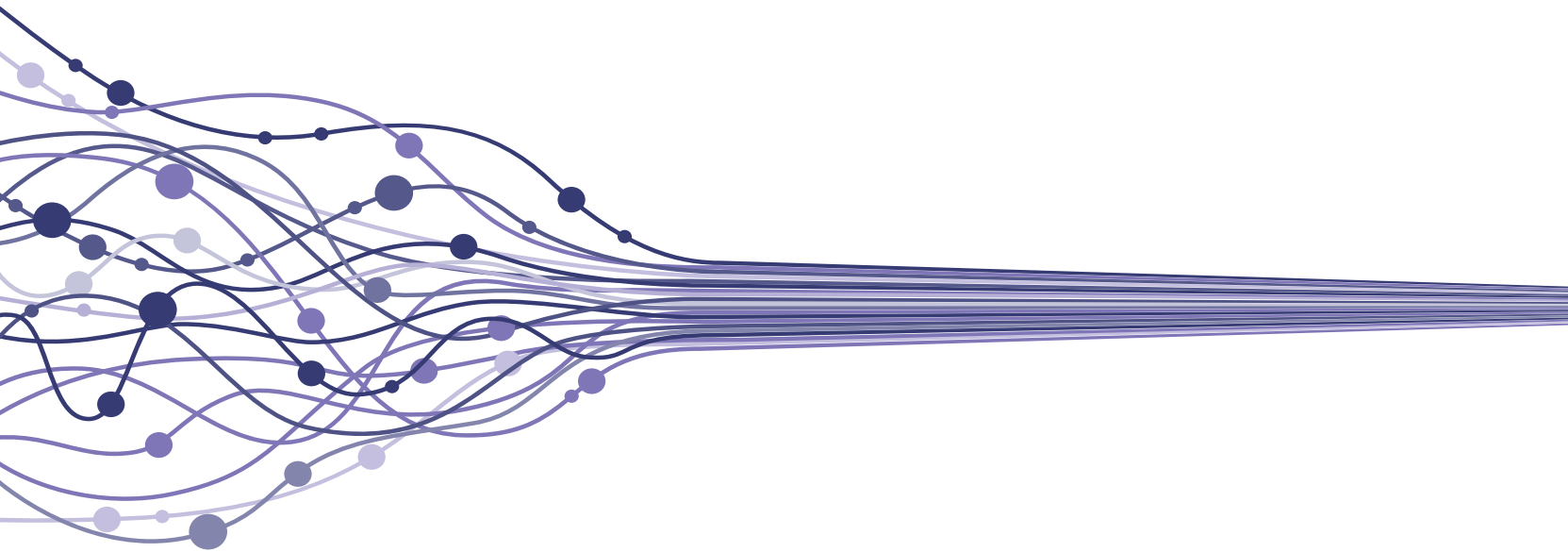


Tomorrow's Business Success

Using Integrated Reporting to help create value
and effectively tell the full story

A guide for Chairmen, CEOs and CFOs



Chartered Institute of
Management Accountants

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INTEGRATED REPORTING <IR>

"<IR> gives an opportunity to clearly communicate your strategic message – what is our business model?, how do we create value?, what is our relationship with a broad view of stakeholders? and critically why is our business model sustainable in the long term?... and we think this is a question that a number of users are challenging corporates to be able to answer."

Russell Picot, chief accounting officer, HSBC

"The distinction between reporting on value creation and creating value is an important one. Better reporting leads to better understanding which should lead to better value creation." *Alan Stewart, chief finance officer, M&S*

"In an era of weak global economies and instable markets, companies need to be great at telling their equity story in ways that capture how they create value for the long term. And this means information beyond what passes through the books."

Susanne Stormer, vice president, corporate sustainability at Novo Nordisk

"Integrated Reporting will only deliver if there is a sensible organisation structure. I have experienced several company reorganisations that have been transformational, with an effective enterprise resource planning system, but only because the organisation structure was right and management were accountable and competent." *Ken Hydon, fellow of the Chartered Institute of Management Accountants and non-executive director of three FTSE companies*

"Economic value is a forward and not a backward looking concept and rarely are reporting frameworks prepared to grasp this nettle. Management should use the opportunity through the <IR> Framework to provide its view of the future (qualitative and quantitative) and then be prepared to be held accountable in the future as to the outturn against previous projections of value creation." *Ken Lever, chief executive, Xchanging*

"Integrated Reporting, or <IR>, enables companies to set out how they create value and can provide the shared language which enables boards, business executives and investors to more effectively engage to unlock future wealth." *Dominic Barton, global managing director, McKinsey*

"Integrated Reporting facilitates a holistic approach to management; combining financial data with environmental, social, governance and other issues to inform corporate strategy which is why it is relevant to C-level executives."

David Blood, senior partner, and managing partner at Generation Investment Management LLP

The challenges...

Why would a company not want to be trusted?

Why would a company not want to be able to better connect the drivers of value across the business and break down internal silos so that they can better identify key risks and make better decisions to ensure that their business model remains resilient?

Why would a company not want to find a better way to communicate to everyone how value is created so that they can build a deeper understanding and a richer dialogue with investors and other stakeholders?

