

December 2, 2016

Memorandum

To: Members of the Board

Ross Simms

From: Ross Simms, Assistant Director

Wendy M. Payne

Through: Wendy M. Payne, Executive Director

Subj: Integrated Reporting in the Public Sector—**Tab A-1**¹

MEMBER ACTIONS REQUESTED:

- This is educational material. If you have questions before the meeting, please contact me.

MEETING OBJECTIVES

The objective is to provide background materials regarding Integrated Reporting (<IR>) in the public sector.

BRIEFING MATERIAL

The briefing material includes this memorandum and the following attachments:

Attachment I: Integrated Reporting and Public Sector Organizations: Issues for Consideration provides background information on <IR> and its relevance to the public sector.

Attachment II: Integrated Thinking and Reporting, Focusing on Value Creation in the Public Sector: An Introduction for Leaders discusses how <IR> could assist public sector reporting and provides case studies of entities implementing <IR>.

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

BACKGROUND

The Board has proposed conceptual guidance for federal financial reporting and has initiated a performance reporting research project. The conceptual guidance discusses users need for different types of information, financial and non-financial, and the Board's research indicated users need for information on performance results. In addition, earlier concepts explain how the information need for financial reporting may be derived from a variety of sources, including separately issued reports.² However, the concepts do not suggest simply combining the various items of information into a single document. Instead, the concepts indicate that the presentation "...assist users in understanding the relationships among the information presented."³ Thus, a process that focuses on connecting disparate sources and items of information might facilitate the notions discussed in the Board's concepts.

<IR> appears to involve a process that focuses on linking different sources and items of information and a concise report is the end product. The concept arose in response to users' need for more relevant and concise narrative reporting and greater alignment with strategy, risks, and key performance indicators.⁴ Attachment I: *Integrated Reporting and Public Sector Organizations: Issues for Consideration* provides background information on <IR> and notes what <IR> may mean for public sector entities.

In addition, Attachment I acknowledges that while public sector entities are providing a range of non-financial performance information, they are faced with the challenge of understanding and clarifying the connectivity of the information. During the Board's reporting model research, experts discussed users' need for non-financial performance information and the experts noted, essentially, the need to connect items of information and drill-down from highly aggregated data to lower levels of detail.

Attachment II: *Integrated Thinking and Reporting, Focusing on Value Creation in the Public Sector: An Introduction for Leaders* provides some additional background information on <IR> , discusses how <IR> could assist public sector reporting, and provides case studies of entities implementing <IR> . As discussed in Attachment II, public sector entities adopting <IR> could present an integrated presentation of their entity rather than producing standalone reports addressing isolated issues. Also, the <IR> framework permits flexibility. The framework discusses principles and does not prescribe specific performance measures.

² Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting* and SFFAC 3, *Management's Discussion and Analysis*.

³ Exposure Draft Statement of Federal Financial Accounting Concepts, *Federal Financial Reporting*, September 29, 2016.

⁴ Association of Chartered Certified Accountants, International Association for Accounting Education and Research, and International Integrated Reporting Council, and *Factors Affecting Preparers' and Auditors Judgments about Materiality and Conciseness in Integrated Reporting*

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Integrated Reporting and Public Sector Organisations

Issues for Consideration

July 2013

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications are the foundation for a career in public finance. They include the benchmark professional qualification for public sector accountants as well as a postgraduate diploma for people already working in leadership positions. They are taught by our in-house CIPFA Education and Training Centre as well as other places of learning around the world.

We also champion high performance in public services, translating our experience and insight into clear advice and practical services. They include information and guidance, courses and conferences, property and asset management solutions, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance public finance and support better public services.

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Summary

Integrated Reporting brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the economic, social and environmental context within which it operates. It aims to provide a clear and concise representation of the organization's stewardship and how it creates and sustains value. This paper considers the relevance of integrated reporting to the public sector. It has been developed by CIPFA with input on behalf of IPSASB from John Stanford and a brief review by Jeanine Poggiolini.

Integrated reporting spans financial and non-financial information and draws on existing reporting including: financial reporting, narrative reporting, governance and remuneration, and sustainability reporting. Its benefits are expected to include improved effectiveness and efficiency through a more rounded understanding of an organization's activities and its impact.

Work is needed to consider the applicability in the public sector perspective of integrated reporting. This should include consideration of the ongoing work of the IIRC in developing the Framework as well as identifying points of potential difference if integrated reporting principles are to be applied to public sector entities. These include:

- The nature of public sector accountability
- The role of taxpayers
- The intergenerational financing of services
- Diversity of accounting and reporting approaches including the application of accrual accounting.

Public sector entities already publish a wide range of data on their non-financial impacts and performance. One of the key challenges is for public sector organisations to understand and clarify the connectivity of all of this information.

The paper considers what 'value' means in the context of public wellbeing and public sector goals, as well as further development of the six 'capitals' described in the IIRC consultation draft of the international <IR> framework (see diagram later in this paper).

Views are split on whether public sector entities that have not adopted accrual accounting need to do so before attempting to take on integrated reporting. Some consider that integrated reporting can be applied where accrual accounting is absent, where appropriate and robust management information is available. Others consider that it could distract from the need to strengthen public financial management through adopting accrual accounting.

A series of questions is included in Section 4 of this paper to stimulate discussion. The Appendix summarises comments made in response to these questions by representatives of a range of public sector organisations at a roundtable discussion (in October 2012) and workshops (in June 2013) held by the International Integrated Reporting Council (IIRC) and the UK Consultative Committee of Accounting Bodies (CCAB), hosted by CIPFA.

1 What is Integrated Reporting?

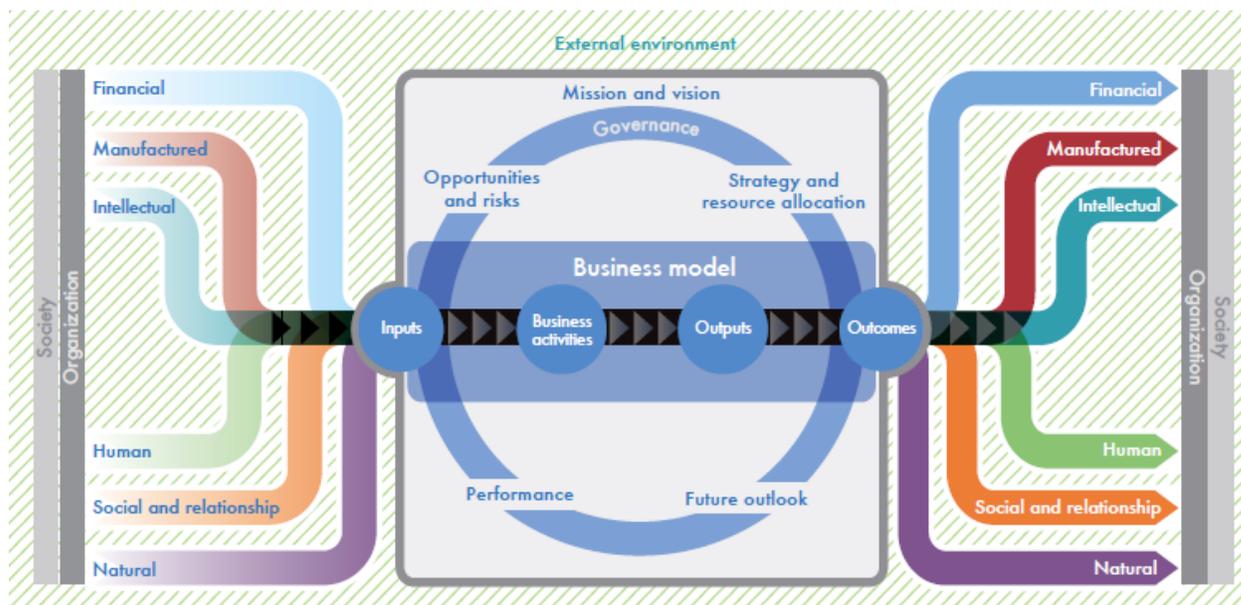
'An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term.'

Source IIRC website: www.theiirc.org

- 1.1 The main focus of the IIRC is currently on corporate reporting and investors, although the consultation draft of international <IR> framework does also recognise its potential wider application: 'The Framework is intended primarily for application by private sector, for profit companies of any size but can also be applied, adapted as necessary, by public sector and not-for-profit organizations'¹.
- 1.2 Part of the argument for integrated reporting is that while reporting continues to grow in complexity, it fails to fully capture the value created by an organisation's activities. Integrated reporting seeks to address this by bringing together diverse but currently disconnected strands of reporting into a coherent integrated whole.
- 1.3 Integrated reporting spans financial and non-financial information, and connects strategy and planning with information on governance, key drivers, risk, change, performance and impact. It draws on areas covered in existing reporting including:
 - Financial reporting
 - Narrative reporting
 - Governance and remuneration
 - Sustainability reporting
- 1.4 The goal is a more coherent and integrated explanation of an organisation's ability to create and sustain value. The benefits resulting from this process are expected to include improved effectiveness and efficiency through a more rounded understanding of an organization's activities and its impact.
- 1.5 Integrated reporting builds, in part, on the work already undertaken in the field of sustainability reporting, but should not be confused with it. It is not simply about adding sustainability reporting into the mix. It draws on various developments including:
 - Global convergence of accounting standards
 - Sustainability reporting guidance including sector specific guidance
 - Non-financial reporting methodologies
 - Discourse on the evolving nature of financial reporting
 - Existing work done on integrated reporting including reporting requirements introduced in South Africa

¹ IIRC (2013) *Consultation draft of the international <IR> framework*. Available at: <http://www.theiirc.org/consultationdraft2013/>

- 1.6 A key element of the integrated reporting approach is the reporting organisation's creation of 'value' through its use of a number of 'capitals' (financial, manufactured, intellectual, human, social and relationship, and natural). Integrated reporting seeks to clarify the relationships between the six capitals, the organisation's business model, external factors and strategic thinking, in understanding how the capitals are used by the organisation as well as how these capitals, the business and society are impacted through the process of value creation.



Source: IIRC (2013) Consultation draft of the international <IR> framework

- 1.7 The earlier IIRC discussion paper (published in 2011)² highlights a number of areas where integrated reporting is expected to challenge current practice:
- **Thinking** - Integrated Reporting supports thinking outside of silos and recognises the complexity of an organisation's value creation process.
 - **Stewardship** - An Integrated Report provides information on an organisation's accountability not only for financial capital, but also of the other 'capitals' (manufactured, human, intellectual, natural and social).
 - **Focus** - An Integrated Report connects past performance and financial risks with an organisation's strategic objectives and its ability to create and sustain value in the future, thereby providing a more complete perspective.
 - **Timeframe** - Integrated Reporting factors in short, medium and long term considerations, avoiding an excessively short term perspective.
 - **Trust** - Integrated Reporting emphasises transparency, covering a broad range of

² IIRC (2011) Towards integrated reporting: Communicating value in the 21st Century: www.theiirc.org/resources-2/discussion-paper

issues and disclosing both positive and negative information.

- **Adaptive** - Integrated Reporting promotes a principles-based approach with an emphasis on an organisation identifying what is material to its particular sector and activities.
- **Concise** – By focusing on only the most material information, Integrated Reporting aims to be concise, clear and readily understandable. The prospect is a more accessible report that clarifies key aspects and activities.
- **Technology enabled** – Integrated Reporting seeks to take advantage of new and emerging technologies to link information within the integrated report and to facilitate access to further detail online.

2 Public Sector Differences

- 2.1 There are important differences between public sector and private sector organisations that need to be taken into account when developing a framework for integrated reporting for public service organisations. A number of these are discussed below.
- 2.2 The International Public Sector Accounting Standards Board (IPSASB) Exposure Draft document: *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting*³ highlights a number of characteristics that distinguish the public sector from the private sector and, in particular, investor owned businesses. The characteristics identified are:
- The volume and financial significance of non-exchange transactions, including taxation and other non-exchange transfers and the provision of goods and services in a non-market or limited-market environment;
 - The importance of the budget as, effectively, a primary financial report;
 - The nature of property, plant, and equipment;
 - Responsibility for national and local heritage;
 - The longevity of the public sector;
 - The regulatory role of government;
 - Ownership or control of rights to natural resources and phenomena; and
 - Statistical bases of accounting.
- 2.3 A number of issues arising from these key characteristics are relevant to integrated reporting. These include:
- The nature of public sector accountability
 - The role of taxpayers
 - The intergenerational financing of services
 - Diversity of accounting and reporting approaches including the application of accrual accounting.

Accountability

- 2.4 Public sector organisations are required to work in the public interest. That means being accountable to a very wide range of stakeholders including taxpayers and users of services. Given the nature of public services, users will frequently encompass all citizens. There is even an accountability obligation to future generations of citizens who may hope to inherit well maintained services and well managed public finances.
- 2.5 There is a crucial additional political dimension to public sector and public service organisations when considering accountability. Public sector bodies are continuously required to demonstrate not just that they use resources efficiently and effectively, but also that they maintain the highest standards of probity.

³ For more information see IPSASB (2011) *Key Characteristics of the Public Sector with Potential Implications for Financial Reporting*. Website: <http://www.ifac.org/publications-resources/key-characteristics-public-sector-potential-implications-financial-reporting>

- 2.6 Views on fairness and ethics play an important part in debates on public policy, public service delivery and the allocation of and access to resources. There is an increasing expectation of openness and transparency, particularly around how and by whom decisions are taken.

