation process

- 2.25 Outcomes are the internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs.
- 2.26 Continuous monitoring and analysis of the external environment in the context of the organization's mission and vision identifies *risks and opportunities* relevant to the organization, its strategy and its business model. (See [Content Element 4D Risks and opportunities](#).)
- 2.27 The organization's *strategy* identifies how it intends to mitigate or manage risks and maximize opportunities. It sets out strategic objectives and strategies to achieve them, which are implemented through *resource allocation* plans. (See [Content Element 4E Strategy and resource allocation](#).)
- 2.28 The organization needs information about its *performance*, which involves setting up measurement and monitoring systems to provide information for decision-making. (See [Content Element 4F Performance](#).)
- 2.29 The value creation process is not static; regular review of each component and its interactions with other components, and a focus on the organization's *outlook*, leads to revision and refinement to improve all the components. (See [Content Element 4G Outlook](#).)

PART II - THE INTEGRATED REPORT

3. GUIDING PRINCIPLES

3.1 The following Guiding Principles underpin the preparation and presentation of an integrated report, informing the content of the report and how information is presented:

- A Strategic focus and future orientation
- B Connectivity of information
- C Stakeholder relationships
- D Materiality
- E Conciseness
- F Reliability and completeness
- G Consistency and comparability.

3.2 These Guiding Principles are applied individually and collectively for the purpose of preparing and presenting an integrated report; accordingly, judgment is needed in applying them, particularly when there is an apparent tension between them (e.g., between conciseness and completeness).

3A Strategic focus and future orientation

3.3 ***An integrated report should provide insight into the organization's strategy, and how that relates to its ability to create value in the short, medium and long term and to its use of and effects on the capitals.***

3.4 Applying this Guiding Principle is not limited to the [Content Elements Strategy and resource allocation and Outlook](#). It guides the selection and presentation of other content, and may include, for example:

- Highlighting significant risks, opportunities, and dependencies flowing from the organization's market position and business model
- The views of those charged with governance about:
 - the relationship between past and future performance, and the factors that can change that relationship
 - how the organization balances short, medium and long term interests

- how the organization has learnt from past experiences in determining future strategic directions.

3.5 Adopting a strategic focus and future orientation (see also [paragraphs 3.52-3.53](#)) includes clearly articulating how the continued availability, quality and affordability of significant capitals contribute to the organization's ability to achieve its strategic objectives in the future and create value.

3B Connectivity of information

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

3.7 The more that integrated thinking is embedded into an organization's activities, the more naturally will the connectivity of information flow into management reporting, analysis and decision-making, and subsequently into the integrated report.

3.8 The key forms of connectivity of information include the connectivity between:

- *The Content Elements.* The integrated report connects the Content Elements into a total picture that reflects the dynamic and systemic interactions of the organization's activities as a whole. For example:
 - an analysis of existing resource allocation, and how the organization will combine resources or make further investment to achieve its targeted performance
 - information about how the organization's strategy is tailored when, for instance, new risks and opportunities are identified or past performance is not as expected
 - linking the organization's strategy and business model with changes in its external environment, such as increases or decreases in the pace of technological change, evolving societal expectations, and resource shortages as planetary limits are approached.
- *The past, present, and future.* An analysis by the organization of its activities in the past-to-

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present period can provide useful information to assess the plausibility of what has been reported concerning the present-to-future period. The explanation of the past-to-present period can also be useful in analyzing current capabilities and the quality of management.

- *The capitals*, including the interdependencies and trade-offs between the capitals, and how changes in their availability, quality and affordability affect the ability of the organization to create value.
- *Financial information and other information*. For example, the implications for:
 - expected revenue growth or market share of research and development policies, technology/know-how, or investment in human resources
 - cost reduction or new business opportunities of environmental policies, energy efficiency, cooperation with local communities, or technologies to tackle social issues
 - revenue and profit growth of long term customer relationships, customer satisfaction, or reputation.
- *Quantitative and qualitative information*. Both qualitative and quantitative information are necessary for an integrated report to properly represent the organization's ability to create value as each provides context for the other. Including KPIs as part of a narrative explanation can be an effective way to connect quantitative and qualitative information.
- *Management information, board information and information reported externally*. For example, as noted in [paragraph 4.53](#), it is important for the quantitative indicators in an integrated report to be consistent with the indicators used internally by those charged with governance.
- *Information in the integrated report, information in the organization's other communications, and information from other sources*. This recognizes that all communications from the organization need to be consistent, and that information the organization provides is not read in isolation but combined with information from other sources when making assessments.

3.9 The connectivity of information and the overall usefulness of an integrated report is enhanced when it is logically structured; well presented; written in clear, understandable, and jargon-free language; and includes effective navigation devices, such as clearly delineated (but linked) sections and cross-

referencing. In this context, information and communication technology can be used to improve the ability to search, access, combine, connect, customize, re-use or analyse information.

3C Stakeholder relationships

3.10 ***An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.***

3.11 This Guiding Principle reflects the importance of relationships with key stakeholders because, as noted in [paragraph 2.2](#), value is not created by or within an organization alone, but is created through relationships with others. It does not mean that an integrated report should attempt to satisfy the information needs of all stakeholders.