The goal of a company is to create and sustain value in the short, medium and long term but there is an incessant focus on the short term.

Businesses are the engines of value creation. It is through their global footprint and innovative capabilities that many of the challenges we face as a global society will be addressed. And they do this in the context of an increasingly interdependent, volatile, uncertain, complex and ambiguous business environment and one in which trust in businesses is low. If businesses are not making, and seen to be making, a positive contribution to the societies of which they are a part then they will lose trust and value as a result.

But this is also a context where there are huge opportunities to create value through being able to connect and integrate the numerous sources and drivers of value both tangible and intangible. Over the last 30 years there has been a shift in macroeconomic value to a position now where most of the market value of companies lies in intangible assets. Yet many of the practices and processes that account for a company's assets do not reflect this shift.

Increasingly, businesses are expected to report not just on profit but on their impact on the wider economy, society and the environment. There are numerous other reporting requirements, guidelines and standards in place – but none operate across the breadth of the business and its external context.

How Integrated Reporting <IR> helps meet these challenges

<IR> can be regarded as just another reporting convention or a different way to meet growing compliance requirements.

But <IR> is far more than just a reporting framework. It helps a company:

- **create value** – by better understanding and connecting the disparate sources and drivers of long-term value to enable better strategy formulation, decision making and implementation through their business model
- **tell the story** – of how value is created more effectively, both internally and externally, in a succinct way in order to win trust and secure reputation by encouraging better relationships with investors, employees and other stakeholders.

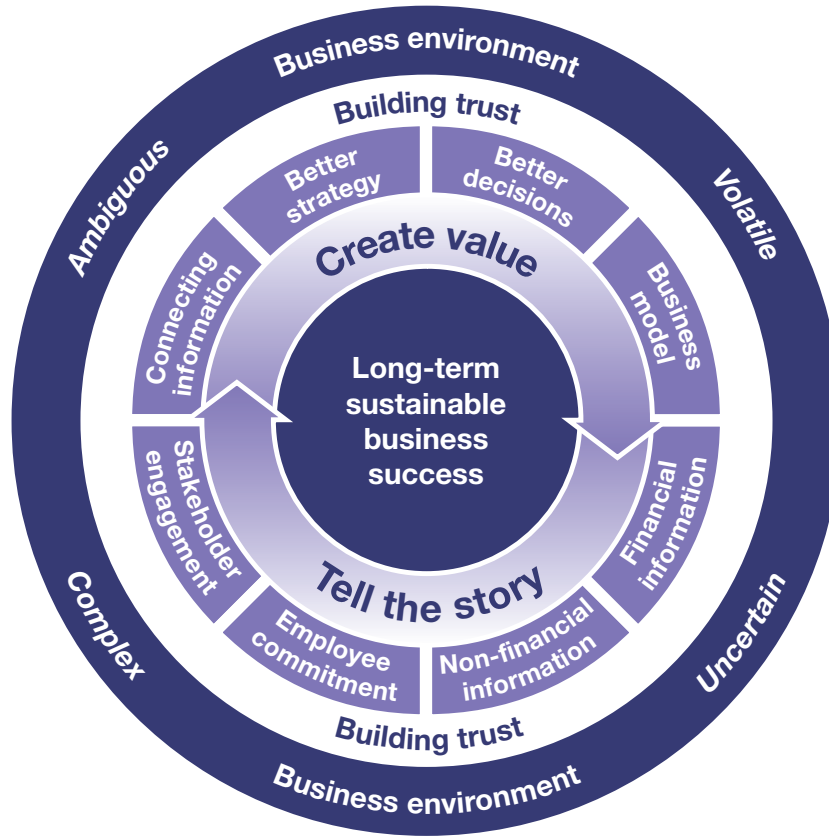
Many companies are already doing the above well – so their reporting aligns well with <IR>.

<IR> provides an umbrella under which other reporting requirements and existing information can be brought together. It provides a framework to help companies engage more effectively with all its key relationships and reflects a shift from a static approach to reporting to a two-way process that seeks continuous improvement.

In short, <IR> helps a business deliver long-term sustainable business success in today's challenging business environment and is at the forefront of innovation and excellence in corporate governance.

<IR> is a process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation over time and related communications regarding aspects of value creation. An integrated report is a concise communication about how an organisation'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.

(The International <IR> Framework is available at <http://www.theiirc.org/international-ir-framework/>)



The full guide can be found at:
tomorrowsbusinesssuccess.com

Enclosed in this document is a 'tool-kit' designed for chairmen, CEOs and CFOs.

It is designed to inform and stimulate a discussion about how <IR> can help the organisation create value and more effectively tell the story.

This document and the full guide and its associated tool-kit were produced by Tomorrow's Company with the valuable and significant support of CIMA and was commissioned and co-funded by CIMA and the IIRC.

For further information visit:

tomorrowsbusinesssuccess.com

To help further, the following documents provide more detail about Integrated Reporting and the experience of companies that have implemented it:

- **The International Integrated Reporting Framework**
available at: <http://www.theiirc.org/international-ir-framework/>
- **IIRC Programmes**
available at: <http://www.theiirc.org/companies-and-investors/>

Further information can also be found at:

www.cimaglobal.com/integratedreporting



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success to build lasting value