Taxpayers rather than investors bearing financial risk

- 2.7 Public sector organisations depend upon the general consent of taxpayers to pay their taxes in order to fund services. Accountability is therefore strongly linked to ensuring value for money, effective delivery and in maintaining taxpayers' confidence in financial management.
- 2.8 The financial risks faced by public sector organisations can include risk of failure of national or local public services and also the failure of civil society organisations supported by government agencies. Over recent years, a number of governments and international institutions have played a crucial role in supporting private sector financial institutions, with additional financial risk to the taxpayer. This reinforces the importance of public sector accountability and transparency in the management of public money.

Intergenerational financing of services

- 2.9 Current government spending must be financed by either taxation or borrowing. Borrowing imposes a burden on future taxpayers and service users either in the form of taxation to finance accumulated deficits or a reduction in the volume and/or quality of public goods and services provided or both.
- 2.10 There is therefore a need for information on the long-term impacts of decisions that have been made at the reporting date, but may not be fully reflected in the financial statements.

Diversity of accounting and reporting approaches including the application of accrual accounting

- 2.11 Accrual accounting has been adopted by some governments in recent decades, but many other countries still account on a cash basis. There has been a move towards global convergence of the financial reporting standards applied to investor owned businesses, and there is a growing list of countries that have implemented or plan to implement International Public Sector Accounting Standards (IPSASs). Yet, there is still considerable variation between countries in terms of public sector accounting and reporting practices.

3 What does this mean for Integrated Reporting in the Public Sector?

- 3.1 Generally current reports tell us little about how well a public service organisation is equipped to meet the challenges ahead and continue meeting its obligations in terms of delivering services and supporting communities.
- 3.2 In addition there is currently no requirement for a single published document which pulls together all the various aspects of a public sector entity's activities, or interprets for users what all of the information currently reported by public service organisations means holistically. Furthermore, there is an extent to which public sector reporting frequently lives in the shadow of the budget. In the public sector, the budget is usually a public document setting out the organization's plans for the provision of services and/or regulatory activities and their funding. In many parts of the world it is the subject of extensive and sometimes heated public debate, often including the consideration of alternative plans and proposals put forward by political parties in opposition. The adoption of integrated reporting may provide a way of increasing interest and engagement in other aspects of reporting beyond the budget.
- 3.3 The IPSASB's recent work on its Conceptual Framework and on projects on long-term fiscal sustainability and reporting service performance reinforces the view that general purpose financial statements cannot satisfy all the needs of users in assessing the efficiency and effectiveness and future viability of programs providing social benefits.⁴
- 3.4 Furthermore the IFAC Sustainability Framework⁵ identifies a key role for the accountancy profession in: challenging conventional assumptions, integrating sustainability issues, redefining success, establishing appropriate performance goals and targets and ensuring the necessary information, analysis and insights are available to support decision making.
- 3.5 Integrated reporting provides a way for public service organisations to enhance their strategic planning and consider the long term fiscal (as well as social and environmental) sustainability of the organisation. Organisations need to understand likely future risks and drivers and identify their options in order to be equipped to respond to and manage change.
- 3.6 Integrated reporting also offers an opportunity to consider and review the interconnectedness of complex multi-service delivery and to clarify goals and identify preferred outcomes within the wider context of promoting public wellbeing. The question of at what level to apply integrated reporting is of relevance here.

⁴ IPSASB (2011) ED46 Recommended Practice Guideline, Reporting on the long term sustainability of public finances. Available at: <http://www.ifac.org/public-sector/projects/reporting-long-term-sustainability-public-finances> and Consultation Paper (2011), Reporting service performance. Available at:

⁵ IFAC (2011) Sustainability framework 2.0. Available at: www.ifac.org/publications-resources/ifac-sustainability-framework-20

- 3.7 Should integrated reporting focus on those government bodies engaged in shaping policy and service choices rather than the individual entities (internal or external) commissioned to deliver specific services for specific periods? If this is the case then perhaps integrated reporting has firstly to be embraced at whole of government level and then taken to the entity level through the various intermediate levels of government.
- 3.8 Public bodies already disclose a great deal of information and produce a multitude of reports for different service areas and activities. Integrated reporting can draw on this material and the expertise already developed by public service organisations in this area. It has the potential to provide a way of giving citizens and other users of public entity reports a single place where they can gain a more complete and holistic picture of the organisation and its performance across a range of dimensions. Key to this approach is providing transparent information which is contextualised as opposed to simply providing data without context. The objectives of public sector organisations are clearly different from investor owned business objectives and, as already mentioned in respect of IPSASB's work, there is already recognition in accounting of differences between public and private sectors.
- 3.9 There is also recognition of differences in non-financial reporting. Global Reporting Initiative (GRI) who produce sustainability reporting guidelines, for example, have produced a sector supplement for public agencies⁶ which seeks to address aspects of public service difference.
- 3.10 What needs further discussion, however, is which differences matter in relation to applying integrated reporting and to what extent these differences affect the scope and structure of integrated reporting in public service organisations.

When should integrated reporting be applied?

- 3.11 A number of points need to be considered in deciding when to apply integrated reporting in the public sector.
- 3.12 There is an argument that public sector entities that have not adopted accrual accounting need to do so before attempting to take on integrated reporting. Connected to that is the need to ensure that robust performance management systems are in place. Without accrual accounting and sound performance reporting, the financial and non-financial pieces of the integrated jigsaw will be incomplete.
- 3.13 However there is also a counter view that there are users for integrated reports even if accrual accounting has not been implemented provided that appropriate and robust management information is available. Many governments who apply cash or a modified version of cash or accrual accounting, also produce performance information on service delivery and other achievements, albeit that without accrual accounting certain costs may not be available.

⁶ GRI (2005) Sector supplement. For public agencies Pilot Version 1.0. Available from GRI; email: guidelines@globalreporting.org

- 3.14 Consideration also needs to be given to the existing reporting commitments of particular public sector entities. Existing commitments and content must be taken account of in deciding on both the form and content as well as when it would be appropriate to introduce integrated reporting.
- 3.15 In addition, in the longer term, the question of whether integrated reporting is voluntary or mandatory is relevant. If it is voluntary then the decision of when to apply integrated reporting remains to some extent with the particular public entity. They would need to decide if it is the right time for them to adopt it. Furthermore it is likely that local legislative requirements would also impact on this.

Next steps?

- 3.16 Work is needed on developing a public sector perspective on integrated reporting. This includes consideration of the ongoing work of the IIRC in developing the Framework as well as identifying points of potential difference in applying integrated reporting to public sector entities.
- 3.17 Although the six 'capitals' approach (see diagram earlier in this paper) described in the IIRC consultation draft framework appears to be a helpful way of thinking about how an integrated report might be constructed, it would require further development for use in the public sector. In particular, there may be significant measurement and reporting issues arising from attempting to usefully report on an entity's use of and impact on 'natural' and 'social and relationship' capitals. It also includes consideration of what is meant by 'value' and value creation in the context of public wellbeing and public service goals.
- 3.18 As already mentioned in this paper, we should also recognise that public sector entities do already publish a wide range of data on their non-financial impacts and performance. One of the challenges arising from this is for public service organisations to understand and clarify the connectivity of all of this information.
- 3.19 The next section sets out a number of questions with the aim of stimulating further discourse on this subject.

4 Discussion Issues

The following is not an exhaustive list, but is offered as a starting point for further discussion and development of a public sector approach to integrated reporting.

4.1 Relevance to public sector

- 1 How do the objectives of integrated reporting fit or contrast with other types of public sector reporting?
- 2 Who would be the users of integrated reports produced by public sector organisations?
- 3 Are all the components of the proposed integrated framework relevant to the public sector?
- 4 Can an integrated report provide a complete and balanced view of a complex multi-service organisation?
- 5 Could integrated reporting be designed to ensure that all relevant material information is included and properly disclosed?

4.2 Approach if applied to the public sector

- 6 What are the fundamental differences between public and private sector entities that would need to be taken into account in developing integrated reporting for public service organisations?
- 7 Would there need to be a different balance between financial and non-financial information and quantitative and qualitative information?
- 8 At what level or levels of public sector should integrated reporting be applied; e.g. individual public service organisations, and/or local, regional or central government departments and/or central government level?
- 9 Would 'value' creation mean something different in public service organisations compared to investor owned businesses?
- 10 If so, would these and other terms (such as 'capital') used in integrated reporting, need to be redefined in relation to the context of public sector goals and characteristics?
- 11 Is accrual accounting a prerequisite for integrated reporting by public sector organisations?

4.3 Accountability issues

- 12 To what extent is there a need for comparability of information supplied in an integrated report between organisations or services?
- 13 Should integrated reporting be on an annual basis or are there more appropriate reporting cycles which better reflect specific services, activities and outcomes analysis?
- 14 What are the challenges in reporting on outcomes that are dependent on the actions of more than one reporting entity and how can they be addressed?
- 15 Is an internationally agreed good governance code for public service organisations a necessary requirement for developing integrated reporting for the public sector?
- 16 Should independent assurance be a requirement for integrated reporting and if so what shape should that assurance take?

Summary of key points raised during the IR roundtable in October 2012 and workshop discussions in June 2013

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
<p>Relevance to public sector</p> <p>1 How do the objectives of integrated reporting fit or contrast with other types of public sector reporting?</p>	<p>There was general agreement that the principles were relevant to the public sector.</p> <p>The financial statements of public sector bodies can be difficult to understand – something that brings together financial and performance information is needed.</p> <p>Positives for integrated reporting are that it can help the transparency agenda and can encourage integrated thinking by developing skills and competence.</p> <p>The principles are ‘just good business’ and therefore would underpin how an effective public sector organisation works.</p>
<p>2 Who would be the users of integrated reports produced by public sector organisations?</p>	<p>The information provided should be able to be used to inform electorates but there is a question as to how achievable this is.</p> <p>Public sector organisations need to demonstrate clearly for stakeholders how efficiently they have used the resources they were given or earned. Stakeholders include government, donors of material funds, investors and the general public. Each of these stakeholders having differing information needs, different levels of understanding and ability to understand the information in an IR. Therefore the reporting body must understand the needs of its potential users. This understanding might be more diverse than that required for the investor.</p> <p>The current financial statements issued by many public sector organisations are generally complicated for non-accountants to use. The use of summary financial statements may be a suitable</p>

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<p>alternative.</p> <p>There is a need to step back and consider:</p> <ul style="list-style-type: none"> ▪ Who is the audience for the accounts? ▪ Be aware of the politics ▪ How to bring together all things mandated? <p>There is a need to consider what stakeholders will do with the information – how will they drive value? In considering this, need to define who / what stakeholders, and what values – and move people there.</p> <p>How to make it something that is embedded?</p> <p>Information needs to drive changes in behaviour. What do business managers need? We need to get past what they want to know to what they need to know. Systems are key, and investment will be needed.</p> <p>There is a risk that the commitment to integrated reporting could change as political pressures change. To avoid this, integrated reporting needs to be embedded by providing information that managers want to manage their business.</p> <p>The 'Anytown taxpayer' might ask "...do I understand what is going on from the existing information provided?" The current position is a patchwork of lots of bits of stories and a focus on the current year as opposed to the long term strategy, goals and objectives and performance linked to these.</p> <p>Stewardship has to include sustainability, governance, environment and economic development, and so on in order to provide a clearer picture.</p> <p>The taxpayer should have a clearer picture of the broader view of what government does locally and nationally and what the choices are going forward regarding services, etc.</p>

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<p>In terms of the relationship between central and local government, the potential benefits for, say, DCLG include: improved local accountability and transparency, an approach to reporting which could support localism. But linked to this are the questions regarding how you do this in a way that makes information accessible and useful to stakeholders and without introducing additional bureaucracy. Experience to date suggests that the audience may not be a big challenge when compiling the <IR> report. However the process underneath the report can be much more complex than the resulting report.</p>
<p>3 Are all the components of the proposed integrated framework of relevance to the public sector?</p>	<p>To operate efficiently public sector organisations need access to the information that would be required by IR and to have a strategic focus which consider the future approach and performance of the organisation. An effective integrated reporting approach should therefore assist with the efficient use of resources.</p> <p>However, how relevant is IR where a high level of ongoing organisational change is likely and where those involved in running the organisation do not control the future shape of organisation?</p> <p>The approach can be to take the general concepts of <IR> and apply to the particular context of the public service organisation, its goals and objectives.</p> <p>The organisation can decide which elements are more important but without all of content it may cease to be the whole story.</p> <p>Accountability is strong driver of public sector reporting, but in the current austerity climate many tough decisions are needed in respect of future services. So IR needs to address the future as well as the linkages between the different parts of the organisation and its various activities and services.</p>

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
<p>4 Can an integrated report provide a complete and balanced view of a complex multi-service organisation?</p>	<p>There is a tendency to measure what can be measured rather than what is required. There will be a lot of information to fit into a relatively short report and if this isn't done well, politicians may lose interest. In local authorities, councillors often relate to the smaller figures more easily than the larger figures.</p> <p>Not all the answers are available in the financial statements that would be required for reporting forward looking information under an IR reporting framework. Information provided by economists would be essential to set out the resources issues for future public service entities. An example cited was property market information.</p> <p>Not easy in the current environment to predict future resource issues</p> <p>The advantages of integrated reporting would be:</p> <ul style="list-style-type: none"> ▪ Focus on the long term rather than the short term (move away from election cycles) ▪ Governance and accountability <p>A summarised document, signposting key information in, for example, the financial statements would be of benefit.</p> <p>A challenge for integrated reporting would be to remove the political bias.</p> <p>Organisations often don't understand the links between finance and performance; there is weak understanding of costs and cost drivers in the public sector. This is exacerbated by the fact that value is a more complex concept in the public sector and the strategic focus can change overnight with a change of minister or government.</p> <p>To deliver more integrated reporting (and other reporting such as balanced scorecards), some organisations are developing more expert functions that can produce combined financial management information and data analysis, drawing on information from various sources.</p>