3.12 Stakeholders provide useful insights about matters that are important to them, including economic, environmental and social issues, that also affect the ability of the organization to create value. These insights can assist the organization to:

- Understand how stakeholders perceive value
- Identify trends that might not yet have come to general attention but which are rising in significance
- Identify material matters, including risks and opportunities
- Develop and evaluate strategy
- Manage risks
- Implement activities, including strategic and accountable responses to material matters.

3.13 Engagement with stakeholders occurs regularly in the ordinary course of business (e.g., day-to-day liaison with customers and suppliers or broader ongoing engagement as part of strategic planning and risk assessment). It might also be undertaken for a particular purpose (e.g., engagement with a local community when planning a factory extension). The more integrated thinking is embedded in the business, the more likely it is that a fuller consideration of key stakeholders' legitimate needs and interests is incorporated as an ordinary part of conducting business.

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- 3.14 An integrated report enhances transparency and accountability, which are essential in building trust and resilience, by disclosing how key stakeholders' legitimate needs and interests are understood, taken into account and responded to through decisions, actions and performance, as well as ongoing communication.
- 3.15 Accountability is closely associated with the concept of stewardship and the responsibility of an organization to care for or use responsibly the capitals that its activities and outputs affect. When the capitals are owned by the organization, a stewardship responsibility is imposed on management and those charged with governance via their legal responsibilities to the organization.
- 3.16 When the capitals are owned by others or not owned at all, stewardship responsibilities may be imposed by law or regulation (e.g., through a contract with the owners, or through labour laws or environmental protection regulations). When there is no legal stewardship responsibility, the organization may have an ethical responsibility to accept, or choose to accept stewardship responsibilities and be guided in doing so by stakeholder expectations.

3D Materiality

- 3.17 ***An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term.***

The materiality determination process

- 3.18 The materiality determination process for the purpose of preparing and presenting an integrated report involves:
- Identifying relevant matters based on their ability to affect value creation as discussed in Section 2B (see [paragraphs 3.21-3.23](#))
 - Evaluating the importance of relevant matters in terms of their known or potential effect on value creation (see [paragraphs 3.24-3.27](#))
 - Prioritizing the matters based on their relative importance (see [paragraphs 3.28](#))
 - Determining the information to disclose about material matters (see [paragraphs 3.29](#)).
- 3.19 This process applies to both positive and negative matters, including risks and opportunities and

favourable and unfavourable performance or prospects. It also applies to both financial and other information. Such matters may have direct implications for the organization itself or may affect the capitals owned by or available to others.

- 3.20 To be most effective, the materiality determination process is integrated into the organization's management processes and includes regular engagement with providers of financial capital and others to ensure the integrated report meets its primary purpose as noted in [paragraph 1.7](#).

Identifying relevant matters

- 3.21 Relevant matters are those that have, or may have, an effect on the organization's ability to create value. This is determined by considering their effect on the organization's strategy, governance, performance or prospects.
- 3.22 Ordinarily, matters related to value creation that are discussed at meetings of those charged with governance are considered relevant. An understanding of the perspectives of key stakeholders is critical to identifying relevant matters.
- 3.23 Matters that might be relatively easy to address in the short term but which may, if left unchecked, become more damaging or difficult to address in the medium or long term need to be included in the population of relevant matters. Matters are not excluded on the basis that the organization does not wish to address them or does not know how to deal with them.

Evaluating importance

- 3.24 Not all relevant matters will be considered material. To be included in an integrated report, a matter also needs to be sufficiently important in terms of its known or potential effect on value creation. This involves evaluating the magnitude of the matter's effect and, if it is uncertain whether the matter will occur, its likelihood of occurrence.
- 3.25 Magnitude is evaluated by considering whether the matter's effect on strategy, governance, performance or prospects is such that it has the potential to substantively influence value creation over time. This requires judgement and will depend on the nature of the matter in question. Matters may be considered material either individually or in the aggregate.
- 3.26 Evaluating the magnitude of a matter's effect does

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not imply that the effect needs to be quantified. Depending on the nature of the matter, a qualitative evaluation might be more appropriate.

3.27 In evaluating the magnitude of effect, the organization considers:

- Quantitative and qualitative factors
- Financial, operational, strategic, reputational and regulatory perspectives
- Area of the effect, be it internal or external
- Time frame.

Prioritizing important matters

3.28 Once the population of important matters is identified, they are prioritized based on their magnitude. This helps to focus on the most important matters when determining how they are reported.

Determining information to disclose

3.29 Judgement is applied in determining the information to disclose about material matters. This requires consideration from different perspectives, both internal and external, and is assisted by regular engagement with providers of financial capital and others to ensure the integrated report meets its primary purpose as noted in [paragraph 1.7](#). (See also [paragraphs 4.50-4.52](#)).

Reporting boundary

3.30 Key to the materiality determination process is the concept of the reporting boundary. Determining the

boundary for an integrated report has two aspects:

- The financial reporting entity (i.e., the boundary used for financial reporting purposes)
- Risks, opportunities and outcomes attributable to or associated with other entities/stakeholders beyond the financial reporting entity that have a significant effect on the ability of the financial reporting entity to create value.

3.31 The financial reporting entity is central to the reporting boundary because:

- It is the financial reporting entity that providers of financial capital invest in and therefore need information about
- Using the financial reporting entity enables the information in the financial statements to serve as an anchor or point of reference to which the other information in an integrated report can be related.

3.32 [Figure 3](#) depicts the entities/stakeholders that are considered in determining the reporting boundary.