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<p>Most if not all the existing documents and reports do not provide the whole picture. This is where integrated reporting fits, in terms of providing a more balanced and complete picture and including an assessment of relevant future changes and strategies addressing these. Also the idea of 'value creation' goes beyond basic reporting models. One of the pilot examples, for instance, has taken elements of their existing financial reports and sustainability reports and combined the information in an integrated report. It involves connecting the dots.</p> <p>A major benefit could be the pulling together of information which currently is often seen in isolation and so only provides a partial view of the organisation's performance. Also, there may be potential to streamline reporting as part of process of pulling information together in one report.</p> <p>Central to this is how to make use IR as a catalyst to check on what is already there and what is actually needed. There is a real benefit from revisiting existing reporting and reviewing current reporting commitments and identifying scope for streamlining and focusing future reporting.</p> <p>IR should link with all of the existing reporting. IFAC work on governance, for example, fits well with aspects of <IR>.</p>
<p>5 Could integrated reporting be designed to ensure that all relevant material information is included and properly disclosed?</p>	<p>An integrated team will be required to promote integrated thinking. This would need a strategic focus and would need to make judgement calls to produce balanced and objective reports.</p> <p>The building blocks to a future IR were considered to be in the 'front end' of the Annual Report in the business or operating review or the management commentary on the financial statements. The focus of these is particularly important for the public sector as the nature of public sector organisations being budget driven means that for an IR report the emphasis would be on the forward looking nature of the information requirements rather than outturn. This was a matter of</p>

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<p>emphasis as there was a vital role in reported information providing the starting point for the future aspirations of an entity.</p> <p>There was a debate about whether the framework should be principles based or provide a template</p> <p>Use of e.g. risk registers and mitigations could be made more transparent as part of IR. However there is a fear of misuse, and could end up with a 'private' version, or the risk register being worded so that it is not informative.</p> <p>Keep in mind that the <IR> conceptual framework is principles based and is not intended to provide detailed guidance. This allows for organisations to interpret the framework within the parameters set by the guiding principles.</p>
<p>Approach if applied to public sector</p> <p>6 What are the fundamental differences between public and private sector entities that would need to be taken into account in developing integrated reporting for public service organisations?</p>	<p>The political dimension and the pressure this creates.</p> <p>The nature of resource allocation in the public sector meant that it was vitally important that systems and information were developed that would identify the resource issues for the public sector in the future. For example, understanding the nature of demographic change and the other needs evolving for public services were essential to ensure the equity of resource distribution and maintain intergenerational equity of this distribution. Whole of Government Accounts provide an essential starting point or baseline for this process.</p> <p>Central government reports on whether objectives have been achieved or not achieved. This is more difficult in the longer term. Objectives can be non-quantifiable especially if there is no financial outcome or behavioural change.</p> <p>Necessary for public sector reports to emphasise the stewardship functions for the organisations in question.</p>

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<p>There is a multiplicity of stakeholders across the public sector. How will they identify benefits? Targeting investors is fine for the private sector but how applicable would this be for the public sector?</p> <p>The public sector already undertakes a substantial amount and variety of reporting and perhaps IR can assist in integrating that information to present a more complete picture while avoiding duplication and additional resource costs.</p> <p>There are differing drivers within public sector and they need carefully considering within the context of IR</p> <p>There are differences in stakeholder relationships and the breadth of stakeholders responsible to. This needs to be recognised and assessed for their impact on the IR model.</p> <p>The role of the budget in the public sector as, in effect, a primary financial statement and one that undergoes considerable public scrutiny needs to be considered. Main public and stakeholder interest is in budget projections rather than accounts.</p> <p>Much information is now provided through Freedom of Information requests; more focused and more quickly</p> <p>It is an opportunity to use information already generated and make better use of it in producing a more complete picture and improving decision making. This needs to be done in a way that recognises the existing economic climate and constrained budgets. It has to deliver real benefits while also recognising that there will be some resource requirements.</p> <p>A potential benefit would be achieving greater goal congruence between management and those engaged in the governance of the organisation. <IR> could provide management and the governing body with an agreed common understanding of the organisation, what it does, how it is performing and where it hopes to be in, say, ten years.</p> <p>The principles of the IR framework can be applied and adapted for</p>

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	private, public and third sectors. To some extent, public sector issues are linked to IFRS reporting requirements which are considerable.
<p>7 Will there need to be a different balance between financial and non-financial information and quantitative and qualitative information?</p>	<p>Technology such as the iPhone has seen changes in how people access information. Short presentations rather than large documents are likely to be the preferred option. Integrated reporting needs to be different and less dense than financial statements or annual reports.</p> <p>In the 1980s annual reports included substantial narrative and financial elements. Annual accounts now dominate and are very large. There is a risk that combining with IR will add to an already large unmanageable document. Need to make sure IR is clear and concise.</p> <p>One approach is to use a summarised format for the integrated report which is then linked to other electronic documents and data. <IR> can assist with moving to that approach.</p> <p>New technology is increasingly useful here. It is now possible to design an online report in such a way that different stakeholders are able to access information in different ways.</p> <p>Challenge is thinking carefully about <IR> in order to arrive at a concise clear overview but with the ability to drill down for those that have particular or specialist interests and questions.</p> <p>IR can help think through existing reporting too as well as integrate. It does take time and thought to produce a more concise form of report but <IR> can help support moves in that direction. The result should be a far more useful document.</p>
<p>8 At what level or levels of public sector should integrated reporting be applied; e.g. individual public service organisations, and/or local, regional or central government departments and/or central government level?</p>	<p>One question that needs to be addressed is whether we are looking at organisations or systems. For example, are we looking at the Department for Education, the Department and the 2,000+ academy schools or the Department, the 2,000+ academy schools, local</p>

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<p>authorities and the thousands of maintained schools?</p> <p>There is a discussion to be had regarding the applicability of IR in the public sector at the level of:</p> <ul style="list-style-type: none"> ▪ Sector ▪ Service ▪ Organisation <p>Is the long term sustainability of the service rather than the organisation of greater relevance and does IR make most sense at the central core and commissioning level?</p> <p>There needs to be scaling in regard to reporting. It is quite reasonable to do a smaller <IR> report relative to the size, activities and resources of the reporting organisation.</p> <p>IR has initially been designed for larger companies but can be applicable to smaller organisations. Irrelevant of the size of the organisation it can be a useful management tool to assist with asking the right questions and delivering on outcomes. It can be scaled down and used to improve service delivery in smaller organisations. There is an example of a relatively small charity looking to adopt the IR framework and interpreting it for their particular activities and goals.</p>
<p>9 Would 'value' creation mean something different in public service organisations compared to investor owned businesses?</p>	<p>The idea of 'creating value' needs defining in the context of public service delivery; including taking account of organisations that are not income generating and so do not create value in the same way as an investor owned business (IOB).</p> <p>'Value' in the context of <IR> is best understood as a concept within a principles based, non-prescriptive, approach to reporting. One way to understand 'value' is that it can be either:</p> <ul style="list-style-type: none"> a. used or b. built up

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<p>One of the things we need to do is to contextualise 'value' and 'value creation' for the public sector. More broadly, the approach can be to keep the existing <IR> model but interpret and explain it within a public sector context.</p> <p>What 'value creation' is and whether it is the same for the public sector are important issues.</p> <p>Value creation links to the idea that if the organisation is not adding value to someone then it won't have viable business because it won't get used by stakeholders. In the public sector context this can be about solving problems effectively and achieving desired outcomes. This is value creation. It is also about having a resilient and sustainable organisation.</p> <p>Do we need a public sector language for this or is it more than that?</p>
<p>10 If so, do we need to define these and other terms (such as 'capital') used in integrated reporting, in relation to the context of public sector goals and characteristics?</p>	<p>There are examples to draw on. In South Africa <IR> is mandated and is now in its third year. There we see a variety of examples, from clear signs of organisations adopting an integrated approach, to those moving towards integrated reporting to those who are taking more limited approach and ensuring basic compliance with requirements.</p> <p>The <IR> framework also acknowledges the concept of 'trade-offs', recognising that an improvement in regard to one of the 'capitals' may result in an associated cost in one or more other 'capitals'. The <IR> approach will enable the organisation to communicate this in a way that recognises and builds support among stakeholders for difficult decisions.</p> <p>There are also UK public sector examples including: NHS London and The Crown estate.</p> <p>A balanced approach is needed which is based on applying good models and learning from others experience.</p> <p>The NAO have produced a report which looks at reports produced by</p>

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<p>participants in central government sustainability reporting and based on the connected reporting framework. The report indicates that there are some very strong examples of integrated/connected reporting and thinking including forward looking commentary and strategy although a significant number had failed to adequately explain their long term sustainability strategy.</p> <p>There is also a different dynamic to consider in the public sector, where evaluation of performance is not linked to the 'bottom line' and share price. Thought needs to be given to how performance and outcomes are best communicated and what this means in terms of making it understandable and useful to the target audiences.</p>
11 Is accrual accounting a prerequisite for integrated reporting by public sector organisations?	There are challenges in regard to public sector reporting requirements and the size of the reporting organisations. In addition, internationally there is an ongoing debate on public sector reporting in regard to the merits of accruals v cash accounting. In addition because of the variety and complexity found in the public sector there are issues around the comparability and accountability of reporting.
Accountability issues	
12 To what extent is there a need for comparability of information supplied in an integrated report between organisations or services?	'Benchmarkability' was seen as important – integrated reporting should provide the opportunity to compare performance across organisations and over time.
13 Should integrated reporting be on an annual basis or are there more appropriate reporting cycles which better reflect specific services, activities and outcomes analysis?	
14 What are the challenges in reporting on outcomes that are dependent on the actions of more than one reporting entity and how can they be addressed?	Some companies are looking at valuing environmental impact. Puma, for example, are doing it and are putting a number to it in terms of loss/cost. Measuring impact raises complex questions.

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
15 Is an internationally agreed good governance code for public service organisations a necessary requirement for developing integrated reporting for the public sector?	There is already work going on with IFAC on public sector governance, which can inform this discussion.
16 Should independent assurance be a requirement for integrated reporting and if so what shape should that assurance take?	<p>Assurance will be required over the information presented to prevent a positive spin being placed on the data.</p> <p>If audited – this is likely to be an extra cost</p> <p>IIRC have been looking at assurance and recognise that some form of assurance is required. It is a complex area given the range and scope of material covered in an integrated report. An IRRC paper on the topic is in process and will be published.</p> <p>There is an emphasis on completeness in IR but not assurance. There are questions of whether the report should be signed off and by whom. Options regarding the scrutiny of reports include internal and external assurance. Certainly, Directors should sign off on the IR report.</p> <p>One approach would be for assurance to focus on the ‘process’ rather than the final ‘output’ in the form of the report.</p>
Implementation	<ul style="list-style-type: none"> ▪ There is a need to consider the impact on staff. The strategy and communications thinking are often in different ‘boxes’, whereas the skills required for integrated reporting will require the strategic and technical skills to be brought together. ▪ Integrated reporting will only work if it is seen as new – even if this has a cost / resource requirement. If it just replicates what is already in place, it will become a tick box exercise. ▪ In the private sector pilots, the most successful were those that started with a blank piece of paper and drew together teams from across the organisation that often hadn’t met before.

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<ul style="list-style-type: none"> ▪ Control issues could be a barrier. ▪ Compulsion may be required, otherwise only the good organisations who are already gaining some of benefits of integrated reporting will take part. ▪ Implementation may need to be phased – some organisations may not have the systems to deliver integrated reporting in the shorter term whereas others will. ▪ The project might be resource intensive for entities which are not resource rich at the moment. The project seemed to be a ‘big project’. It might be useful if an approach to the framework was set out in tangible milestones working and building on existing systems and frameworks with a set of staged achievable targets. ▪ Politics is the biggest barrier – politicians will need to want to use integrated reporting to drive good long term decision making. ▪ In some respects, in the public sector, it may be about formalising existing opportunities for linking information already produced and for standardisation of reporting. The current austerity climate is arguably the best time to apply an <IR> approach in the public sector. ▪ There is a need to move away from a short term focus and <IR> is one part of that process but it can’t be the only point of change. ▪ <IR> can be used to support a move to longer term strategic thinking and some organisations will take full advantage of it in doing this but we have to accept that it will vary depending on the organisation and its management and the environment in which it is operating in at a given point in time.

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<ul style="list-style-type: none"> ▪ <IR> is not to be viewed in isolation and has to be part of a broader change to more integrated ways of thinking and working. ▪ We have to also recognise that there is often resistance to change and that many people are happy within their current silos and ways of working. ▪ There is still a long way to go and much depends on the degree of engagement by CEO's and FD's and the extent to which change management is required in the long term. ▪ A statutory underpinning can help support drive for change but even then there is a risk of falling into basic compliance and tick boxing. Who leads on this: The CEO, the accountable officer, the leader of the council, the FD or a combination? <ul style="list-style-type: none"> ▪ The corporate management team ▪ It should be driven by the board and management team, while also engaging with others. ▪ Needs collaboration between PR, technical and finance functions. ▪ Has to cross over various functions and activities ▪ Has to be corporate ownership ▪ Following on from this, what professional bodies and apex organisations should promotion of <IR> focus on? ▪ Going forward, <IR> pilots are needed in the public sector to learn from ▪ Don't get tied down by the terms or you risk losing the ideas behind <IR> reporting

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	<ul style="list-style-type: none"> ▪ It can be an incremental process of building new internal structures that enable a more joined up approach to planning, decision making and operations, as well as a breaking down of silos. ▪ There is the issue of mandatory v voluntary and whether <IR> can prevail on a voluntary basis. Who is driving the agenda, and where is the demand? There is nothing to stop us doing it but is there demand? Does <IR> need statutory underpinning? ▪ Over time it may need regulation to back up adoption of IR. ▪ One example of a voluntary form of guidance that has succeeded is the Greenhouse Gas Protocol which has been adopted by more than 4000 organisations.
	<p>Potential barriers are:</p> <ul style="list-style-type: none"> ▪ Seen as finance led. ▪ How does this fit with / alongside other frameworks? ▪ So much else is likely to be happening in the next few years that IR could be seen as yet another burden (to overcome this IR will need to work for politicians as they inevitably have a short term focus on the next election). <p>Hooks that can be used are:</p> <ul style="list-style-type: none"> ▪ Organisations are doing this already ▪ Building on existing practice to make it better ▪ Gradual move to integrated thinking / reporting <p>A major challenge is in applying IR at a time of change in a public sector which is focused on achieving savings and which has seen a significant increase in accounting and reporting requirements in recent years.</p>

Questions included in issues paper (Section 4)	Key points raised in roundtable and workshop discussions
	One of the challenges is how to drive the <IR> initiative forward in the public sector without substantial additional resource commitments.

INTEGRATED REPORTING <IR>

CIPFA / The Chartered Institute of
Public Finance & Accountancy

Integrated thinking
and reporting

Focusing on value creation in the public sector

An introduction for leaders



WORLD BANK GROUP

“The pillars of Integrated Reporting resonate with what the World Bank Group is aiming to achieve. We believe that better information can help to improve governance, accountability, and rebuild trust in a post-crisis global economy where raising capital and promoting sustainable growth are essential.

Bertrand Badré, Former Managing Director and Group CFO, World Bank



“Integrated Reporting gives a much clearer view of how and where public resources are used. As more and more public sector organizations from across the world take up the transformational challenge of <IR>, the understanding and trust of citizens can only increase.

Rob Whiteman, CEO, CIPFA



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Introduction

This introductory guide has been developed by the International Integrated Reporting Council (IIRC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) with the support of the World Bank to explain to public sector leaders and their teams how integrated thinking and reporting can help the sector consider how to make the most of resources, encourage the right behaviours and demonstrate to stakeholders how they are achieving the strategy and creating value over the short and longer term.

The Guide outlines the fundamental concepts at the heart of Integrated Reporting (<IR>) and provides case studies of entities and organizations implementing <IR> to help them achieve the outcomes they are aiming for. It illustrates the impact <IR> is having.

Further information about integrated thinking and reporting is available, in particular the International Integrated Reporting Framework (<IR> Framework), the Integrated Reporting Examples Database and further case studies can be found at: www.integratedreporting.org

Further practical guidance on implementation of the <IR> Framework in the public sector will be available from CIPFA in 2017
www.cipfa.org

To find out more and have your questions answered, please contact the IIRC, CIPFA or email: publicsector@theiirc.org

“Integrated Reporting is a process based on integrated thinking – the report is the physical output of this evolution in the way organizations think, plan and report on their organization.

Paul Druckman, CEO, IIRC



Overview: The case for change. Focusing on value creation in the public sector

Never before have there been so many constraints on time and resources. We are living in an age of increasing organizational complexity – and none more so than in the public sector where there are some of the largest reporting entities in the world.

There are more and more demands for scrutiny and transparency to demonstrate the effective use of resources and value for money. We have reached a tipping point in which public sector investment can no longer be accounted for in a series of financial transactions on a balance sheet.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Public sector leaders are looking for tools and frameworks to help them demonstrate effective resource allocation, and accountability – communicating not just for the sake of ‘being transparent’ – but to ensure all stakeholders understand how their organization is creating value in the short, medium and long term.

How can public sector organizations demonstrate the value they are creating?

In an age of time and resource constraints, public sector organizations need ways of broadening the conversation about the services they deliver and the value they create, not only to meet short term demands but for the longer term. Integrated Reporting is a model for achieving this and for promoting trust and confidence with key stakeholders. Traditional reporting frameworks, focused only on historical financial information, are not fit for purpose for modern, multi-dimensional public sector organizations.

Integrated Reporting is shaped by a diverse global coalition of regulators, business and public sector leaders, standard setters, investors, the accounting profession and non-governmental organizations (NGOs) – they are driving a global evolution in reporting that supports sustainable development and financial stability.

Public sector organizations participated in a global pilot programme that helped to develop and test the International Integrated Reporting Framework, which was released in December 2013 and is now used by over 1,000 organizations worldwide to communicate their value creation story.

What is Integrated Reporting (<IR>)?

Integrated Reporting is not “another reporting initiative”: it is part of an evolution in the mindset of leaders. Its effect, as the evidence is starting to show, is to refocus decision-making on value creation over the short, medium and long term; it is about managing the complex interconnections between people, ideas, finance and the natural environment. It delivers openness and transparency with a purpose.

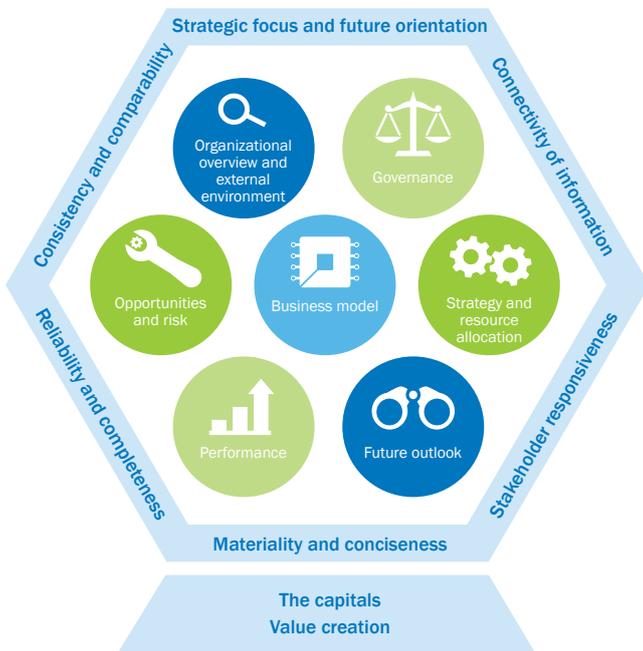
- <IR> is integrated thinking and reporting based on the International <IR> Framework, which is enhancing the way organizations think, plan and report on how they create value.
- <IR> helps organizations to think holistically about their strategy and plans, make informed decisions and manage key risks to build stakeholder confidence and improve future performance.
- Integrated thinking brings all the resources and relationships an organization depends on (called capitals in the <IR> Framework) into everyday decision-making. It looks at the broader strategic, social and natural impacts of decisions, as well as the effect on the financial bottom line.
- An integrated report is the outcome of this integrated thinking within the business – it 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 in the short, medium and long term.
- To make <IR> easy to embrace and consistent across organizations, the International <IR> Framework has been developed to explain the fundamental concepts alongside guiding principles and eight practical content elements for the report (see below). The Framework enables an organization to bring these elements together through the concept of ‘connectivity of information’, to explain how it creates value.
- The primary purpose of an integrated report is to explain how an organization manages the resources and relationships (or ‘capitals’) it uses or affects to create value over time. All the capitals that an organization uses or affects should be considered – financial, manufactured, intellectual, human, social and relationship, and natural capitals – but only those that are material to value creation need to be included in the integrated report.
- An integrated report, through quantitative and qualitative information, looks at how the activities and capabilities of an organization transform the relevant capitals into outcomes for the organization and for others.

“Public sector organizations are increasingly challenged with maintaining or improving outcomes within the same or reducing resources. Communicating how, and how well prepared they are, to achieve this is critical to public accountability.

Professor Mervyn King, Chairman, IIRC



Summary of the <IR> Framework's Fundamental Concepts, Guiding Principles and Content Elements



Source: Based on a diagram from Deloitte's paper: *'Integrated Reporting as a driver for Integrated Thinking? – Maturity of <IR> in the Netherlands 2015'*

How does Integrated Reporting help?

- It provides a framework to focus reporting on the entity's principal objectives.
- It helps entities explain their strategies, operational models and governance, and demonstrates performance against these strategies.
- It shows how the (often conflicting) needs of different stakeholder groups are being addressed and balanced.
- It offers the opportunity to align reporting with risks and opportunities and management accountability.

Integrated thinking and decision-making

Focusing on outcomes is important in the public sector and by using the multi-capital approach of the International <IR> Framework public sector organizations can demonstrate

that their strategy is delivering not only the outputs, but the outcomes they were aiming for. Integrated Reporting is a process based on integrated thinking – the report is the physical output of this evolution in the way organizations think, plan and report on their organization.

Through integrated thinking everyone has a common understanding – they are speaking the same language. The result is that silos are minimised and effective information flows are created within the organization.

The <IR> Framework is principles-based, which allows organizations to innovate and develop their reporting in the context of their own strategy, goals and objectives. This means organizations move away from the box-ticking, compliance-only approach to reporting and are encouraged to really understand and communicate how the organization creates value.

The Framework is also the umbrella that can help bring together different reporting requirements and initiatives, so that the metrics and data provided to stakeholders are those that are most relevant (and clearly linked) to the particular capitals the organization relies on and the strategy it is pursuing.

Realizing the benefits in the public sector

Public sector leaders are discovering a range of benefits through adopting Integrated Reporting, which are explored in greater detail later in this paper. In summary, these were some of the main impacts reported by 60 organizations implementing <IR>, according to Black Sun research *'Realizing the benefits'*:

- 92% said it increased understanding of performance and value creation at leadership level and employee level, as well as with the growing external stakeholder base
- 79% reported improvements in decision making to deliver sustainable outcomes, largely because of improved management information (84%)

- 87% of organizations that publish an integrated report believe providers of financial capital better understood their strategy
- 96% saw better connections across the organization and broader, longer-term perspectives while delivering in the short term.

The starting gun was fired on a range of initiatives in 2015 that has focused people around the world on delivering in ways that are financially viable and sustainable over time. Initiatives such as the Sustainable

Development Goals and COP21 have demonstrated that private and public organizations will need to work together to deliver many of the outcomes the world needs in these volatile times.

Changes in reporting practices will not be the answer to all of the challenges that are facing us in the 21st century. But the International Integrated Reporting Council, which includes organizations such as the World Bank, is a market-led response to support organizations of all shapes and sizes around the world to begin to make the incremental changes that are necessary.

92%

report increased understanding of value creation

79%

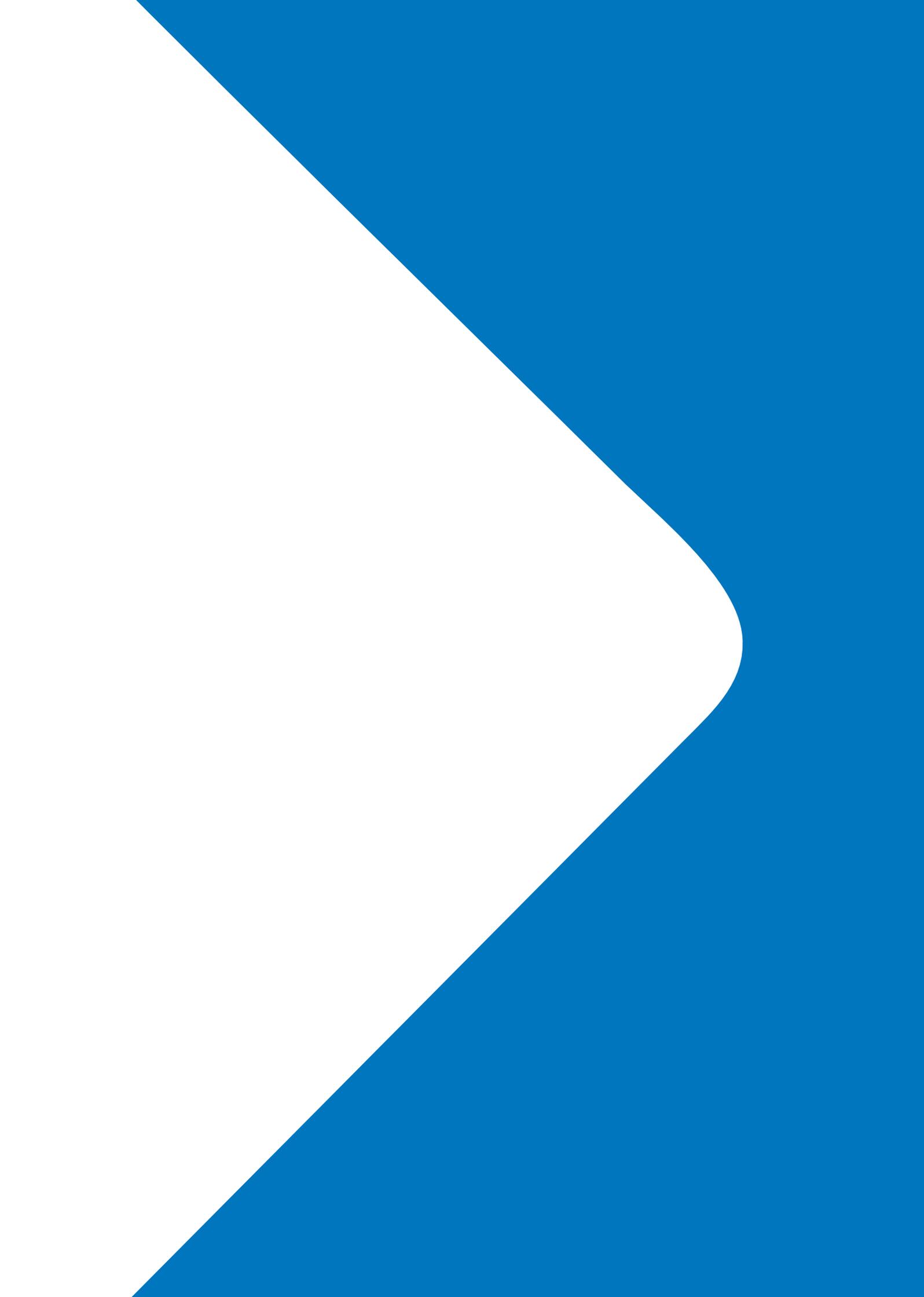
report improvements in decision making

Call to action

We invite you, as leaders in the public sector, to explore how integrated thinking and reporting can support your organization with delivering its strategy and ensuring stakeholders understand the value that your organization creates and the outcomes it achieves – not just for people today, but for the longer term as well.