Financial reporting entity

3.33 The financial reporting entity identifies which subsidiaries, joint ventures and associates' transactions and related events are included in the organization's financial report. The financial reporting entity is determined according to applicable financial reporting standards and revolves around the concepts of control or significant influence.

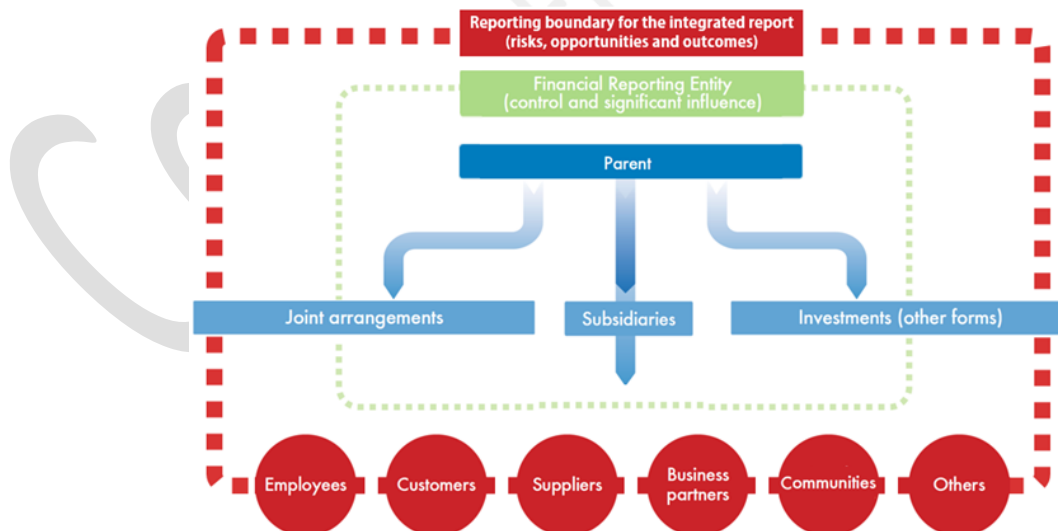


Figure 3: Entities/stakeholders that are considered in determining the reporting boundary

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Risks, opportunities and outcomes

- 3.34 The second aspect of determining the reporting boundary is to identify those risks, opportunities and outcomes attributable to or associated with entities/stakeholders beyond the financial reporting entity that have a significant effect on the ability of the financial reporting entity to create value. These other entities/stakeholders might be "related parties" for the purpose of financial reporting, but will ordinarily extend further.
- 3.35 The purpose of looking beyond the financial reporting boundary is to identify *risks, opportunities and outcomes* that materially affect the organization's ability to create value. The entities/stakeholders within this portion of the reporting boundary are not related to the financial reporting entity by virtue of control or significant influence, but rather by the nature and proximity of the risks, opportunities and outcomes. For example, if aspects of the labour practices in the organization's industry are material to the ability of the organization to create value, then disclosure in the integrated report might include information about those aspects as they relate to suppliers' labour practices.

3E Conciseness

- 3.36 ***An integrated report should be concise.***
- 3.37 An integrated report includes sufficient context to understand the organization's strategy, governance, performance and prospects without being burdened with less relevant information.
- 3.38 The organization seeks a balance in its integrated report between conciseness and the other Guiding Principles, in particular completeness and comparability. In achieving conciseness, an integrated report:
- Applies the materiality determination process described in [Section 3D](#)
 - Follows a logical structure and includes internal cross-references as appropriate to limit repetition
 - May link to more detailed information, information that does not change frequently (e.g., a listing of subsidiaries), or external sources (e.g., assumptions about future economic conditions on a government website)

- Expresses concepts clearly and in as few words as possible
- Favours plain language over the use of jargon or highly technical terminology
- Avoids highly generic disclosures, often referred to as "boilerplate", that are not specific to the organization.

3F Reliability and completeness

- 3.39 ***An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.***

Reliability

- 3.40 The reliability of information is affected by its balance and freedom from material error. Reliability (which is often referred to as faithful representation) is enhanced by mechanisms such as robust internal control and reporting systems, stakeholder engagement, internal audit or similar functions, and independent, external assurance.
- 3.41 Those charged with governance have ultimate responsibility for how the organization's strategy, governance, performance and prospects lead to value creation over time. They are responsible for ensuring that there is effective leadership and decision-making regarding the preparation and presentation of an integrated report, including the identification and oversight of the employees actively involved in the process.
- 3.42 Retaining an audit trail when preparing an integrated report helps senior management and those charged with governance review the report and exercise judgement in deciding whether information is sufficiently reliable to be included. It might be appropriate in some cases (e.g., with respect to future-oriented information) for an integrated report to describe the mechanisms employed to ensure reliability.
- 3.43 [Paragraph 1.19](#) identifies relevant disclosures when material information is omitted because of the unavailability of reliable data.

Balance

- 3.44 A balanced integrated report has no bias in the selection or presentation of information. Information in the report is not slanted, weighted, emphasized,

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de-emphasized, combined, offset or otherwise manipulated to change the probability that it will be received either favourably or unfavourably.

3.45 Important methods to ensure balance include:

- Selection of presentation formats that are not likely to unduly or inappropriately influence assessments made on the basis of the integrated report
- Giving equal consideration to both increases and decreases to the capitals, both strengths and weaknesses of the organization, both positive and negative performance, etc.
- Reporting against previously reported targets, forecasts, projections and expectations.

Freedom from material error

3.46 Freedom from material error does not imply that the information is perfectly accurate in all respects. It does imply that:

- Processes and controls have been applied to reduce to an acceptably low level the risk that reported information contains a material misstatement
- When information includes estimates, this is clearly communicated, and the nature and limitations of the estimation process are explained.

Completeness

3.47 A complete integrated report includes all material information, both positive and negative. To help ensure that all material information has been identified, consideration is given to what organizations in the same industry are reporting on because certain matters within an industry are likely to be material to all organizations in that industry.

3.48 Determining completeness includes considering the extent of information disclosed and its level of specificity or preciseness. This might involve considering potential concerns regarding cost/benefit, competitive advantage and future-oriented information, each of which is discussed below.

Cost/benefit

3.49 Information included in an integrated report is, by nature, central to running the business. Accordingly, if a matter is important to managing the business, cost should not be a factor in failing to obtain critical

information to appropriately assess and manage the matter.

3.50 An organization may evaluate cost and benefits when determining the extent, level of specificity, and preciseness of information necessary for an integrated report to meet its primary purpose, but may not refrain entirely from making any disclosure about a material matter on the basis of cost.

Competitive advantage

3.51 In including information about material matters dealing with competitive advantage (e.g., critical strategies), an organization considers how to describe the essence of the matter without identifying specific information that might cause a significant loss of competitive advantage. Accordingly, the organization considers what advantage a competitor could actually gain from information in an integrated report, and balances this against the need for the integrated report to achieve its primary purpose as noted in [paragraph 1.7](#).

Future-oriented information

3.52 Legal or regulatory requirements may apply to certain future-oriented information in some jurisdictions, covering for example:

- The types of disclosures that may be made
- Whether cautionary statements may be required or permitted to highlight uncertainty regarding achievability
- An obligation to publicly update such information.

3.53 Future-oriented information is by nature more uncertain than historical information. Uncertainty is not, however, a reason in itself to exclude such information. (See also [paragraph 4.50](#) regarding disclosures about uncertainty.)

3G Consistency and comparability

3.54 ***The information in an integrated report should be presented (a) on a basis that is consistent over time and, (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value in the short, medium and long term.***

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Consistency

3.55 Reporting policies are followed consistently from one period to the next unless a change is needed to improve the quality of information reported. This includes reporting the same KPIs if they continue to be material across reporting periods. When a significant change has been made, the organization explains the reason for the change, describing (and quantifying if practicable and material) its effect.

Comparability

3.56 The specific information in an integrated report will, necessarily, vary from one organization to another because each organization creates value in its own unique way. Nonetheless, addressing the questions relating to the Content Elements, which apply to all organizations, helps ensure a suitable level of comparability between organizations.

3.57 Other powerful tools for enhancing comparability (in both an integrated report itself and any detailed information that it links to) can include:

- Using benchmark data, such as industry or regional benchmarks
- Presenting information in the form of ratios (e.g., research expenditure as a percentage of sales, or carbon intensity measures such as emissions per unit of output).
- Reporting quantitative indicators commonly used by other organizations with similar activities, particularly when standardized definitions are stipulated by an independent organization (e.g., an industry body). Such indicators are not, however, included in an integrated report unless they are relevant to the individual circumstances of, and are used internally by, the organization.

4. CONTENT ELEMENTS

4.1 An integrated report includes the following eight Content Elements, answering the question posed below for each:

- A Organizational overview and external environment
- B Governance
- C Business model
- D Risks and opportunities
- E Strategy and resource allocation
- F Performance
- G Outlook
- H Basis of presentation

and in doing so, takes account of:

- I General reporting guidance

4.2 The Content Elements are fundamentally linked to each other and are not mutually exclusive. The order of the Content Elements as listed here is not the only way they could be sequenced; accordingly, the Content Elements are not intended to serve as a standard structure for an integrated report with information about them appearing in a set sequence or as isolated, standalone sections. Rather, information in an integrated report is presented in a way that makes the connections between the Content Elements apparent (see [Section 3B](#)).

4.3 The content of an organization's integrated report will depend on the individual circumstances of the organization. The Content Elements are therefore stated in the form of questions rather than as checklists of specific disclosures. Accordingly, judgement needs to be exercised in applying the Guiding Principles to determine what information is reported, as well as how it is reported, as discussed below.

4A Organizational overview and external environment

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

4.5 An integrated report identifies the organization's

mission and vision, and provides essential context by identifying matters such as:

- The organization's:
 - culture, ethics and values
 - ownership and operating structure
 - principal activities and markets
 - competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry)
 - position within the value chain
- Key quantitative information (e.g., the number of employees, revenue, and number of countries in which the organization operates), highlighting, in particular, significant changes from prior periods
- Significant factors affecting the external environment and the organization's response.

External environment

4.6 Significant factors affecting the external environment include aspects of the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term. They can affect the organization directly or indirectly (e.g., by influencing the availability, quality and affordability of a capital that the organization uses or affects).

4.7 These factors occur in the context of the particular organization, in the context of its industry or region, and in the wider social or planetary context. They may include, for example:

- The legitimate needs and interests of key stakeholders
- Macro and micro economic conditions, such as economic stability, globalization, and industry trends
- Market forces, such as the relative strengths and weaknesses of competitors and customer demand
- The speed and effect of technological change
- Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems

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- Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached
- The legislative and regulatory environment in which the organization operates
- The political environment in countries where the organization operates and other countries that may affect the ability of the organization to implement its strategy.