The Public Sector Pioneer Network has been set up for those public sector organizations who wish to explore <IR> in their own reporting.

For more information, see the IIRC website: www.integratedreporting.org
or e-mail: publicsector@theiirc.org



Part 1.

Why Integrated Reporting for the public sector?

Public sector entities are tasked with delivering high quality services in an economically, socially and environmentally sustainable manner. Communicating how they achieve this, and how well prepared they are to continue doing so, is critical to public accountability and transparency.

However, conventional reporting only tells us a limited story about the impact that governments or public service organizations are having and how well equipped they are to meet future challenges.

<IR> addresses these limitations by providing a framework for connected thinking and

reporting. It helps management to gain more insight, resulting in more cohesive strategies, better execution of programmes, greater efficiencies and profound effects on outcomes.

“

Public sector entities are some of the largest, if not the largest, reporting entities in the world, so... transparency... is of importance to us all. Integrated Reporting would enable governments and their stakeholders to gain a better understanding of resources available and help them to manage these more effectively.”

”

Bertrand Badré, Former Managing director and Group CFO, World Bank Group

Multiple challenges facing the public sector

Public sector organizations face many challenges. These arise from the complex activities public sector entities undertake, their many different stakeholders, the need to plan for the longer term, resource scarcity and the wide definition of the value they create.

Serving and being accountable to a wide stakeholder base

Public sector entities work in the public interest in a range of ways: enacting legislation or regulations, delivering services, redistributing income through mechanisms such as taxation or social security payments, or controlling assets or entities such as state-owned enterprises. Governments also have a role in promoting fairness, peace and order, and sound international relations.

Such activities make public sector entities accountable to a wide range of stakeholders, including taxpayers, users of services, parliaments, legislators and markets. They are increasingly expected to be open and transparent, particularly around how, and by whom, decisions are taken.

They are also generally required to demonstrate not just that they use resources efficiently and effectively, but also that they maintain the highest standards of trustworthiness. Such accountability is all the more important given that, in most jurisdictions, public expenditure forms a significant part of gross domestic product, with public sector entities acting as substantial employers and major capital market participants.

Providing integrated services with sustainable outcomes

Governing bodies of public sector entities often face difficult strategic decisions when determining the right mix of interventions needed to achieve intended outcomes. Conflicting interests can arise when seeking to achieve a number of economic, social,

and environmental benefits. Public sector entities therefore need robust decision-making mechanisms to ensure they achieve their defined outcomes in a way that provides the best trade-off between available resources and the consequences (intended or otherwise). They also need to establish effective, efficient and sustainable operations.

Maintaining a longer-term perspective, while delivering in the short term

Many public sector responsibilities are longer term, so entities need to define and plan the delivery of outcomes carefully and make sure that operations will be sustainable. The intergenerational nature of finances means that decisions taken today can impose burdens on future taxpayers and service users. Future generations of citizens have a right to inherit well maintained services and well managed public finances.

Demonstrating the sustainable value of services provided beyond the financial

The primary objective of most public sector entities is to deliver services to the public, rather than to make profits and generate a return on equity to investors. Consequently, their performance can only partially be evaluated by examining their financial position, financial performance and cash flows. Current reports only tell us a limited amount about how well a public entity is equipped to deal with the challenges ahead and to continue delivering services and supporting communities.

How <IR> can help meet these challenges

<IR> has certain qualities and strengths that enable it to support public entities in addressing the challenges they face. These include the range of stakeholder interests it addresses, its ability to take account of multiple inputs of different kinds, its focus on long term value creation and its appreciation of the importance of non-financial value.

Supporting accountability to a wide stakeholder base

Integrated Reporting can help to address diverse, and often conflicting, public accountability requirements. An integrated report provides 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.

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, municipal councils, legislature (or similar body), members of parliament (or a similar representative body), regulators and policymakers.

Delivering sustainable outcomes

The <IR> Framework encourages reporting on outcomes. From a public sector perspective these are the internal and external consequences (positive and negative) that the organization's activities and outputs have for its resources and relationships.

An integrated report provides insight into an organization's strategy and whether it uses resources and relationships in a holistic way, demonstrating understanding of their interrelatedness and dependencies.

Maintaining a longer-term perspective

At the heart of an integrated report is the ability to look beyond the 'now' to the 'near' and then to the 'far'. For example it requires disclosure of how an organization's governance structure supports its ability to create value in the short, medium and long term. Those responsible for governance are encouraged to articulate how the organization balances short, medium and long term interests.

Demonstrating value beyond the financial

Integrated Reporting helps entities to create

a more complete picture of the resources they use and their value creating activities. Recognizing that the concept of value is highly subjective, the <IR> Framework does not suggest or require 'monetizing' value. It highlights that value created for the organization is linked to value created for others, including key stakeholders and society at large.

The <IR> Framework encourages organizations to think about the resources they use and the value they create across six main areas or 'capitals': financial, manufactured, social & relationship, natural, intellectual and human.

<IR> supports long term planning for sustainable benefits

The longer-term nature and impact of many of the public sector's responsibilities mean that it needs to define and plan sustainable outcomes. Governing bodies need to take decisions that further the entity's purpose, contribute to intended outcomes, and remain within the limits of its authority and available resources.

To achieve outcomes in a sustainable way, jurisdictions and individual entities of all types, including cities, towns, and even villages, are required to make decisions on:

- a. levels of income generation (taxes, fees, etc) and public expenditure
- b. levels of performance sought in terms of, for example, service delivery or the maintenance of infrastructure
- c. how to manage and account for their assets and liabilities, including public debt.

In addition, they must manage expectations about the services they can provide with the resources available to them. Resource allocations among different levels of government and individual public sector entities are determined in many ways,

depending on both constitutional arrangements and legal and institutional structures.

These, in turn, drive delivery management and accountability frameworks, which can be articulated through mechanisms such as fiscal rules, budget frameworks, and targets for inputs, outputs, and outcomes.

Public sector entities therefore need to consider the combined economic, social,

and environmental impact of their policies, plans, and decisions for example, by taking demographic factors into account when making decisions that have long term impact (e.g. social policy commitments).

Integrated Reporting provides a framework to help public sector organizations meet these complex challenges in a structured and insightful way. We look at how it does this in Section 2.

Realizing the benefits: The impact of Integrated Reporting

Key findings from full research report

Reporters see internal benefits, including better decision making, and positive changes in external relations

Breakthroughs in understanding value creation

Improving what is measured

As organizations work together differently, and use new information to assess their performance they have a clearer view of how they create value

Nearly all organizations interviewed said they had either significantly changed what they measured or had plans to do so in the future

Positive Experiences

All respondents were extremely positive about the impact that their journey towards Integrated Reporting is having

92%

See increased understanding of value creation as current benefit

84%

See a current benefit regarding data quality

Strategic Benefits

Many noted that the most important benefit they experienced was a change in conversations between the board and management

71%

See benefit to their board of better understanding of how the organization creates value

71%

See a current benefit of greater focus on measuring the longer term success of the business

<IR> Benefits

Early adopters of <IR>, including many public sector organizations, have identified a number of benefits. A survey of the <IR> Pilot Programme participants conducted by corporate communications agency Black Sun found that Integrated Reporting impacts

and benefits all levels of an organization, from the operational level to the board level, as well as investors and other stakeholders.

Extract from the IIRC/Black Sun Report '*Realizing the benefits: The impact of Integrated Reporting*'

Improving management information and decision making

Improvements in decision making were largely attributed to changes in management information

79%

Report improvements in decision making

A new approach to stakeholder relations

Significant evidence of Integrated Reporting having an impact on engagements with external stakeholders

91%

See an impact on external engagement

Connecting departments and broadening perspectives

One of the earliest benefits is breaking down silos and increasing respect and understanding between departments

96%

See an impact on internal engagement

65%

See a current benefit of better long term decision making

68%

See a better understanding of the business risks and opportunities, particularly those with long term implications

78%

See a current benefit of more collaborative thinking about goals and targets by The Board, Executives and Strategy Departments

Conclusion: Growing demand for better information and reporting

There is growing demand in all sectors for more user-friendly information that combines financial and non-financial performance factors to support better decision making.

Adopting integrated thinking and reporting, which incorporates both financial and non-financial information, can help public sector entities address the challenges they face and gain greater understanding of the ways in which they create value.

<IR> can also help enhance governance, transparency and accountability through more holistic disclosures and a focus on explaining how sustainable outcomes will be delivered for a range of stakeholders over time.

Through <IR>, all stakeholders, including leaders, employees, government officials and taxpayers can all gain insight into organizations' strategies, how they create value, and what resources and relationships are needed to contribute to their current and future success.

“Transparent, responsive, and accountable institutions are a vital part of what it takes to improve people’s lives and implement a sustainable development agenda.

Helen Clark, United Nations Development Programme



“By improving reporting requirements for organizations, Integrated Reporting can bring additional information... to feed into markets and inform decision-making and policy-formulation by institutions. If achieved, it will lead to better-informed and more sustainable long term investment, for the benefit of society.

Mark Carney, The Governor of the Bank of England and Chairman of the Financial Stability Board



Part 2.

What is Integrated Reporting?

Integrated Reporting helps public sector organizations to understand and explain how they create value in the widest sense.

It is based on the International <IR> Framework that encourages integrated thinking across the organization. Organizations that adopt <IR> work towards producing an integrated report: a concise

communication about how an entity'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.

“

Integrated Reporting, and the thinking that is part of it, is a leadership issue. This is where strategy, performance and the development and communication of long term value are best understood, aligned and led.

Paul Druckman, CEO, IIRC

”

Integrated thinking underpins <IR>

Integrated Reporting is founded on integrated thinking. Integrated thinking is the active consideration by an organization of the relationships between its various operating and functional units and the resources and relationships 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.

Many public sector organizations already emphasize the importance of integrated thinking. <IR> reinforces this message and helps entities to embed integrated thinking and encourage closer working across departments. In this way, organizations are better placed to consider the interests of their many stakeholders and respond to changing expectations, opportunities and threats.

The benefits of integrated thinking include:

- A more cohesive approach to decision-making which focuses on value creation in the short, medium and long term
- More robust and integrated strategies and objectives
- Better strategic perspectives and a wider view of risks and opportunities
- Deeper understanding of business processes and identification of gaps in processes
- More connected internal and external communication.

Integrated thinking brings all the resources and relationships an organization depends on (called capitals in the the International <IR> Framework) into everyday decision-making. It looks at the broader strategic, social and natural impacts of decisions, as well as the effect on the financial bottom line.

The more that integrated thinking is embedded in an entity, the easier it is to prepare an integrated report, and the higher the quality of the report produced.

An integrated report demonstrates integrated thinking

An integrated report is the portal through which an entity communicates a holistic view of its current position, where it's going, and how it intends to get there in a clear, concise, and understandable way.

The integrated report enables readers to make an assessment of the entity's ability to create value in the future for both the entity and for others.

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.

Many organizations already publish a large amount of information, but often in isolated communications prepared by a range of departments, for example:

- Finance and accounting functions prepare financial reports
- Those involved in sustainability and environmental management report on the sustainability impacts of an organization
- General and legal counsel report on regulatory and compliance disclosures
- Those in planning and risk management report on risk issues
- Communications and media departments develop website content and media releases.

Meaningful integrated reports are not created by merely bolting together information from these and other internal and external reports and communications. Instead they stem from the integrated thinking within the organization.

They are generated from the information used by internal decision makers, meaning that <IR> should lead to better – not necessarily more – disclosure.

Case study extract: Eskom Holdings SOC Ltd

One key outcome of <IR> is a move towards integrated internal business reporting. Eskom has applied <IR> principles to the quarterly report submitted to the South African Government (as its shareholder) and uses the same teams, processes and systems to produce the quarterly shareholder report and the integrated report.

This has led to the shareholder report being more streamlined and focused on material items with a move away from divisional silo reporting and duplication of content.

The International <IR> Framework

Integrated Reporting is based on the International <IR> Framework, which was published in December 2013 by the International Integrated Reporting Council (IIRC). Public sector organizations played an important part in the thinking that underpins the <IR> Framework, taking part in the pilot programme and experimenting with the reporting model.

For example, the South African State Owned Company Transnet, New Zealand Post, the World Bank, the UK's National Health Service and the city of Johannesburg all made important contributions to the Framework's development, ensuring its relevance for public sector entities of all kinds. The IIRC continues to work closely with public sector entities as experience of applying the framework grows.