4B Governance

- 4.8 ***An integrated report should answer the question: How does the organization's governance structure support its ability to create value in the short, medium and long term?***
- 4.9 An integrated report provides insight about how such matters as the following are linked to its ability to create value:
- The organization's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure
 - Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues
 - Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management
 - How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders
 - Whether the organization is implementing governance practices that exceed legal requirements
 - The responsibility those charged with governance take for promoting and enabling innovation
 - How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization's use of and effects on the capitals.

4C Business model

- 4.10 ***An integrated report should answer the question: What is the organization's business model?***
- 4.11 An organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term.
- 4.12 An integrated report describes the business model, including key:
- Inputs (see [paragraphs 4.14-4.15](#))
 - Business activities (see [paragraphs 4-16-4.17](#))
 - Outputs (see [paragraph 4.18](#))
 - Outcomes (see [paragraphs 4.19-4.20](#)).
- 4.13 Features that can enhance the effectiveness and readability of the description of the business model include:
- Explicit identification of the key elements of the business model
 - A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organization
 - Narrative flow that is logical given the particular circumstances of the organization
 - Identification of critical stakeholder and other (e.g., raw material) dependencies and important factors affecting the external environment
 - Connection to information in other Content Elements, such as strategy, risks and opportunities, and performance (including KPIs and financial considerations, like cost containment and revenues).

Inputs

- 4.14 An integrated report shows how key inputs relate to the capitals on which the organization depends, or that provide a source of differentiation for the organization, to the extent that they are material to understanding the robustness and resilience of the business model.
- 4.15 An integrated report does not attempt to provide an exhaustive list of all inputs. Rather, the focus is on those that have a material bearing on the ability to create value in the short, medium and long term, whether or not the capitals from which they are derived are owned by the organization. It may also

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include a discussion of the nature and magnitude of the significant trade-offs that influence the selection of inputs (see [paragraph 4.56](#)).

Business activities

4.16 An integrated report describes key business activities. This can include:

- How the organization differentiates itself in the market place (e.g., through product differentiation, market segmentation, delivery channels and marketing)
- The extent to which the business model relies on revenue generation after the initial point of sale (e.g., extended warranty arrangements or network usage charges)
- How the organization approaches the need to innovate
- How the business model has been designed to adapt to change.

4.17 When material, an integrated report discusses the contribution made to the organization's long term success by initiatives such as process improvement, employee training and relationships management.

Outputs

4.18 An integrated report identifies an organization's key products and services. There might be other outputs, such as by-products and waste (including emissions), that need to be discussed within the business model disclosure depending on their materiality.

Outcomes

4.19 An integrated report describes key outcomes, including:

- Both internal outcomes (e.g., employee morale, organizational reputation, revenue and cash flows) and external outcomes (e.g., customer satisfaction, tax payments, brand loyalty, and social and environmental effects)
- Both positive outcomes (i.e., those that result in a net increase in the capitals and thereby create value) and negative outcomes (i.e., those that result in a net decrease in the capitals and thereby diminish value).

4.20 Identifying and describing outcomes, particularly external outcomes, requires an organization to consider the capitals more broadly than those that are owned or controlled by the organization. For

example, it may require disclosure of the effects on capitals up and down the value chain (e.g., carbon emissions caused by products the organization manufactures and labour practices of key suppliers). (See also [paragraphs 3.30-3.35](#) regarding determination of the reporting boundary.)

Organizations with multiple business models

4.21 Some organizations employ more than one business model (e.g., when operating in different market segments). Disaggregating the organization into its material constituent operations and associated business models is important to an effective explanation of how the organization operates. This requires a distinct consideration of each material business model as well as commentary on the extent of connectivity between the business models (such as the existence of synergistic benefits) unless the organization is run as an investment management business (in which case, it may be appropriate to focus on the investment management business model rather than the business models of individual investments).

4.22 The integrated report of an organization with multiple businesses often needs to balance disclosure with the need to reduce complexity; however, material information should not be omitted. Aligning external reporting with internal reporting by considering the top level of information that is regularly reported to those charged with governance is ordinarily appropriate.

4D Risks and opportunities

4.23 ***An integrated report should answer the question: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?***

4.24 An integrated report identifies the key risks and opportunities that are specific to the organization, including those that relate to the organization's effects on, and the continued availability, quality and affordability of, relevant capitals in the short, medium and long term.

4.25 This can include identifying:

- The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two. External sources include those

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stemming from the external environment, as discussed in [paragraphs 4.6-4.7](#). Internal sources include those stemming from the organization's business activities, as discussed in [paragraphs 4.16-4.17](#).

- The organization's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does. This includes consideration of the specific circumstances that would cause the risk or opportunity to come to fruition. Such disclosure will invariably involve a degree of uncertainty. (See also [paragraph 4.50](#) regarding disclosures about uncertainty.)
- The specific steps being taken to mitigate or manage key risks or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs.

4.26 Considering the [Guiding Principle, Materiality](#), the organization's approach to any real risks (whether they be in the short, medium or long term) that are fundamental to the ongoing ability of the organization to create value and that could have extreme consequences are ordinarily included in an integrated report, even when the probability of their occurrence might be considered quite small.

4E Strategy and resource allocation

4.27 **An integrated report should answer the question: Where does the organization want to go and how does it intend to get there?**

4.28 An integrated report ordinarily identifies:

- The organization's short, medium and long term strategic objectives
- The strategies it has in place, or intends to implement, to achieve those strategic objectives
- The resource allocation plans it has to implement its strategy
- How it will measure achievements and target outcomes for the short, medium and long term.

4.29 This can include describing:

- The linkage between the organization's strategy and resource allocation plans, and the information covered by other Content Elements, including how its strategy and resource allocation plans:

- relate to the organization's business model, and what changes to that business model might be necessary to implement chosen strategies to provide an understanding of the organization's ability to adapt to change
- are influenced by/respond to the external environment and the identified risks and opportunities
- affect the capitals, and the risk management arrangements related to those capitals

- What differentiates the organization to give it competitive advantage and make it able to create value, such as:

- the role of innovation
- how the organization develops and exploits intellectual capital
- the extent to which environmental and social considerations have been embedded into the organization's strategy to give it a competitive advantage

- Key features and findings of stakeholder engagement that were used in formulating its strategy and resource allocation plans.

4F Performance

4.30 **An integrated report should answer the question: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?**

4.31 An integrated report contains qualitative and quantitative information about performance that may include matters such as:

- Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them
- The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain
- The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests
- The linkages between past and current performance, and between current performance and the organization's outlook.

4.32 KPIs that combine financial measures with other components (e.g., the ratio of greenhouse gas

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emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g., expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use).

- 4.33 It may be relevant for the discussion of performance to include instances where regulations have a significant effect on performance (e.g., a constraint on revenues as a result of regulatory rate setting) or the organization's non-compliance with laws or regulations may significantly affect its operations.

4G Outlook

- 4.34 ***An integrated report should answer the question: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?***

- 4.35 An integrated report ordinarily highlights anticipated changes over time and provides information, built on sound and transparent analysis, about:

- The organization's expectations about the external environment the organization is likely to face in the short, medium and long term
- How that will affect the organization
- How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.

- 4.36 Care is needed to ensure the organization's stated expectations, aspirations and intentions are grounded in reality. They need to be commensurate with the ability of the organization to deliver on the opportunities available to it (including the availability, quality and affordability of appropriate capitals), and a realistic appraisal of the organization's competitive landscape and market positioning, and the risks it faces.

- 4.37 The discussion of the potential implications, including implications for future financial performance, ordinarily includes discussion of:

- The external environment, and risks and opportunities, with an analysis of how these

could affect the achievement of strategic objectives

- The availability, quality and affordability of capitals the organization uses or affects (e.g., the continued availability of skilled labour or natural resources), including how key relationships are managed and why they are important to the organization's ability to create value over time.

- 4.38 An integrated report may also provide lead indicators, KPIs or objectives, relevant information from recognized external sources, and sensitivity analyses. If forecasts or projections are included in reporting the organization's outlook, a summary of related assumptions is useful. Comparisons of actual performance to previously identified targets further enables evaluation of the current outlook.

- 4.39 Disclosures about an organization's outlook in an integrated report are made taking into account the legal or regulatory requirements to which the organization is subject.

4H Basis of preparation and presentation

- 4.40 ***An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?***

- 4.41 An integrated report describes its basis of preparation and presentation, including:

- A summary of the organization's materiality determination process (see [paragraphs 4.42](#))
- A description of the reporting boundary and how it has been determined (see [paragraphs 4.43-4.46](#))
- A summary of the significant frameworks and methods used to quantify or evaluate material matters (see [paragraphs 4.47-4.48](#)).

Summary of materiality determination process

- 4.42 An integrated report includes a summary of the organization's materiality determination process and key judgments (see [paragraphs 3.18-3.20](#)). This may include:

- Brief description of the process used to identify relevant matters, evaluate their importance and narrow them down to material matters

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- Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters

A link to where a more detailed description of the materiality determination process can be found also may be included.

Reporting boundary

- 4.43 An integrated report identifies its reporting boundary and explains how it has been determined (see [paragraphs 3.30-3-35](#)).
- 4.44 Material risks, opportunities and outcomes attributable to or associated with entities that are included in the financial reporting entity are reported on in the organization's integrated report.
- 4.45 Risks, opportunities and outcomes attributable to or associated with other entities/stakeholders are reported on in an integrated report to the extent they materially affect the ability of the financial reporting entity to create value.
- 4.46 Practical issues might limit the nature and extent of information that can be presented in an integrated report. For example:
- the availability of reliable data with respect to entities the financial reporting entity does not control
 - the inherent inability to identify all risks, opportunities and outcomes that will materially affect the ability of the financial reporting entity to create value, particularly in the long term.

It may be appropriate to disclose such limitations, and actions being taken to overcome them, in an integrated report.

Summary of significant frameworks and methods

- 4.47 An integrated report includes a summary of the significant frameworks and methods used to quantify or evaluate material matters included in the report (e.g., the applicable financial reporting standards used for compiling financial information, a company-defined formula for measuring customer satisfaction, or an industry-based framework for evaluating risks). More detailed explanations might be provided in other communications.
- 4.48 As noted in [paragraph 1.10](#), when information in an integrated report is similar to or based on other information published by the organization, it is

prepared on the same basis as, or is easily reconcilable with, that other information. For example, when a KPI covers a similar topic to or is based on information published in the organization's financial statements or sustainability report, it is prepared on the same basis, and for the same period, as that other information.