The purpose of the <IR> Framework is to establish Guiding Principles and Content Elements (see pages 7 and 22) that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them.

The <IR> Framework takes a principles-based approach, aiming to strike an appropriate balance between flexibility and prescription.

This recognizes the wide variation in the circumstances of individual organizations, while enabling a sufficient degree of comparability to help users of integrated reports.

The <IR> Framework identifies information to be included in an integrated report for use in assessing the organization's ability to create value. 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 <IR> Framework.

Fundamental Concepts

- Value creation for the organization and for others: Overall, does the report explain how the organization creates values for itself and others?
- The capitals: Overall, does the report provide information on the capitals (e.g. Financial, Manufactured, Intellectual, Human, Social and Relationship, Natural) that the organization uses or affects and which underpin its ability to create value?

Guiding Principles

- Strategic focus and future orientation: An integrated report should provide insight into the organization's strategy, and how it relates to the organization's 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, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time
- 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 over time.

Content Elements

- 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 preparation and presentation: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

The value creation process

An integrated report aims to provide insight about how an organization creates value through making use of resources and relationships – collectively referred to as 'the

capitals' in the <IR> Framework. The IIRC has defined six different types of capitals that represent stocks of value that are increased, decreased, or transformed through the

activities and outputs of an organization. These capitals are: financial, manufactured, intellectual, human, social & relationship, and natural.

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 integrated thinking (and therefore value creation) and, ultimately, in an integrated report.

The specific value creation process is different for public and private sector entities. Nevertheless the key concepts of the value creation process as portrayed in the <IR> Framework (see diagram below) have direct application for both public and private sector organizations.

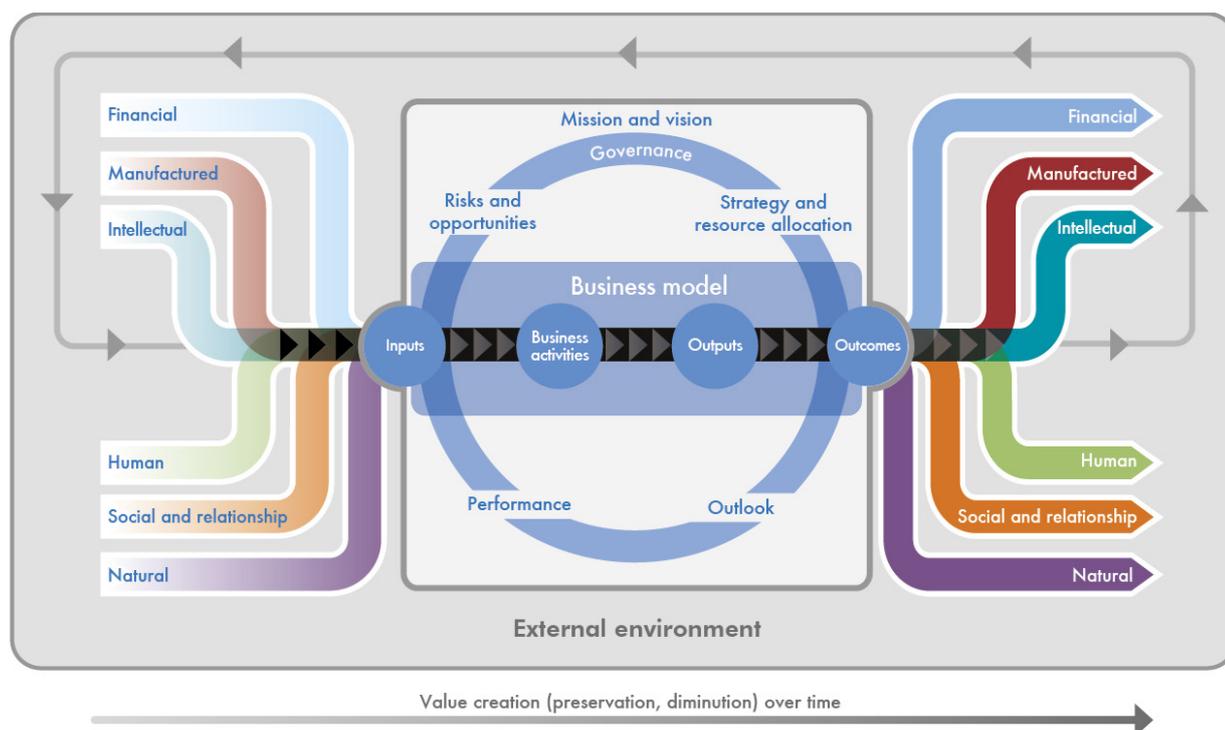
The external environment, including economic conditions, technological change, societal issues and environmental challenges, sets the context within which the organization

operates. The mission and vision encompass the whole organization, identifying its purpose and intention in clear, concise terms. Governments generally have broader powers than private sector organizations, including the ability to establish and enforce legal requirements, and to change those requirements. Accountability is not only to providers of financial capitals (shareholders or taxpayers) but also to other parts of government, citizens, and the community at large.

At the core of the organization is its business model, which draws on various capitals as inputs and, through its 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.

The value creation process



Source: www.integratedreporting.org

A closer look at the capitals

Public sector entities depend on a variety of resources and relationships for their success: the six 'capitals' in the <IR> Framework. These six categories, whether belonging to an entity itself, to other entities, or to society more broadly, provide the inputs needed to achieve that entity's outcomes. They are increased, decreased or transformed through the activities of the organization in that they are enhanced, consumed, modified or otherwise affected by those activities. For example, an organization's financial capital is increased when it makes a surplus/profit and its human capital is increased when employees become better trained.

As already noted, not all capitals are equally relevant or applicable to all organizations. The <IR> Framework therefore allows other terms to be used where this is more appropriate. Initial experience in the public sector indicates that while the types of capital described in the <IR> Framework will broadly be applicable, it may be helpful to modify the terminology used.

For example, 'manufactured' capital might be more appropriately termed 'infrastructure'. The table below provides examples of the various capitals in the public sector context.

Examples of capitals in the public sector context

<IR> Framework capitals and public sector interpretations	Examples
Financial	The pool of funds available to an organization for use in the production of goods or the provision of services, which are obtained through financing, such as debt, tax or grants, or generated through operations or investments.
Manufactured e.g. infrastructure	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 (such as schools, hospitals and offices), equipment and infrastructure (such as roads, ports, bridges, and waste and water treatment plants).
Intellectual	Organizational, knowledge-based intangibles, including intellectual property, such as patents, copyrights, software, rights and licenses, and 'organizational capital' such as tacit knowledge, systems, procedures and protocols.
Human	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 along with the ability to understand, develop and implement an organization's strategy and loyalties, and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.
Social and relationship	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 wellbeing. 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. Also, intangibles associated with the brand and reputation that an organization has developed. An organization's social or regulatory license to operate.
Natural	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, along with biodiversity and eco-system health.

Key reported content

Integrated Reporting enables organizations to address the material factors that influence value creation over time, so that they are either quantified or reported on in narrative form, or both. Public sector entities don't have to explain all the complex relationships between all the various capitals that would be necessary to reflect a complete picture of an organization's overall effect on the world's stock of all the capitals.

However, it is important to report on material trade-offs, including:

- Between capitals or between components of a capital (e.g. creating employment, which increases human capital, through an activity that negatively affects the environment and therefore decreases natural capital)
- Over time (e.g. choosing a course of action when it is likely that a different course would result in a greater capital increment but not until a later period)
- Between capitals owned by the organization and those owned by others or not owned at all.

In such ways <IR> offers the opportunity to consider and review the interconnectedness of complex multi-service delivery and to clarify goals and identify preferred outcomes within the wider context of promoting public wellbeing.

<IR>'s place in the corporate reporting landscape

The corporate reporting landscape contains a variety of reporting frameworks, standards and related requirements, including the International Public Sector Accounting Standards. The <IR> Framework is not intended to replace these. Instead, <IR> provides an umbrella that can encompass other standards and frameworks to help provide a more complete and coherent picture of value creation by an organization.

Getting to grips with the range of existing frameworks and standards can still be challenging, triggering calls for greater coherence, consistency and comparability.

In response, the IIRC convened The Corporate Reporting Dialogue (CRD) to bring together organizations (see table below) with significant international influence on the corporate reporting landscape.

The Dialogue has developed an online mapping tool to show the links between participants' reporting initiatives to help organizations navigate the different standards. See:

www.corporatereportingdialogue.com/landscape-map

Participants in the Corporate Reporting Dialogue

CDP (formerly the Carbon Disclosure Project)	International Accounting Standards Board (IASB)
Climate Disclosure Standards Board (CDSP)	International Integrated Reporting Council (IIRC)
Financial Accounting Standards Board (FASB)	International Organization for Standardization (ISO)
Global Reporting Initiative (GRI)	Sustainability Accounting Standards Board (SASB)

Integrated thinking: An exploratory survey by SAICA

In its 2015 paper – *Integrated thinking: An exploratory survey* – the South African Institute of Chartered Accountants (SAICA) shared the South African experience of how implementing Integrated Reporting is having an impact on and contributing to integrated thinking.

The study focused on establishing if organizations in South Africa were embracing integrated thinking and if they saw it to be of benefit.

The extract below highlights the main drivers of integrated thinking identified in the report:

What are the main drivers of Integrated thinking in organizations?

Over 70% of executive and non-executive director respondents felt Integrated Reporting was a catalyst to enhancing integrated thinking in organizations. Some respondents indicated that their organizations had already achieved integrated thinking before Integrated Reporting was launched, with some suggesting that integrated thinking was evident in all successful organizations and flowed from their strategies. Most respondents, however, felt that Integrated Reporting had assisted in refining and improving integrated thinking in their organizations.

Some of the key drivers of integrated thinking mentioned by respondents included:

- Changing business circumstances that required a significant change in strategy
- Enlightened leadership at board or chief executive officer level
- Meeting the needs of stakeholders, especially with regard to social and environmental issues
- The complexity of the business
- A need to enhance risk management
- Adoption of matrix organization structures
- A remuneration strategy linked to improved integration, coupled with appropriate key performance indicators (KPIs).



Source: SAICA report: *Integrated thinking – An exploratory survey*.

The project has highlighted that many aspects of integrated thinking are not yet understood but, looking to the future, organizations will increasingly recognise the significant benefits of integrated thinking to enhance their competitiveness and support their sustainability from all perspectives.

Putting <IR> into practice

Many organizations are applying the <IR> Framework, seeing how its principles and concepts can help improve internal decision making as well as internal and

external reporting. Their experiences, which we consider in Section 3 can help other organizations just beginning their <IR> journey.

“We have developed a new approach to business strategy incorporating integrated thinking, materiality and our business model. Material issues have to be part of a business planning process, in order to address the things that will impact our business.”

John Lelliott, Finance Director, The Crown Estate



Part 3.

The Integrated Reporting Journey

The experience of implementing <IR> will differ between entities depending on their governance structures, processes and the information they currently collect.

Although the details will vary, the 'journey' for any entity will often involve five steps:

- Deciding to adopt integrated thinking and reporting
- Planning the process
- Gathering the information
- Preparing the integrated report
- Learning the lessons

Throughout all five stages, communication with key internal and external stakeholders is essential. The information provided must be determined by what is material for the specific stakeholder group.

The <IR> Framework can be applied, adapted as necessary, by public sector and not-for-profit organizations. There is no one 'right way' to go about this, as illustrated by the varied experiences of five entities shared in this section. Further case studies are available at: www.integratedreporting.org

“

Integrated Reporting has provided us with a framework to measure and report on the extensive non-financial capital that as a state-owned enterprise we have built over the years.

”

Dawn Baggaley, Group Sustainability Manager, New Zealand Post

Deciding to adopt <IR>

The first stage in the <IR> journey is the decision to adopt. Organizations adopting <IR> do so because they value the ‘umbrella’ framework it provides, enabling them to gain the internal benefits of integrated thinking and to focus their reporting on the issues that are most material to the entity and its stakeholders. Through <IR> they can present an integrated picture of their organization’s activities, rather than producing standalone reports that address isolated issues.

Although the IIRC’s long term vision is that <IR> becomes the corporate reporting norm in both the public and private sectors, this does not mean that it will replace all other forms of reporting. Different forms of reporting can remain important for providing specific stakeholders with particular, detailed information. They can also provide much information relevant to <IR>.

This is particularly the case with sustainability reports, which many public sector entities already produce, either voluntarily or as a result of policy and regulation. Entities applying the GRI and SASB initiatives will find that these can provide an important input for many aspects of the six capitals within the <IR> Framework. Sustainability reporting can therefore provide a platform for gathering any sustainability data that is needed in an integrated report.

Organizations with experience in sustainability reporting are also more likely to have the systems, controls and assurance processes in place to give comfort to senior management that there is robust ‘non-financial’ data to support the development of an integrated report.

Gaining senior backing

It is highly desirable that the decision to adopt <IR> and the resulting programme of work are backed by the highest governing body. This is because the process requires breaking down silos, collaboration, resources and agreement on how capitals are used for value creation (see integrated thinking, page 20).

The decision makers and other key internal stakeholders for <IR> will vary according to whether the reporting entity is operating at the federal, region or municipal level or is a state-owned enterprise.

Factors to consider when identifying decision makers and key internal stakeholders include the specific operational responsibilities of chief executives (heads of department, agencies or other entities), the extent of scrutiny by legislative committees, and ministerial accountability.

“Integrated Reporting is far more than just the process of publishing better annual reports. Besides being a powerful communication tool, <IR> can be used as an effective governance tool for performance-oriented management.”