4I General reporting guidance

- 4.49 The following general reporting matters are relevant to various Content Elements:
- Disclosure of material matters (see [paragraphs 4.50-4.53](#))
 - Disclosures about the capitals (see [paragraphs 4.54-4.56](#))
 - Time frames for short, medium and long term (see [paragraphs 4.57-4.59](#))
 - Aggregation and disaggregation (see [paragraphs 4.60-4.62](#))

Disclosure of material matters

- 4.50 Taking the nature of a material matter into consideration, the organization considers providing:
- Key information, such as:
 - an explanation of the matter and its effect on the organization's strategy, business model or the capitals
 - relevant interactions and interdependencies providing an understanding of causes and effects
 - the organization's view on the matter
 - actions to manage the matter and how effective they have been
 - the extent of the organization's control over the matter
 - quantitative and qualitative disclosures, including comparative information for prior periods and targets for future periods
 - If there is uncertainty surrounding a matter, disclosures about the uncertainty, such as:
 - an explanation of the uncertainty
 - the range of possible outcomes, associated assumptions, and how the information could change if the assumptions do not occur as described
 - the volatility, certainty range or confidence interval associated with the information provided

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- If key information about the matter is considered indeterminable, disclosure of that fact and the reason for it
 - If significant loss of competitive advantage would result, disclosures of a general nature about the matter rather than specific details (see [paragraph 3.51](#)).
- 4.51 Depending on the nature of a matter, it may be appropriate to present it on its own in the integrated report or throughout in conjunction with different Content Elements.
- 4.52 Care is needed to avoid generic disclosures. Information is only included when it is of practical use in achieving the primary purpose of an integrated report as noted in [paragraph 1.7](#). This requires that disclosures be specific to the circumstances of the organization. Accordingly, the bulleted lists of examples and considerations with respect to each Content Element are not meant to be checklists of disclosures.

Characteristics of quantitative indicators

- 4.53 Quantitative indicators, such as KPIs, can help increase comparability and are particularly helpful in expressing and reporting against targets. Common characteristics of suitable quantitative indicators may include that they are:
- Relevant to the circumstances of the organization
 - Consistent with indicators used internally by those charged with governance
 - Connected (e.g., they display connectivity between financial and other information)
 - Focused on the matters identified by the organization's materiality determination process
 - Presented with the corresponding targets, forecasts or projections for two or more future periods
 - Presented for multiple periods (e.g., three or more periods) to provide an appreciation of trends
 - Presented against previously reported targets, forecasts or projections for the purpose of accountability
 - Consistent with generally accepted industry or regional benchmarks to provide a basis for comparison
 - Reported consistently over successive periods, regardless of whether the resulting trends and

comparisons are favourable or unfavourable

- Presented with qualitative information to provide context and improve meaningfulness. Relevant qualitative information includes an explanation of:
 - measurement methods and underlying assumptions
 - the reasons for significant variations from targets, trends or benchmarks, and why they are or are not expected to reoccur.

Disclosures about the capitals

- 4.54 Disclosures about the capitals, or a component of a capital:
- Are determined by their effects on the organization's ability to create value over time, rather than whether or not they are owned by the organization
 - Include the factors that affect their availability, quality and affordability and the organization's expectations of its ability to produce flows from them to meet future demand. This is particularly relevant with respect to capitals that are in limited supply, are non-renewable, and can affect the long term viability of an organization's business model.
- 4.55 When it is not practicable or meaningful to quantify significant movements in the capitals, qualitative disclosures are made to explain changes in the availability, quality or affordability of capitals as business inputs and how the organization increases, decreases or transforms them. It is not, however, necessary to quantify or describe the movements between each of the capitals for every matter disclosed.

Complexity, interdependencies and trade-offs

- 4.56 This Framework does not require an integrated report to provide an exhaustive account of all the complex interdependencies between the capitals such that an organization's net impact on the global stock of capitals could be tallied. It is important, however, that an integrated report disclose the interdependencies that are considered in determining its reporting boundary, and the important trade-offs that influence value creation over time, including trade-offs:
- Between capitals or between components of a capital (e.g., creating employment through an activity that negatively affects the environment)

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- Over time (e.g., choosing one course of action when another course would result in superior capital increment but not until a later period)
- Between capitals owned by the organization and those owned by others or not at all.

Time frames for short, medium and long term

- 4.57 The future time dimension to be considered in preparing and presenting an integrated report will typically be longer than for some other forms of reporting. The length of each time frame for short, medium and long term is decided by the organization with reference to its business and investment cycles, its strategies, and its key stakeholders' legitimate needs and interests. Accordingly, there is no set answer for establishing the length for each term.
- 4.58 Time frames differ by:
- Industry or sector (e.g., strategic objectives in the automobile industry typically cover two model-cycle terms, spanning between eight and ten years, whereas within the technology industry, time frames might be significantly shorter)
 - The nature of outcomes (e.g., some issues affecting natural or social and relationship capitals can be very long term in nature).
- 4.59 The length of each reporting time frame and the reason for such length might affect the nature of information disclosed in an integrated report. For example, because longer term matters are more likely to be more affected by uncertainty,

information about them may be more likely to be qualitative in nature, whereas information about shorter term matters may be better suited to quantification, or even monetization. However, it is not necessary to disclose the effects of a matter for each time frame.