Thomas Kusterer, CFO, EnBW



New Zealand Post

The New Zealand Post was the first business in its country to use Integrated Reporting – a particularly bold decision given that it was simultaneously launching an organization-wide change programme.

With the support of its CFO, NZ Post's first step in its <IR> journey was to join the IIRC's Pilot Programme. It then formed an internal stakeholder group in order to gain broader organizational support.

The group discussed the merits of NZ Post adopting the International <IR> Framework and how it would do so. The steering group brought together departmental representatives from legal, communications, finance, investor relations, strategy and sustainability, as well as business representatives from Kiwibank and the Mail and Logistics businesses.

This group became the IR Steering Group, sharing responsibility and demonstrating corporate support for formal adoption of the <IR> Framework for the Annual Report when this was proposed to the Board.

"We faced a huge change programme where we had to fundamentally restructure the business. <IR> helped us to take stock of the value of all our assets (financial and non-financial) and consider how the change might impact them.

Integrated Reporting has provided us with a framework to measure and report on the extensive non-financial capital that as a state-owned enterprise we have built over the years."

Dawn believes the switch to <IR> has not only benefited stakeholders, but NZ Post people too. "Our stakeholders are gaining new insights from the information that we are producing in our report," she says.

"For the first time, they are seeing an easy to understand, holistic view of the whole business. Our commitment to <IR> has changed the look and feel of the report we now produce. We have split it into two, with reporting on the six capitals at the front and the required financial information in the second volume.

"The six capitals model is also helping our people understand the long term material issues affecting our business and the non-financial impacts of certain decisions.

It is also easier for them to contribute to the report and we are finding that there is a growing feeling amongst our senior leaders that the integrated reporting process is creating something of value to stakeholders."

"<IR> has helped us break down silos and take stock of everything we have achieved and accomplished as a business."

"Our stakeholders are gaining new insights from the information that we are producing in our report. For the first time, they are seeing an easy to understand, holistic view of the whole business.

Dawn Baggaley, Group Sustainability Manager at New Zealand Post



Planning the process

Planning for an integrated report should cover all aspects of the process. It helps to work backwards from the date on which the report has to be released and to include in the timetable dates for the governance approval procedures. Setting clear instructions with firm timelines will help the smooth running of the reporting process.

The following questions can help focus attention on key decisions, actions and timings:

Who?	What?
<ul style="list-style-type: none"> Who are the intended readers / external stakeholders? Who will develop and distribute the reporting system / documentation, and is training required for those involved? Who will write the integrated report? Who, of the senior managers, will 'champion' <IR> and review the report before it is submitted to the executive team? Who will approve the final report (e.g. audit committee before it goes to the board)? Who will design, typeset and print (internal, external or a combination)? Who will provide the budget? 	<ul style="list-style-type: none"> What reports should be produced in addition to the integrated report (annual, financial etc) and will they be printed, only published on the website or both? Will any current reports be discontinued/moved to the web only? What information will be included in the integrated report? What gap analysis will be undertaken (what information we produce versus what is needed for the integrated report)? What information will be assured – internally and/or externally – when will this take place and what are the requirements? What is the budget for the reports (consider any cost saving measures on design, printing, etc.)?
How?	When?
<ul style="list-style-type: none"> How will the information for the report be collated (pay specific attention to multiple divisions/subsidiaries) and is it a standard or individual process of collating? How will the report be structured? How will the material matters be identified? How will the report be released? How will the quality/accuracy within the report be ensured – 3rd party audit or verification? 	<ul style="list-style-type: none"> When will the team meet (schedule meetings in advance)? When to schedule interviews with senior management and the board? When will the material matters be approved? How long will it take to compile the information for the report? How long will it take to write the report? When will the report be released?

Identifying stakeholders

Identifying key stakeholders will be one of the key challenges of the planning process. Stakeholders are defined as 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 or service users, citizens, suppliers, business partners, local communities, NGOs, environmental groups, legislators, regulators and policy-makers.

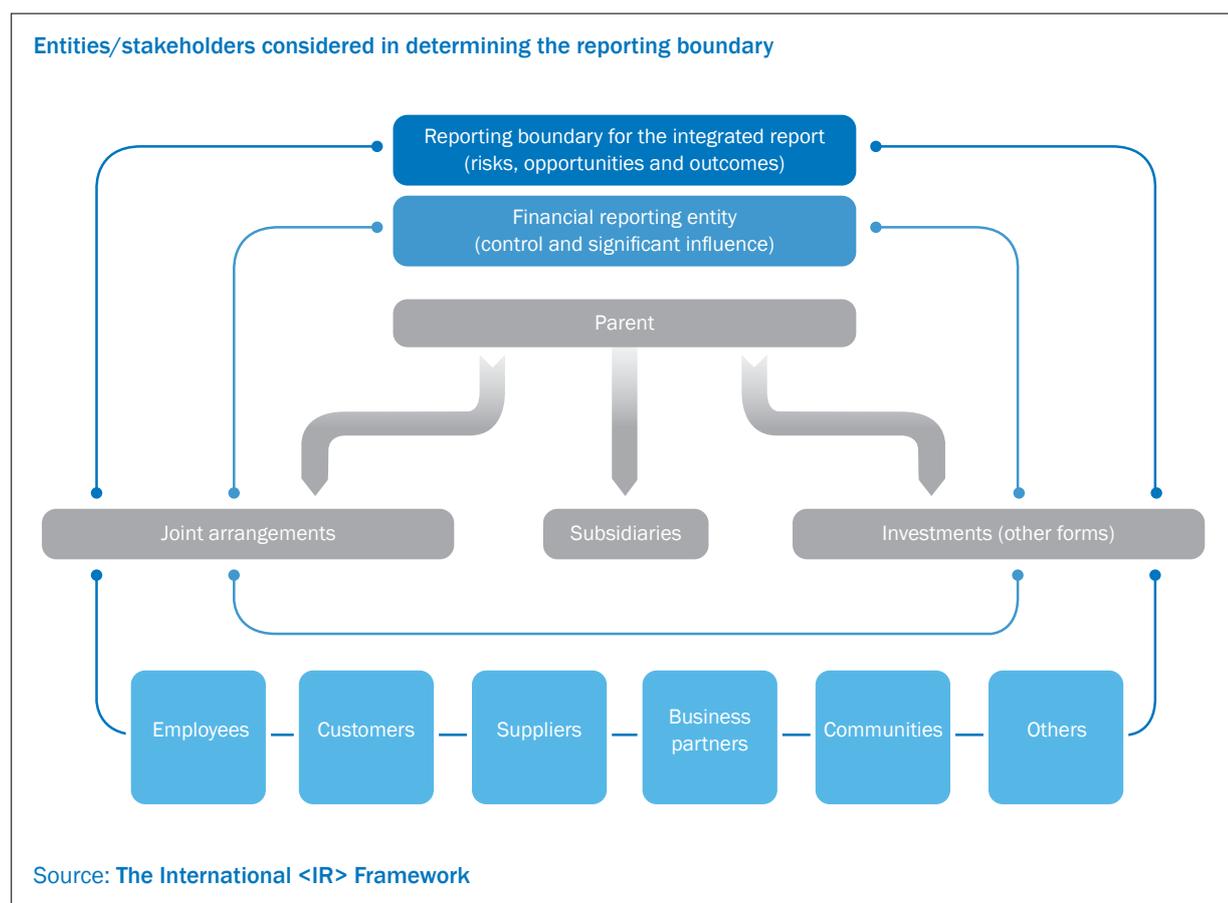
Understanding the perspectives and views of such stakeholders is useful to the organization in many ways. Insight from stakeholders can be helpful when identifying the organization's risks and opportunities and developing its strategy. An external focus is a critical starting point for identifying and articulating how value is created and destroyed.

Input from all significant groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to successfully balance competing

demands when determining priorities for the organization's finite resources. It also helps to identify the material matters to be covered in the integrated report.

Ongoing stakeholder engagement should be a part of usual business activities and can take place in a variety of ways, including day-to-day liaison, meetings, roundtables, surveys and interviews. Guidance on ways to engage is available, such as the AA1000 Stakeholder Engagement Standard (AA1000SES).

The diagram below shows the typical stakeholders considered when determining the boundary of an integrated report – the content it needs to address in relation to risks, opportunities and outcomes.



The reporting entity's board (or equivalent) requires regular feedback so that directors are kept informed of key stakeholders' legitimate and reasonable needs, interests

and expectations and can oversee how the organization is responding to them (or not). Similarly, key stakeholders need to understand what the organization expects of them.

ROSATOM

Russian State Atomic Energy Corporation (ROSATOM) started its Integrated Reporting journey in 2009. For the company there were three main reasons to do so:

1. ROSATOM is a big organization which consists of about 350 enterprises situated in Russia and abroad. The activities of these enterprises are wide ranging – from uranium mining to nuclear power plant construction. The integrated report helps to create a single, big picture (profile) of the company in a short, consistent form and contributes to ROSATOM's brand recognition
2. Nuclear industry development is sensitive to public opinion. An integrated report is a tool for communicating with the company's stakeholders that can build trust and demonstrate accountability
3. As a global company ROSATOM needs to compete globally and demonstrate appropriate use of international standards, including those in the field of corporate reporting (i.e. GRI, International <IR> Framework).

In ROSATOM's experience, key elements that helped establish successful reporting practices were:

Tone from the top

It is important to get the support of senior management. In the case of ROSATOM it was the CEO's decision to start public reporting.

Establishing a permanent working group

This group was responsible for preparing the report, supported by a group of middle-level managers which co-ordinated the report preparation and made proposals for the report's content.

In ROSATOM's case, the Working Group was positioned within the Communications Department and also the Public Reporting Committee, which was chaired by the CEO's deputy and consisted of representatives of finance, strategy, nuclear and radiation safety, operations, investment and other departments.

Ongoing improvement of reporting practices

For reporting to not be a one-year special project, it's crucial to think in advance about how to sustain the initiative. ROSATOM adopted a corporate policy and standards which set the requirements for the public reports of ROSATOM and its subsidiaries.

To monitor and control the quality of the reports, ROSATOM holds an annual corporate public reporting award (about 50 ROSATOM organizations participate in this competition) and arranges training for employees involved in public report preparation to improve their skills.

Engagement with stakeholders

This is vital for public report preparation. ROSATOM follows international standards (AA 1000, GRI, <IR>) and tries to use all possible ways of communication (questionnaires, surveys of opinion among key stakeholders, public dialogues, presentations, interviews, communication on the base of the report's web-version etc.).

As a result of adopting the <IR> Framework as the overarching architecture of its public reporting, many readers of ROSATOM's report say that they use it as a source (or the "reference book") of verified information about the Russian nuclear industry.

Gathering the information

To decide what information to gather for an integrated report, organizations need to consider materiality (see 'Preparing the Report' later in this section). They also need to look at how existing reporting processes and reports (such as internal reports, sustainability reports and financial statements) will fit into the Integrated Reporting process so as to avoid duplication and overburdening resources.

The value of quantitative data

Quantitative indicators, such as Key Performance Indicators (KPIs) and monetized metrics, and the context in which they are provided, can help to explain how an organization creates value and how it uses and affects various capitals (resources and relationships).

While quantitative indicators are included in an integrated report whenever it is practicable and relevant to do so, it is important to note that the ability of the organization to create value can best be reported through a combination 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.

Gap analysis

New preparers often undertake a 'gap analysis' between their current reporting and the <IR> Framework to help decide what information (quantitative and qualitative) to include in their integrated report and to identify new KPIs where the entity has previously not set them or has only used financial KPIs.

The following four questions can help this analysis:

- What is the entity's strategy and what are the priorities?
- What information is required internally?
- What information is required externally?
- What information is currently available e.g. strategic plans, sustainability reports, annual reports?

Once the gap analysis has determined the information that already exists in the entity and what is required, decisions can be made on how quickly the gaps can be bridged, with the most critical information being prioritised.

"<IR> is using smarter non-financial information and KPIs and integrating these with the financial data to understand the full value that we create,

John Lelliott, Finance Director, The Crown Estate.



The Crown Estate

The Crown Estate is a UK-based independent, commercial business, created by an Act of Parliament and returning all its profit to the Treasury. It has an extensive portfolio of assets, including London's West End, regional retail, rural land, half the foreshore and the UK seabed.

The Crown Estate's first integrated report focused on the business model, material issues, connectivity, and the benefits of integrated thinking. Its second placed more emphasis on setting out its vision and strategic objectives, understanding the markets it works in and the relationships and resources it relies on to create value.

The organization emphasises the quality of information over quantity, and its second report was more concise than the first.

Pictorial representation of the steps from integrated thinking to Integrated Reporting



Source: The Crown Estate

In order to understand, measure and communicate how it creates value (to its business and society) beyond financial return, The Crown Estate has adopted an approach called Total Contribution.

Since launching its initial Total Contribution report in 2013, it has been working to evolve the approach into a useful tool for decision-making, as-well as a measure of positive impact. It has:

- Deepened the classification of data falling under the headings of Economic, Social and Environmental to align with all six of its Resources and Relationships (its capitals) – financial resources, physical resources, natural resources, its people, know-how and networks
- Increased the number of performance indicators from 12 to 62 to enhance its understanding of the impact it has and improve the balance of its data
- Worked towards Total Contribution becoming one of its key performance indicators, allowing it to measure its relative performance against a firm baseline and understand whether it has made a positive impact in the UK.

The Crown Estate has found there are important steps involved in integrated thinking and Integrated Reporting, as illustrated in the diagram (left).

Detail on the evolution of The Crown Estate approach to <IR> and Total Contribution is available on request from Jane Baptist, Deputy Head of Sustainability:

jane.baptist@thecrownestate.co.uk

Preparing the report

The <IR> Framework gives guidance on content to include and how to present information (see page 22).

Because the precise content of an organization's integrated report will depend on its individual circumstances, the Content Elements are presented in the form of questions rather than as checklists of specific disclosures. This enables flexibility in the way that entities tell their story.

The eight Content Elements all link to and affect each other. They encourage integrated performance management based on integrated thinking. The Content Element questions also serve as a completeness check – that is, does your report provide answers to each question?

The <IR> Framework offers suggestions on what information could be covered by each content element. The <IR> Framework does not prescribe the structure of an integrated report. This is determined by the entity's unique value creation story and by the information to be included.

Experienced reporters have structured their reports in a variety of ways, for example, around their strategic objectives, strategic themes, the capitals, their value chain, etc. Regardless of the chosen structure, leading reporters ensure that all relevant Content Element information is included.

Focusing on material matters

If an integrated report is too long, it either won't get read or the details will overwhelm the salient messages, so entities need to restrict themselves to covering material matters only. This improves internal and external decision-making by eliminating extraneous information and focusing disclosures on the core issues managed by the organization.

As explained in the IIRC/IFAC publication – *Materiality in <IR>*, deciding on report content involves:

- Establishing parameters for the materiality determination process
- Filtering matters by identifying their relevance, evaluating their importance and prioritizing them accordingly
- Setting the reporting boundary
- Determining disclosures.

The interpretation of materiality varies across report forms due to differences in audience, purpose and scope. In <IR>, a matter is material if it could substantively affect the organization's ability to create value in the short, medium or long term. The process of determining materiality is entity specific and based on industry and other factors, as well as multi-stakeholder perspectives.

Embedding the materiality determination process into management processes can enhance the efficiency and effectiveness of decision-making and reporting. The extent to which integrated thinking underpins the materiality determination process, and is linked to board and management discussions, is also important.

Role of the audit committee

The audit committee has a significant role in overseeing reporting processes, related risks and accountabilities across all forms of disclosure. Under <IR>, that role has a greater focus on the importance and credibility of a broader set of information, some of which may not previously have been subject to the oversight of the board and its audit committee.

The audit committee can ensure that key information for the organization (across all the material capitals) moves towards the highest level of quality and connectivity. It can do this by establishing and maintaining effective risk management and internal control over the relevant reporting processes and systems and by taking a holistic approach to the review of the content.

Maritime and Port Authority of Singapore (MPA)

The Maritime and Port Authority of Singapore (MPA) initially set out to develop sustainability reporting, forming a Sustainability Office in 2014. However, this quickly evolved into a broader <IR> initiative.

When starting its <IR> journey, MPA went back to basics to determine who its stakeholders were, the materiality considerations, capitals, activities and how these aligned to the outcomes the authority wanted to achieve.

After several focus group discussions, it became clear that the <IR> journey required a stocktake of the MPA internal strategy map. As well as reporting on its sustainability initiatives, MPA decided to use the <IR> Framework to communicate its “Future ready” narrative. This brought the various Divisions – which perform their separate but important functions – together within a common strategy.

What began as the development of an externally focused report was therefore transformed into an internally focused report as well. Thus, it was decided that half would be written for MPA’s external stakeholders such as customers, suppliers, vendors, other government agencies and the public, while the second half would be for employees.

One critical success factor was the tenacity of the handpicked team that worked tirelessly to contribute the various elements of the report. There were many rounds of drafts involving discussions, disagreements, confusion, clarifications, fine tuning, internal clearance, design, infographics and photo selection.

Through the process, MPA identified gaps in its strategy, activities not aligned to outcomes and outdated KPIs which needed revision. Although individually each could be seen as a challenge, the final outcome was a more robust view of areas for improvement and the strengths that MPA should continue to focus on. Cost-saving initiatives were also identified.

Ultimately, the <IR> process allowed MPA to refocus on its value proposition – and be clear about what, as a public agency, it was set up to do.

“Through the process of preparing our report, we were able to identify areas for improvement to our strategy and achieve better alignment across divisions to reach the outcomes we were aiming for.

Yvonne Chan, CFO, MPA



Learning the lessons

Holding a Post Implementation Review (PIR) is best practice when introducing any new process, service or product. The introduction of <IR> is no exception, particularly as it is likely to involve collecting new sources of information and combining information in new ways through new reporting approaches and formats. Experience shows that organizations learn many lessons along the way.

By conducting a PIR, entities can make their <IR> reporting process more efficient and effective. They can also share insights into the benefits that <IR> brings. Because <IR> is a journey, organizations are likely to continue learning as their approach develops and matures over a number of reporting cycles.

Learning from experience

Insights gained from organizations that are already experimenting with <IR> suggest that certain things have a significant impact on the speed of progress and the benefits for the organization. These include:

- **Strong Leadership:** to provide focus and energy and ensure the benefits of adopting <IR> are realized
- **Formation of a steering group:** <IR> initiatives are more likely to make good progress if members are drawn from across the organization – for example, they often include: finance (which tends to play a key role), sustainability, strategists, internal audit, legal, communications, and people with particular expertise

Individuals with a comprehensive knowledge of the entity from cross-disciplinary functions are also valuable members
- **Accountability allocated to a senior executive:** someone from the executive team who will ultimately be responsible for the report, helped by the steering group
- **Engagement with stakeholders:** including employees and functional units across the organization to encourage and embed integrated thinking so that the organization can improve decision making and better understand the value it creates over time
- **External representation:** this includes challenging the readability of an <IR> report through use of a peer reviewer (whether external consultant, stakeholder panel or internal employee group). Taking upfront advice from a ‘critical friend’ when planning the <IR> reporting process can be particularly helpful.

“<IR> provides a holistic method for explaining how the organization is doing, and how the management team thinks it will do in the future.... It takes into account the connectivity and interdependencies between the range of factors that have a material effect on an organization’s ability to create value over time.

Bob Laux, Senior Director of Financial Accounting and Reporting,
Microsoft Corporation



Eskom Holdings SOC Ltd

Eskom, South Africa's largest state-owned enterprise, generates approximately 90% of the country's electricity. It has been reporting on non-financial performance (including sustainability information) for more than 20 years, and joined the IIRC's Pilot Programme in 2011. It has released its fifth integrated report which includes comprehensive but concise information on Eskom's business model, stakeholder engagement and material matters, leadership and governance as well as historic performance and future outlook.

Standardising processes and data is one hurdle that Eskom has successfully tackled, although it requires constant focus. The company's <IR> process is overseen by a steering committee which is chaired by the Chief Financial Officer and includes members of the executive management team. Content is gathered from a working group of numerous data and information owners from across the organization.

Eskom applies a combined assurance approach in the preparation of its integrated

report. The report as a whole is not externally assured, although KPIs contained in the shareholder pack are assured by the external auditors, subject mainly to reasonable assurance, while the internal auditors assure the balance of the KPIs and the report as a whole. However, numbers that are externally sourced where Eskom cannot verify the data, such as indirect job creation or economic impact, are still proving a challenge, and remain an area of focus in its future reporting development.

Like other <IR> Pilot Programme and Business Network organizations, Eskom has found that commitment from the top is imperative.

Eskom's commitment to <IR> and to transparent and balanced reporting has been driven by its executive management, which eased the way for the reporting team. Winning local reporting awards, including the top state owned company integrated report for a number of years running, has helped raise the visibility of reporting within the organization, and increased involvement.

“The <IR> Framework has made us reconsider the concept of value creation, and specifically, how we apply the capitals to create value for all our stakeholders. It encouraged us to explicitly consider the trade-offs between operational requirements, and financial, natural and human capital in particular. As the primary provider of electricity in South Africa, we have to remain sustainable in the long term, and we cannot achieve that without managing our impact on all the capitals.

Martin Buys, General Manager: Financial and Management Reporting, Eskom



How to get involved?

<IR> is now gaining extraordinary global momentum. With over one-third of global GDP being spent by the public sector, the time is right to explore how the benefits already being experienced by businesses implementing <IR> can be extended to public sector organizations.

The 'Resources used' section at the conclusion of this report highlights a selection of resources that public sector organizations and others will find useful in facilitating integrated thinking and reporting.

In collaboration with the Chartered Institute of Public Finance and Accountancy (CIPFA) the IIRC launched the Public Sector Pioneer Network for those public sector organizations who wish to learn more about <IR> and integrated thinking and explore how it can benefit their own reporting.

For more information on how to join the <IR> Public Sector Pioneer Network see the IIRC website: www.integratedreporting.org or e-mail: publicsector@theiirc.org

Glossary

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

Term	Definition
Accountability	The obligation of public sector entities to the citizens and other stakeholders to account, and be answerable to, democratically chosen supervisory bodies, for their policies, decisions, and actions, particularly in relation to public finances.
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.
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 the <IR> Framework as financial, manufactured, intellectual, human, social and relationship, and natural.
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.
Governance	The arrangements* put in place to ensure that the intended outcomes for stakeholders are defined and achieved. *includes political, economic, social, environmental, administrative, legal, and other arrangements.
Governing body	The person(s) or group with primary responsibility for overseeing an entity's strategic direction, operations, and accountability.
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.
Inputs	The capitals (resources and relationships) that the organization draws upon for its business activities.
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.
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.
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.
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.

Outcomes	The internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs.
Outputs	An organization's products and services, and any by-products and waste.
Public sector	National governments, regional (state, provincial, territorial) governments, local (city, town) governments and related governmental entities (agencies, boards, commissions and enterprises).
Public sector entity	One or more legal bodies managed as a coherent operational entity with the primary objective of providing goods or services that deliver social benefits for society.
Stakeholders	Those groups or individuals that can reasonably be expected to be significantly affected by an entity's activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the entity to create value over time.
State-owned enterprise	A legal entity that is created by a government in order to undertake commercial activities on the government's behalf, which can be either wholly or partially owned by a government.
Sustainability	The capacity of an individual entity, community, or global population to continue to survive successfully by meeting its intended economic, environmental, and social outcomes while living within its resource limits.
Value creation	The process that results in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs.

Resources used

The IIRC and CIPFA would like to thank the authors of this paper, Grant Patterson, director at Grant Thornton and former IIRC Public Sector Programme Lead and Ian Carruthers, Chair, CIPFA Standards.

The listing below highlights a selection of resources that public sector organizations and others will find useful in facilitating integrated thinking and reporting. Cited resources, tools, and articles, can be found within the resources section of the IIRC website or via the website of the named organization.

International Integrated Reporting Council (IIRC)

- International <IR> Framework: www.integratedreporting.org/resource/international-ir-framework
- IIRC Resources: www.integratedreporting.org/resources
- <IR> Examples Database: www.examples.integratedreporting.org/home
- *Materiality in <IR>: Guidance for the preparation of integrated reports*, produced by the IIRC and the International Federation of Accountants
- *Assurance on <IR>: Overview of feedback and call to action* – summarizes significant matters raised in the debate engendered by the IIRC's Assurance on <IR> publications: *Assurance on <IR>: an introduction to the discussion* and *Assurance on <IR>: an exploration of issues* www.integratedreporting.org/resource/assurance
- *<IR> Creating value* series brings together trends, research, market views, and case studies on integrated reporting as part of an on-going series of publications highlighting the practical outcomes of adopting integrated reporting. www.integratedreporting.org/resource/creating-value-board
- *Realizing the benefits: The Impact of Integrated Reporting* – provides a comprehensive review of lessons learned from the experiences of organizations implementing <IR>. www.integratedreporting.org/resource/realizing-the-benefits-the-impact-of-integrated-reporting

International Federation of Accountants (IFAC)

Creating value with integrated thinking – The role of professional accountants

International Auditing and Assurance Standards Board® (IAASB®)

Exploring assurance on Integrated Reporting and other emerging developments in external reporting – informs stakeholders about the IAASB's on-going work on this topic.

Chartered Global Management Accountant (CGMA)

CGMA Briefing: Integrated thinking – provides the business case for integrated reporting and thinking.

Deloitte

- *A directors' guide to Integrated Reporting* – provides guidance on how to unleash the real benefits that businesses have seen behind integrated reporting
- *Integrated Reporting as driver for Integrated Thinking – Maturity of <IR> in the Netherlands 2015* (MVO Nederland).

EY

Integrated Reporting, elevating value – a guide to Integrated Reporting through the lens of a multiple capital approach to value creation.

Institute of Chartered Accountants of England and Wales (ICAEW)

'Rethinking Capitals' web pages provide resources that explore different forms of capital and their interactions.

Integrated Reporting Committee of South Africa

Preparing an integrated report: A starter's guide – assists new preparers of integrated reports with suggestions for planning and preparing an integrated report drawing on the wisdom of some of South Africa's most experienced reporters.

KPMG

Integrated reporting collection of publications introducing the benefits of Integrated Reporting and how to implement it.

PwC

Implementing Integrated Reporting: PwC's practical guide to a new business language – provides guidance on implementing a holistic business management system based on integrated reporting.

South African Institute of Chartered Accountants (SAICA)

Integrated thinking: An exploratory survey – examines the benefits that South African companies are experiencing using integrated thinking

United Kingdom Green Building Council

How to implement Integrated Reporting in your organization – records the outputs from a masterclass held in February 2015 to give guidance on how to implement integrated reporting

UN Environment Programme (UNEP)

Charter of the Group of Friends of Paragraph 47 reaffirms the Group's intention to contribute to the advancement of an international culture of corporate transparency and accountability.

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