Aggregation and disaggregation

- 4.60 Each organization determines the level of aggregation (e.g., by country, subsidiary, division, or site) at which to present information that is appropriate to its circumstances. This includes balancing the effort required to disaggregate (or aggregate) information against any added meaningfulness of information reported on a disaggregated (or aggregated) basis.
- 4.61 In some circumstances, aggregation of information can result in a significant loss of meaning and can also fail to highlight particularly strong or poor performance in specific areas. On the other hand, unnecessary disaggregation can result in clutter that adversely affects the ease of understanding the information.
- 4.62 The organization disaggregates (or aggregates) information to an appropriate level considering, in particular, how senior management and those charged with governance manage and oversee the organization and its operations. This commonly results in presenting information based on the business or geographical segments used for financial reporting purposes. (See also [paragraphs 4.21–4.22](#) regarding organizations with multiple business models.)

GLOSSARY

For the purpose of this Framework, unless stated otherwise, the following terms have the meanings attributed below:

1. *Business model*: An organization's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term.
2. *Capitals*: Stocks of value on which all organizations depend for their success as inputs to their business model, and which are increased, decreased or transformed through the organization's business activities and outputs. The capitals are categorized in this Framework as: financial, manufactured, intellectual, human, social and relationship, and natural.
3. *Content Elements*: The categories of information required to be included in an integrated report; the Content Elements, which are fundamentally linked to each other and are not mutually exclusive, are stated in the form of questions to be answered in a way that makes the relationships between them apparent.
4. *Guiding Principles*: The principles that underpin the preparation and presentation of an integrated report, informing the content of the report and how information is presented.
5. *Inputs*: The capitals (resources and relationships) that the organization draws upon for its business activities.
6. *Integrated report*: A concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term.
7. *Integrated Reporting <IR>*: A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.
8. *Integrated thinking*: The active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term.
9. *Material/materiality*: A matter is material if it could substantively affect the organization's ability to create value in the short, medium or long term.
10. *Outcomes*: The internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs.
11. *Outputs*: An organization's products and services, and any by-products and waste.
12. *Performance*: An organization's achievements relative to its strategic objectives, and its outcomes in terms of its effects on the capitals.
13. *Providers of financial capital*: Equity and debt holders and others who provide financial capital, both existing and potential, including lenders and other creditors. This includes the ultimate beneficiaries of investments, collective asset owners, and asset or fund managers.
14. *Reporting boundary*: The boundary within which matters are considered relevant for inclusion in an organization's integrated report.
15. *Stakeholder*: Those groups or individuals that can reasonably be expected to be significantly affected by an organization's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organization to create value over time. Stakeholders may include providers of financial capital, employees, customers, suppliers, business partners, local communities, NGOs, environmental groups, legislators, regulators, and policy-makers.
16. *Strategy*: Strategic objectives together with the strategies to achieve them.
17. *Those charged with governance*: The person(s) or organization(s) (e.g., the board of directors or a corporate trustee) with responsibility for overseeing the strategic direction of an organization and its obligations with respect to accountability and stewardship.
18. *Value Creation*: The process that results in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs.

APPENDIX – Summary of requirements

USING THE FRAMEWORK

- 1.15 *An integrated report should be a designated identifiable communication.*
- 1.18 *Any communication claiming to be an integrated report and referencing the Framework should apply all the requirements identified in bold italic type unless:*
- *The unavailability of reliable information or specific legal prohibitions results in an inability to disclose material information*
 - *Disclosure of material information would cause significant competitive harm.*
- 1.19 *In the case of the unavailability of reliable information or specific legal prohibitions, an integrated report should:*
- *Indicate the nature of the information that has been omitted*
 - *Explain the reason why it has been omitted*
 - *In the case of the unavailability of data, identify the steps being taken to obtain the information and the expected time frame for doing so.*
- 1.20 *An integrated report should include a statement from those charged with governance that includes:*
- *An acknowledgement of their responsibility to ensure the integrity of the integrated report*
 - *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*
- or, if it does not, it should explain:*
- *What role those charged with governance played in its preparation and presentation*
 - *What steps are being taken to include such a statement in future reports*
 - *The time frame for doing so, which should be no later than the organization's third integrated report that references this Framework.*

GUIDING PRINCIPLES

- 3.3 *An integrated report should provide insight into the organization's strategy, and how that relates to its ability to create value in the short, medium and long term and to its use of and effects on the capitals.*
- 3.6 *An integrated report should show a holistic picture of the combination, inter-relatedness and dependencies between the factors that affect the organization's ability to create value over time.*
- 3.10 *An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.*
- 3.17 *An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term.*
- 3.36 *An integrated report should be concise.*
- 3.39 *An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.*
- 3.54 *The information in an integrated report should be presented (a) on a basis that is consistent over time and, (b) in a way that enables comparison with other organizations to the extent it is material to the*

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organization's own ability to create value in the short, medium and long term.

CONTENT ELEMENTS

- 4.4 *An integrated report should answer the question: What does the organization do and what are the circumstances under which it operates?*
- 4.8 *An integrated report should answer the question: How does the organization's governance structure support its ability to create value in the short, medium and long term?*
- 4.10 *An integrated report should answer the question: What is the organization's business model?*
- 4.23 *An integrated report should answer the question: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?*
- 4.27 *An integrated report should answer the question: Where does the organization want to go and how does it intend to get there?*
- 4.30 *An integrated report should answer the question: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?*
- 4.34 *An integrated report should answer the question: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?*
- 4.40 *An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?*